

POLICY FOR TRADE CAPACITY BUILDING



USAID
FROM THE AMERICAN PEOPLE

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SEPTEMBER 2016




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LIST OF ACRONYMS

A4T/AFT	Aid for Trade	OECD	Organization for Economic Cooperation and Development
AGOA	African Growth and Opportunity Act	OPIC	Overseas Private Investment Corporation
ASEAN	Association of Southeast Asian Nations	PFM	Public Financial Management
ATI	Addis Tax Initiative	PPL	USAID's Bureau for Policy, Planning, and Learning
ANSI	American National Standards Institute	RADDEx	Revenue Authorities Digital Data Exchange
BFS	USAID's Bureau for Food Security	RDSCS	Regional Development Cooperation Strategy
CAFTA-DR	Dominican Republic-Central America Free Trade Agreement with the United States	RTA	Regional Trade Agreement
CACM	Central American Common Market	SDG	Sustainable Development Goal
CDCS	Country Development Cooperation Strategy	SME	Small- and Medium-sized Enterprise
COMESA	Common Market for East and Southern Africa	SPS	Sanitary and Phytosanitary Standards
DRM	Domestic Resource Mobilization	STAR	Support for Trade Acceleration Project
E3	USAID's Bureau for Economic Growth, Education, and Environment	TBT	Technical Barriers to Trade
EAC	East African Community	TCB	Trade Capacity Building
EU	European Union	TFA	Trade Facilitation Agreement
EIF	Enhanced Integrated Framework (for trade-related technical assistance to LDCs)	TPP	Trans-Pacific Partnership
ECOWAS	Economic Community of West African States	TRR	USAID's Office for Trade and Regulatory Reform within the E3 Bureau
FDI	Foreign Direct Investment	TRTA	Trade-related Technical Assistance
FTA	Free Trade Agreement	UEMOA	West African Economic and Monetary Union (Union Economique et Monétaire Ouest Africaine)
FTF	U.S. Presidential Feed the Future Initiative	USAID	United States Agency for International Development
GATT	General Agreement on Tariffs and Trade	USG	United States Government
GEFE	Gender Equality and Female Empowerment	USTDA	United States Trade Development Agency
GIG	Governance for Inclusive Growth	USTR	United States Trade Representative
GDP	Gross Domestic Product	WTO	World Trade Organization
GNP	Gross National Product		
GVC	Global Value Chain		
HOPE	Haitian Hemispheric Opportunity for Partnership Encouragement Act of 2006		
ICT	Information and Communications Technology		
LDC	Least Developed Country		
MCC	Millennium Challenge Corporation		
MERCOSUR	Southern Common Market (Mercado Común del Sur)		
NAFTA	North American Free Trade Agreement		

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A man with a mustache, wearing a green jacket, is shown in profile, looking out over a vast field of solar panels. The scene is bathed in the warm, golden light of a sunset or sunrise. His hands are clasped together in front of him. The background shows rows of solar panels stretching towards a horizon with some trees in the distance.

WE PARTNER TO
END EXTREME POVERTY
AND TO PROMOTE RESILIENT, DEMOCRATIC
SOCIETIES, WHILE ADVANCING OUR
SECURITY AND PROSPERITY.

USAID Mission Statement, 2014

PHOTO: BOBBY NEPTUNE FOR USAID



EXECUTIVE SUMMARY

Trade contributes to sustainable economic growth, job creation, productivity gains, higher incomes, improved health outcomes, greater food security, women’s empowerment, better governance, and many other development objectives. The UN 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda highlight the critical role that international trade and private sector investment play in helping to meet the world’s goals. By dedicating resources to help host countries participate more effectively in global trade, USAID can bolster developing countries’ ability to achieve their development goals. USAID is a leader among U.S. agencies in providing this support, with staff working in more than 100 countries around the world.

This policy document, *USAID’s Trade Capacity Building Policy (TCB)* updates USAID’s first TCB Strategy published in 2003. USAID recognized in 2003 the powerful force for economic growth that integration into the global economy offers to developing countries—as it still does today. Although many aspects of the 2003 Strategy remain relevant, the world has changed and the nature of trade has evolved, with e-commerce, services, and the dispersion of production across multiple countries in integrated global value chains (GVCs). The role of the private sector in the attainment of development objectives has also grown in importance; as buyers, sellers, and investors, private entities are helping developing country goods and services reach global markets. Producers in developing countries have become more connected to, and integral to, global supply chains. Trade agreements have proliferated, especially regional and bilateral agreements, with ever-broadening scope and complexity. Environmental concerns over environmental impacts have grown more important and complex and have generated greater numbers of active constituents and related policies.

In the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, the Congress recognized the important role of TCB in addressing the complexity of trade agreements by instructing the Administration to provide technical assistance on a range of issues including “customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, intellectual property rights, labor, and the environment.” Reductions in import and export tariffs have shifted the focus of fiscal policies from trade taxes to domestic taxes and heightened the importance of trade facilitation for revenue mobilization. More donors and private sector sources have committed resources to supporting TCB, and the share of such support delivered through regional platforms has risen steadily.

The United States has been a leader in supporting developing countries' integration into the rules-based global trading system. It has done so by assisting them in their accession to the World Trade Organization (WTO), knowledgeably participating in trade negotiations, and effectively implementing their WTO obligations. Most notable in the latter regard are those elements of the WTO that are particularly relevant and challenging for developing countries, such as the Agreement on Technical Barriers to Trade (TBT) and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS). The conclusion, in 2013, of the WTO Trade Facilitation Agreement (TFA), has refocused USAID's efforts toward implementation of the TFA's provisions. USAID has also been active in supporting bilateral and regional trade liberalization initiatives such as the Dominican Republic-Central American Free Trade Agreement with the United States (U.S.-CAFTA-DR).

In addition, the United States has also helped developing countries and their citizens respond effectively—as producers, sellers, buyers, and investors—to the opportunities that exist in the global marketplace. This will continue to be an important focus for USAID as it supports the

implementation of regional and mega-regional agreements negotiated by the United States.

USAID's field presence and longstanding relationships with host governments and other local development partners serve as a foundation for the Agency's leadership role in development. Nonetheless, approximately 16 other departments and agencies of the U.S. Government such as the Departments of State and Agriculture and the Millennium Challenge Corporation (MCC) also provide trade capacity building support to more than 70 countries worldwide.

USAID works to leverage the power of the global marketplace to help bring about an end to extreme poverty and build resilient, democratic societies—and to do so cost-effectively. The role that trade plays in all of our development programs is significant and USAID has an important role to play in connecting the developing world to global producers and consumers. Yet USAID's resources that specifically support trade capacity building have diminished, despite specific regional upticks and the important role that trade plays in all of our development programs.

DEFINING KEY TERMS

TRADE CAPACITY BUILDING (TCB)

Assistance to developing countries and their citizens to enable them to engage more effectively in trade.

Donors use a variety of terms to refer to this assistance, including Trade-related Technical Assistance (TRTA) and Aid for Trade (A4T). The term "Trade Capacity Building" was prominent at the launch of the World Trade Organization's (WTO) Doha Development Agenda round of negotiations in November 2001. For consistency purposes, USAID has elected to use that term throughout this document as USAID, and the U.S. Government more broadly, have used this term for more than 15 years.

AID FOR TRADE (A4T OR AFT)

An initiative launched following the 2005 WTO Ministerial in Hong Kong, at which countries agreed to expand aid to help developing countries increase exports of goods and services and achieve developmental progress through trade.

The A4T initiative, led by the WTO in collaboration with the Organization for Economic Cooperation and Development (OECD) aims to mobilize donor resources to reduce the infrastructure and productive capacity constraints that hamper developing countries' ability to engage in trade and participate in regional and global value chains. Some donors and governments use A4T and TCB interchangeably; many donors have adopted A4T in place of TCB. However, USAID uses A4T in this Policy to refer specifically to the international, multi-donor initiative.



PHOTO: THOMAS CRISTOFOLETTI FOR USAID

GLOBAL VALUE CHAIN (GVC)

The full spectrum of value-added activities required to bring a product from its conception, through design, sourcing raw materials and intermediate inputs, production, marketing, distribution and support, to its final consumers.

The complexity of the value chain and the business relationships among the various components also vary from industry to industry and company to company. Similarly, a value chain can also span enterprises in a local economy or a regional grouping of economies. Value chains become “global” when their component activities spread across several economies.

TRADE FACILITATION

The WTO defines trade facilitation as “the simplification and harmonization of international trade procedures” covering the “activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.”

Over the past decade, this term has become associated with activities involved in streamlining the physical movement of goods across borders

Efforts to promote economic growth through trade agreements and expanded global trade have economic and strategic benefits for the United States, including increasing market access and opportunities for U.S. companies. USAID also knows that there are economic, social and political costs in failing to promote inclusive growth.

This Policy outlines USAID's approach to trade capacity building activities and highlights the critical linkages between trade issues and development programming. The Policy draws upon the guidance from the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (see quote below), and from lessons learned from experience, evaluations, and research about the effectiveness and utility of TCB assistance to developing countries.

USAID's goal for TCB assistance is to increase the capacity of developing countries to harness global economic forces to accelerate broad-based inclusive growth, increase incomes, and reduce poverty.

In pursuit of this goal, USAID's trade activities will continue to help countries meet three strategic requirements for benefiting from the global trading system: (1) implementing trade agreements, (2) facilitating trade flows, and (3) enhancing economic responsiveness. USAID's TCB assistance will be coordinated and often integrated with other USAID programs. This will minimize the risk that trade barriers will hinder the success of those programs while at the same time will support the country's trade more generally.

Implementing trade agreements. At their core, modern trade agreements embody best practices for an export-led economic growth strategy. The process of implementing trade agreements is complex, however, entailing the translation of provisions into countries' statutory and regulatory systems as well as to ensure the effective implementation of those provisions in practice. USAID's role is to assist developing countries to fulfill their commitments under these agreements—including in areas such as labor and environmental protection—while also addressing gender gaps.

Facilitating trade flows. Trade agreements alone do not automatically link developing countries to the global market place. Traders must be able to move goods and provide services across borders with minimal delay. Traders must be able to meet market demands such as those for quality and packaging as well as comply with necessary regulations in the most transparent and least trade restrictive manner possible. Governments should reduce delays at the border to only what is necessary to ensure the security, health, and safety of their citizens. USAID TCB activities focus on facilitating the movement of goods across borders and helping developing country governments implement trade agreement commitments in a transparent, efficient, and gender-equitable manner. USAID also links TCB activities with public financial management reforms to support government efforts to reduce tariffs and improve the efficacy of border tax collections, while ensuring that they have sufficient revenues to fund needed government expenditures.

All countries will benefit when we open markets further, extend and enhance tools such as the African Growth and Opportunity Act (AGOA), and reduce inefficiencies in the global trading system through trade facilitation improvements. ... [W]e will continue to work closely with governments, the private sector, and civil society to foster inclusive economic growth, reduce corruption, and build capacity at the local level. Investment in critical infrastructure and security will facilitate trade among countries, especially for developing and emerging economies.

National Security Strategy, 2014

PHOTO (NEXT PAGE): U.S. GOVERNMENT



Enhancing economic responsiveness.

Both developing and developed countries benefit by increasing their ability to take advantage of trade opportunities. Traditionally USAID's TCB assistance has targeted support for exporters in developing countries¹. While USAID has and will continue to prioritize agriculture and other labor-intensive sectors, including services, it has increasingly recognized the importance of focusing on facilitating imports and intra-regional trade. Imports are important because of the role that inputs play in expanding export opportunities. Similarly, developing countries often can meet the demand in other developing countries for imports; intra-regional trade is therefore another means of improving developing countries' productive capacity and helping them diversify into non-traditional exports. Overall, USAID seeks to foster better linkages between producers and international buyers, elevate producers' ability to meet international standards and norms, and assist developing country producers to take advantage of trade preference programs.

USAID strives to ensure that these and other TCB activities benefit the poor and disadvantaged, including women, to the greatest extent practicable. USAID recognizes that trade agreements and other interventions such as policy reforms sometimes result in an unequal distribution of gains, but taken together, they confer significant positive aggregate economic benefits. As a result, USAID will continue to identify gender and other socio-economic implications, and make distinct efforts to address these while also ensuring that the extreme poor are able to derive the greatest possible benefits

from increased trade by endeavoring to ensure that the benefits are as inclusive as possible. In those cases where distributional losses are unavoidable, USAID will support efforts to provide adjustment assistance. For example, USAID will seek to analyze the impacts of programs aimed at increasing a country's imports to determine whether a complementary or companion program is needed to help those initially negatively affected by the increased competition. In addition, USAID will seek to integrate and coordinate with a range of other development programs and donors to complement USAID's efforts to reduce poverty and foster resilient, food-secure, and democratic societies through trade. USAID efforts in this area will include programs supporting macroeconomic management and workforce development, which enables individuals, particularly youth, to acquire knowledge, skills, and attitudes for gainful employment or improved work performance in decent jobs.

The investments made by the United States in building trade capacity in the developing world will pay significant future dividends. TCB funding is an investment in more stable, economically viable, food-secure, and better-governed countries that function within a rules-based global economic system. USAID's dedication and efforts to ensure that trade lifts the world's poorest out of poverty, providing them with resources that help them plan for and prepare for the future, will serve to achieve USAID's mission of ending extreme poverty and promoting resilient, democratic societies while advancing U.S. security and prosperity.

In order to address and maintain United States competitiveness in the global economy, the President shall ... direct the heads of relevant Federal agencies... to work to strengthen the capacity of United States trading partners to carry out obligations under trade agreements by consulting with any country seeking a trade agreement with the United States concerning that country's laws relating to customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, intellectual property rights, labor, and the environment; and to provide technical assistance to that country if needed.

***Bipartisan Congressional Trade Priorities and Accountability Act of 2015,
PUBLIC LAW 114-26—JUNE 29, 2015***

PHOTO (NEXT PAGE): RICCARDO GANGALE FOR USAID KENYA







INTRODUCTION

TRADE AND DEVELOPMENT

Inclusive economic growth is a crucial component for the achievement of poverty reduction and the improvement of people's lives. Poor countries cannot lift large populations out of poverty without growth. In turn, economic growth, among other things, requires engagement with the global economy to import knowledge and technology, access markets, and generate a strong export sector—particularly critical in the early stages of growth². A large body of empirical evidence demonstrates that TCB assistance increases exports, stimulates investment, increases productivity, and generates significantly higher revenues and incomes for firms and workers connected to international or regional value chains. In an independent evaluation of USAID TCB assistance conducted in 2010, evaluators concluded that an additional \$1 in TCB assistance was associated with a \$42 increase in the value of developing country exports two years later.³

Economies that are more open to trade generate higher economic returns for their workers, entrepreneurs, investors, and societies as a whole. Through trade and the competition it engenders, countries are able to better allocate their labor, entrepreneurial energies, and other resources to their most productive uses. Trade allows individuals to specialize in the goods and services they produce relatively efficiently, while importing what they produce relatively inefficiently. In addition, participation in international trade networks and value chains gives local producers access to new productive knowledge and information technologies, investment capital, and inputs of better quality at better prices. This in turn empowers them to innovate, diversify, and continuously improve the quality and value of what they sell.

Trade and investment are the principal mechanisms through which global market forces—competition, human resource development, technology transfer, and technological innovation—generate growth in developing and developed countries.

Building Trade Capacity in the Developing World, USAID, 2003

The lesson of our time is clear: When nations close their markets and opportunity is hoarded by a privileged few, no amount -- no amount -- of development aid is ever enough. When nations respect their people, open markets, invest in better health and education, every dollar of aid, every dollar of trade revenue and domestic capital is used more effectively... Trade brings new technology, new ideas and new habits, and trade brings expectations of freedom. And greater access to the markets of wealthy countries has a direct and immediate impact on the economies of developing nations.

President George W. Bush,
International Conference on Financing for
Development, Monterrey, Mexico,
March 22, 2002

The World Trade Organization (WTO) serves as the framework for USAID's engagement on trade issues. The WTO and its members recognize that open trade is not an end in itself. Trade is linked to crucially important human values and sustainable development goals captured in the WTO's founding document, the Marrakesh Agreement. These goals include raising living standards, ensuring full employment, using the world's resources sustainably, and protecting the environment. WTO members thus established at the outset an explicit link between sustainable development and disciplined trade opening—in order to ensure that market opening goes hand in hand with environmental and social objectives.

Trade also contributes to reaching other USAID development goals. The Sustainable Development Goals (SDGs) adopted in September 2015 speak to the linkages between trade and development. The SDGs recognize that international trade is a component of achieving inclusive and sustainable development in the coming decades and reaffirm that trade is one of the essential means of implementation of a sustainable development strategy.

From 1990 to 2010, the share of the world's population living in extreme poverty dropped from 35 percent to less than 15 percent, and 900 million people rose above the international poverty line.⁴

Extraordinary trade-led growth in China, India, and other large, emerging markets fueled much of this reduction. Many smaller countries also shared in these gains; since 2001, 31 low-income countries have "graduated" to middle-income status.⁵

Despite such progress, further advances are still possible through improved and expanded trade. Studies estimate that developing countries could create more than 18 million jobs by improving the flow of merchandise exports alone. Liberalizing services trade could potentially create another 5 million jobs in non-OECD countries.⁶ Reducing global trade costs by 1 percent would increase worldwide income by more than \$40 billion, most of which would accrue in developing countries. In some African countries, estimated revenue losses from inefficient border procedures exceed 5 percent of GDP.⁷

The diversity of a country's trade networks is a much stronger predictor of economic growth than other commonly cited variables, including the World Bank's World Governance Indicators, human development indicators, or the World Economic Forum's Global Competitiveness Index.⁸ This does not mean that governance, human capital, and competitiveness are any less important as individual factors in the development process. However, it does mean that when increasingly diversified participation in international trade occurs in tandem with improvements in governance, education, and competitiveness, the collective development impact is greater than the impact of any of the individual parts.

Trade and regulatory reforms also have strong linkages to public health and the environment. Legal and regulatory barriers also frequently impede the flow of goods and services across borders for development purposes. For example, health systems rely on a regular and predictable supply of essential medicines, which are often imported and which frequently raise issues of intellectual property rights. Customs and regulatory border agencies are key to continuing a reliable flow of these goods, preventing counterfeit products from entering the market and ensuring a proper cold-chain for temperature-sensitive goods. Likewise, a country can expedite the much-needed movement of humanitarian supplies into its territory at a time of great need, by having transparent and predictable border procedures in place.

At the same time, poor border controls, for example, that seem to permit wildlife poaching and trafficking, often puts local communities in harm's way, deterring tourism and generating income for organized crime. USAID will use trade assistance activities to facilitate flows of food, medicine, and other critical goods and improve customs risk management and detection, which will help address wildlife trafficking, human trafficking, or other illegal activities that undermine the livelihoods and resilience of the poor. This is why trade implications should be considered in the design of our programs and trade capacity activities should be incorporated where appropriate.

We know trade is vitally important to our economy, but it is also a critical tool to reduce global poverty. As the United States continues to make progress negotiating with our trade partners across the Pacific and the Atlantic, we must ensure that these agreements benefit U.S. workers and consumers but do not undermine our efforts to promote development in low-income countries or weaken the multilateral trade system that is so crucial to global prosperity.

President Barack Obama,
State of the Union Address, 2014

CONTRIBUTION TO ENDING EXTREME POVERTY AND FOSTERING INCLUSIVE GROWTH

Trade benefits extremely poor households both directly and indirectly. A study by the Peterson Institute for International Economics estimates that global free trade could lift as many as 500 million people out of poverty and inject \$200 billion annually into the economies of developing countries.⁹ Trade provides employment possibilities for both women and men in export-oriented value chains and opportunities for sales of farm products and other household-produced goods to those value chains. It can provide improved access to affordable, high-quality food, medicines, and other consumer goods critical to the poor. It may also increase their effective purchasing power and increase their resilience to local and external risks.

Trade also facilitates access to other manufacturing inputs and intermediate goods, services, and technologies used in local productive activities. In short, trade creates new and expanded competitive marketplaces for goods and services, which benefit the poor.

It is important to recognize that expanded participation in global and regional trading systems entails a different set of risks for the extreme poor. In an economy closed to trade, poor farming

communities and urban consumers who rely on locally produced food and other products are highly vulnerable to conflict or natural disasters that affect farm outputs. In a more open system, poor urban households' resilience is improved by access to alternative imported food supplies, recognizing that in some cases poor rural households' resilience may be negatively affected—at least in the short-run—by increased import competition. Because it may take longer for rural households to adjust their lives to take advantage of new opportunities created by trade, it is critical for USAID and its partners to understand these distributional impacts. They can then sequence TCB support appropriately to mitigate short-term risks and position the poor to benefit from the long-term benefits of trade integration.

USAID's TCB programs do not provide significant funding for trade adjustment, instead USAID may work alongside other donors—for example, the United Nations and the World Bank—that support activities in this area. USAID also has an extensive portfolio of programs relating to workforce development and positive youth development, many of which assist men and women, including youth, to adapt to the challenges and opportunities arising from regional or global trade shifts. Since 2008, USAID has obligated more than \$925 million for workforce development programs. Workforce development projects are currently active in at least 45 countries.

WORKFORCE DEVELOPMENT IN ACTION

In 2014, USAID signed a landmark public-private partnership with McKinsey Social Initiative to support Generation, a youth employment initiative in **Kenya**, **Mexico**, and **India**. In each country, Generation works with employers to meet their core human resource needs and place vulnerable youth in jobs after completing a hands-on program. For example in **Kenya**, 500 students graduated in 2015 in financial sales; they had a 100-percent job placement rate by graduation, and Generation is expanding the program to other sectors. In **Jordan**, USAID's Workforce Development project is strengthening curricula, improving labor market information systems and career counseling, and improving workplace safety for women and youth in technical and vocational sectors. In **Rwanda**, through USAID's Azaki Kanoze project, youth receive market-relevant life and work readiness training and support, hands-on training opportunities, and links into the employment and self-employment job market.



PHOTO: LWR / JAKE LYELL

CONTRIBUTION TO RESILIENT AND DEMOCRATIC SOCIETIES

Trade and TCB can make important contributions to USAID's closely related development goal of promoting resilient and democratic societies. Diversification of exports and trade networks, for example, can reduce vulnerability to the loss of individual markets due to changing competitiveness and international price fluctuations. Import diversification can reduce vulnerability to natural disaster and the loss of critical sources of supply, increasing food security and economic resilience. Trade strengthens the resilience of poor households by reducing the costs of food, medicines, and other necessities.¹⁰

Participation in a rules-based trading system necessitates adherence to standards for transparency and accountability. Many countries have found that adhering to these rules requires the establishment of more inclusive, representative, and democratically accountable policy and governance systems.¹¹ TCB activities can thus promote accountability and transparency in trade-related processes, including policymaking and border clearance, reducing opportunities for corruption, as they also improve governance in local systems more generally. Consumers in major export markets increasingly care whether they purchase legally and sustainably harvested natural resource products. USAID TCB assistance can and should ensure that countries are able to address the sustainable sourcing issue through the development and use of standards that are compliant with WTO and other international obligations.

ADVANCING AMERICA'S SECURITY AND PROSPERITY

Trade plays a key role in the American economy and any TCB assistance must consider U.S. trade policy and foreign relations. USAID's success in helping developing countries expand their international trade networks creates powerful new opportunities for economic growth for both the United States and recipient countries. Participation in increasingly diverse, complex, and well-regulated global value chains increases countries' incentives to resolve differences peacefully. Participation in the WTO and other international trade institutions provides equal opportunity for the world's smallest and poorest countries to advance their economic interests within a fair and predictable international rule of law.¹²

The United States has realized benefits from past TCB efforts. In the past decade, the proportion of U.S. exports destined for developing country markets has risen from 35 percent to 47 percent, creating and sustaining millions of well-paying American jobs. For example, the USDA Foreign Agricultural Service reports that the rising middle class in developing countries has been a key driver of the growth of U.S. agriculture exports. According to IHS Global Insight, middle class households in developing countries (households with real incomes greater than \$20,000 per year) are projected to increase 54 percent by 2020.¹³ This demographic trend has the strong potential to create increased demand for a wide range of U.S. exports of goods and services.

U.S. imports from developing countries also have risen substantially; thus, the United States also benefits from advances in developing countries' capacity to comply with science-based U.S. and international health, safety, and environmental standards. The opportunity to expand and diversify international trade with the United States and other wealthy markets creates powerful incentives for our developing country trading partners to respect labor and environmental standards, preserve biodiversity, prevent the over-exploitation of natural resources, and collaborate in the global response to climate change.

PROMOTING GENDER EQUALITY

Trade policy and its implementation affect men and women in different ways.¹⁴ Gender equality, in turn, affects economic growth potential. USAID's Gender Equality and Female Empowerment (GEFE) Policy¹⁵ ensures that USAID identifies and addresses these differences by reducing the gender-based barriers that men or women may face in seeking to take advantage of trade to improve their incomes and livelihoods.

In practice, USAID TCB activities will continue to address challenges unique to women by ensuring that solid gender analysis to identify the gaps that USAID's assistance can reduce informs all TCB work. Similarly, where men are at a disadvantage, such as in the international fish value chain or agricultural labor trafficking, USAID will seek to address the conditions that are disadvantageous.

Our economic diplomacy advances U.S. economic interests, leverages our economic strength to advance foreign policy goals, and promotes our international development goals, which include eradicating extreme poverty and fostering sustained and inclusive economic growth. President Obama's Policy Directive on Global Development declares that development is essential to advancing our national security objectives and cites broad-based economic growth as the path to poverty eradication.

The Quadrennial Diplomacy and Development Review, 2015

PHOTO (NEXT PAGE): SOHRAB SAMANIAN





PHOTO: DAVID ROCHKIND FOR USAID

USAID's TCB activities intersect directly with known gender gaps, creating opportunities to promote trade while addressing these GEFE goals:

- **Reduce disparities in access to resources:**

Women tend to have less access to property, finance, international business networks, formal jobs, and other assets needed to benefit from trade. Sometimes this is a result of tradition, but sometimes the disparities are enshrined in law: The World Bank reports that roughly 90 percent of countries have at least one law explicitly constraining women's economic participation compared to men's.¹⁶ As a result, women make up a disproportionate share of the extreme poor and less than a third of business owners in formal trade. USAID TCB activities will address legal constraints through regulatory reforms, increase women's participation in business organizations and other trade networks, and promote changes in unequal treatment of women traders. When USAID levels the playing field for men and women, USAID levels the field for growth-enhancing investment.

- **Reduce and respond to gender-based violence:** Approximately one-third of women experience physical or sexual assault at least once in their lifetimes. For women operating in the informal, cross-border trade sector, the statistics may be worse.¹⁷ Women too often experience "sextortion" by officials and are at risk of assault in poorly lighted border posts. Even formal employees may routinely experience sexual harassment in the work place or gender-based violence at home. The impact on

the economy is extensive—perhaps as much as 5 percent of global GDP.¹⁸ USAID will use TCB to respond to this dynamic, working with its partners to improve dangerous infrastructure, increase the percentage of female border officials (and training for males), and promote humane and dignified workspaces, among other efforts.

- **Increase the ability of women and girls to realize their rights:** Enshrining women's rights in law or policy does not guarantee they will be upheld in practice. Even when rights are equal in theory, women traders and business owners generally have greater unpaid labor burdens in the home, and simply do not have the same amount of time as men to participate in trade opportunities effectively. Too often, gender issues are neither recognized nor addressed because the policy process does not include women: trade delegations and government ministries tend to have very few professional women in their ranks. USAID's TCB activities will address these gaps by supporting greater inclusion of women in all consultative and policy-making processes. Such inclusion, along with reductions in delays for clearing goods and obtaining permits will benefit time-challenged women. Improvements in dispute resolution systems will enable women (and men) to enforce their legal rights; ICT improvements will enable all traders to know their rights; and insisting on greater gender balance among those who advocate, produce, and implement trade policy will reduce the likelihood of skewed policies.

USAID'S EXPERIENCE IN TRADE CAPACITY BUILDING

USAID has a tradition of leadership in international development. It is the largest, but not the only, U.S. Government agency that supports trade capacity building efforts. Given its extensive field presence (in approximately 100 countries) and its experience with integrated development programming, USAID will continue to bring its multiple strengths to the table to engage host country officials in an effort to provide effective assistance while avoiding duplication of efforts.

For decades, trade has been one of the pillars of USAID's efforts to strengthen, accelerate, and sustain broad-based economic growth and development. USAID's programming has evolved over the years from helping countries join the WTO to assisting countries to develop and implement trade agreements and take advantage of the tremendous potential of global value chains. Over the past 15 years, USAID TCB assistance has been particularly successful in increasing the quality and value (as opposed to merely the volume) of developing country trade in a number of countries, particularly in the agriculture sector.

There is a growing global consensus now that efforts to reduce trade logistics costs have greater impact than further reductions in many tariff and non-tariff barriers could possibly yield. Full implementation of the WTO Trade Facilitation Agreement (TFA) has been estimated to reduce WTO members' trade costs by an average of 14.3 percent.¹⁹ As a result, USAID is shifting its focus to trade facilitation and in particular helping developing countries implement the WTO TFA concluded in 2013.

At the same time, regional trade programs have emerged to address intra-regional trade and regionally harmonized standards, processes, and regulations that can create more vibrant markets and opportunities for trade. For example, in 2013, the White House announced the Trade Africa initiative. Trade Africa is a partnership between the United States and sub-Saharan Africa to increase internal and regional trade within Africa, and expand trade and economic ties among Africa, the United States, and other global markets. Following the 2014 US-Africa Leaders' Summit, the United States has expanded the

THE INTERSECTION OF TRADE WITH FOOD SECURITY...

USAID's activities in agriculture and with Feed the Future (FTF) countries similarly demonstrate that interventions that promote agriculture and food security are intertwined with trade. For example, the African Heads of State Summit held in Malabo, Equatorial Guinea, in June 2014 produced a range of new and ambitious targets that linked African agricultural growth and trade efforts through 2025. The Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods recommitted African leadership to the principles and values of the AU Comprehensive Africa Agriculture Development Program (CAADP) Process and to enhanced investment, finance, and trade in agriculture. African Heads of State commitments included:

1. A tripling of intra-African agricultural trade and services by 2025
2. Simplifying and formalizing current trade practices
3. Fast-tracking the establishment of a continental free trade area
4. Transitioning to a continental common external tariff scheme
5. Increasing and facilitating investment in markets and trade infrastructure

These commitments serve to confirm that progress on agricultural development and food security require a significant focus on the role that trade plays in addressing the challenges of feeding Africa's growing population.

...AND WITH HEALTH

Trade issues are significant in relation to disease transmission as well as remediation. For example, USAID's Corridors of Hope project in Southern Africa aims to reduce the spread of HIV in border and transportation corridor communities by targeting traditional high-risk groups whose members may have unprotected sexual relations with individuals who are otherwise at low risk of HIV exposure and the general population residing in adjacent communities. Other examples of the intersection of global health and trade include the challenges of moving medical devices and pharmaceuticals across borders to developing country markets that clearly depend on efficient trade facilitation processes. Trade issues such as intellectual property rights protection, disciplines on generic licensing, and gray market trade also constrain or foster improvements in health regimes. Government procurement procedures—which are also trade issues as indicated by their coverage in the WTO Agreement on Government Procurement—also affect developing country citizens' access to health products.



PHOTO: BOBBY NEPTUNE FOR USAID

Trade Africa initiative to include additional partners and is focusing on improving compliance with WTO rules on trade facilitation, sanitary and phytosanitary measures, and technical barriers to trade while also fostering regional integration.

Along with responsive shifts in programming, USAID is increasingly integrating TCB activities into sectoral programs with a different development goal than simply increased trade. A large proportion of USAID's global TCB effort occurs within agricultural and food security programs supported by the Presidential Feed the Future (FTF) Initiative. FTF assistance provides support to remove constraints to agricultural trade within the context of international agreements, such as: decreased tariff and non-tariff barriers and elimination of export bans; improved trade facilitation and border management; movement toward transparent, science-based agricultural regulatory regimes, including improved sanitary and phytosanitary systems, grades and standards and increased domestic market efficiencies and capacity building to achieve international standards.

Instead of supporting large bilateral trade programs, trade capacity building activities may be part of a larger program with other priorities. Outside of a few priority countries, TCB efforts have shifted from being stand-alone economic growth activities to being components of larger sectoral activities, for example adaptation to climate change. Inclusion of TCB activities in broader programs with complementary objectives where trade can contribute to successful outcomes (e.g., greater food security, improved governance and transparency) is an acknowledgement of the importance of trade in contributing to the broader program objectives. On the downside, however, many of these programs do not explicitly account for TCB-related spending or track trade outcomes. Nevertheless, with the recent WTO Trade Facilitation Agreement, the Trans-Pacific Partnership, and other Free Trade Agreement initiatives, there will continue to be a need for pursuing stand-alone TCB programs to support these objectives.

Within the U.S. Government, many agencies other than USAID now also fund or implement TCB activities. USAID is an active participant in interagency coordination and collaboration efforts and is a voting member of the U.S.

Trade Representative (USTR)-led Trade Policy Staff Committee. Through this body and its subcommittees, USAID interacts regularly with approximately 20 other government agencies, notably the Departments of State, Agriculture, Labor, and Health and Human Services. Currently, the Office of Trade and Regulatory Reform in the Bureau for Economic Growth, Education and Environment (E3) holds interagency agreements with the Department of Commerce, the Customs and Border Protection Agency under the Department of Homeland Security, the U.S. Trade and Development Agency, and the Federal Trade Commission. These agreements allow USAID to tap into the expertise of these agencies and to fund their participation in USAID overseas projects.

The Administrator of USAID is also on the boards of the Millennium Challenge Corporation (MCC) and the Overseas Private Investment Corporation (OPIC) which enables government-wide consistency with respect to country eligibility determinations and program implementation and oversight activities.

Given the range of actors involved in supporting TCB both within the U.S. Government and by other donors, effective coordination and “division of labor” along lines of donor comparative advantage within the host country or regional environment is essential. Different forms of collaboration in the host country and donor context range from cost-sharing training activities or research to designing programs that are complementary. USAID will continue to collaborate with other donors providing TCB assistance to ensure the maximum effectiveness and timeliness of the support.

With trade subsumed into larger, sectorally focused programs, and with TCB supported by multiple U.S. Government agencies, a directive USAID strategy for trade capacity building becomes challenging. Each sector—and each U.S. Government agency—has its own strategy and attendant budgets. This TCB Policy seeks to outline USAID’s approach to trade activities funded by monies dedicated to trade and, in many instances, also by monies from other non-trade budget lines. It outlines how TCB will bolster USAID’s development priorities and programs. Incorporating trade capacity-building activities into USAID programming requires a comprehensive approach, using USAID country strategies and portfolios to magnify development impact.



PHOTO: MORGANA WINGARD FOR USAID



NEW OPPORTUNITIES

USAID's original TCB Strategy, approved in 2003, remains relevant despite subsequent changes in the global economy and the nature of trade. Changes include regional trade agreements that have proliferated, leading some to question the relevance of the WTO. E-commerce and services have grown in importance. Production increasingly is dispersed across multiple countries in integrated global value chains (GVCs). The role of the private sector in achieving development objectives has grown in importance; buyers, sellers, and investors play an ever-increasing role in helping the goods and services produced in developing countries reach global markets. In response, USAID's portfolio of expertise has broadened to include these areas and take advantage of the new opportunities and new challenges.

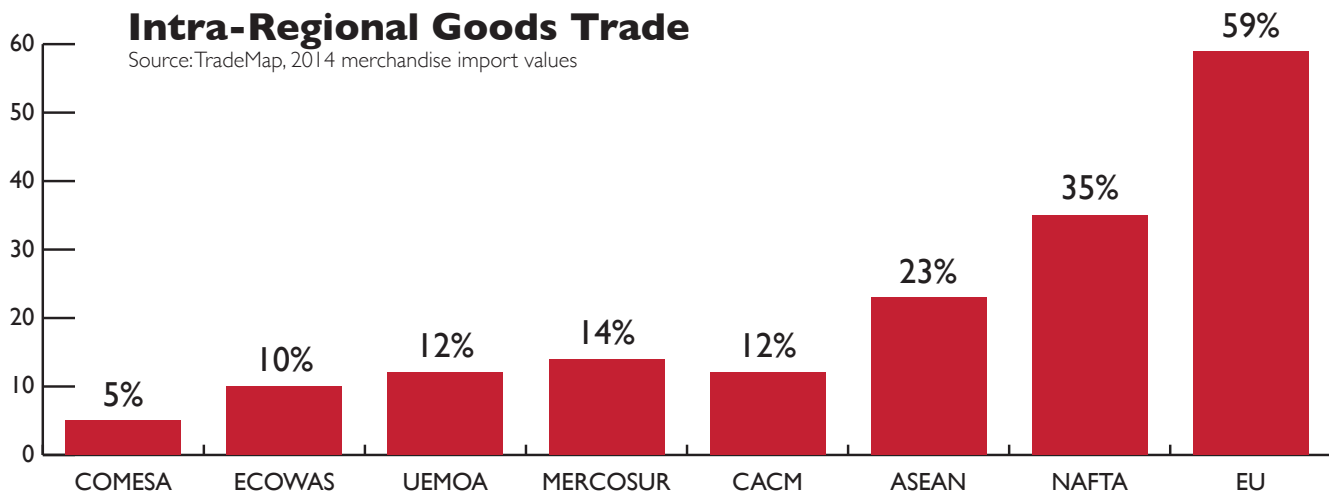
Trade—in services as well as in goods—has grown rapidly over the past decades, driven by large reductions in trade barriers and technological changes. The share of global trade conducted by and between developing countries has also increased. GVCs—with integrated-but-disaggregated production of components and associated services—have become increasingly important. A large share of 21st century trade requires integrated GVCs, involving intermediate and finished goods crossing multiple borders around the world. Intermediate goods account for 60 percent of global commerce. The resulting globalization has led to unprecedented interlinkages and interdependencies among producers and suppliers within value chains—regardless of the national borders that separate them—resulting in an increased emphasis on regional integration. This means that, to remain competitive, countries must ensure that every stage of the supply chain is fast and efficient.²⁰

PHOTO (PREVIOUS PAGE): RUDY GHARIB FOR USAID

In the area of trade facilitation, regional approaches can improve intra-regional trade, which is particularly important in Africa, where there are disproportionate trade flows with Europe and North America. For example, the share of intra-regional goods trade in total goods imports is only around 5 percent within the Common Market for East and Southern Africa (COMESA), 10 percent in the Economic Community of West African States (ECOWAS) and 12 percent in the West African Economic and Monetary Union (UEMOA). Similarly, intra-regional trade in the Southern Common Market (MERCOSUR) of South America is about 14 percent of total imports; it is 12 percent in the Central American Common Market (CACM).²¹ This compares with 23 percent in the Association of Southeast Asian Nations (ASEAN), around 35 percent among North American Free Trade Agreement (NAFTA) countries, and 59 percent in the European Union (EU).

production, improve wages, take on additional workers, and/or provide returns to investors. Regional trade growth has particular advantages for women traders, enabling them to expand beyond the smaller border markets where they tend to be concentrated.

Trade in services has grown even more rapidly than trade in goods, enabled by advances in technology and communications as well as by policy liberalization in multilateral, regional, and bilateral trade agreements. Because the barriers to trade in services are extensive, the payoffs for reducing them are great. A University of Michigan study estimates that services liberalization would produce over two-thirds of the global economic welfare gain from the elimination of trade barriers. These gains would go to developing and developed countries alike, with percent gains to Gross National Product (GNP) greater for the developing than developed



Developing country governments and their citizens also recognize the value of these regional economic linkages. Expanded regional trade improves access to goods, finance, and services—that benefits consumers, but also producers, who benefit from better inputs. Larger regional markets can attract more foreign investment and facilitate the private sector’s expansion, trade and ease of doing business. Regional trade also opens up additional opportunities for producers to earn foreign exchange from exporting—enabling them to expand

countries. Services are the future of developing countries, as the fastest-growing component of their aggregate total Gross Domestic Product (GDP) and the largest component of their collective foreign direct investment inflows. Services account for 64 percent of foreign direct investment (FDI) globally, with the stock of FDI increasing from \$950 billion in 1990 to \$16 trillion in 2014. The World Bank has found that growth in the services sector contributes more to poverty reduction than does growth in the agriculture or manufacturing sectors²².

Trade agreements have proliferated, especially regional and bilateral agreements, with ever-broadening scope and complexity. In 2003, the United States was a party to three free trade agreements; by 2015, the number had increased to 20. Initially, these agreements tended to be with developed countries such as Israel, Canada, and Mexico, but the trend has been for the United States to enter into such agreements with a range of countries at different levels of development, such as with the Dominican Republic and Central American countries under the U.S.-CAFTA-DR and others such as Morocco and Jordan. Worldwide, there has been a similar trend. In the period 1948-1994, the General Agreement on Tariffs and Trade (GATT) received 124 notifications of regional trade agreements (relating to trade in goods). Since the creation of the WTO in 1995, more than 400 additional arrangements covering trade in goods or services have submitted notifications. But more important than just the increasing number of agreements is the fact that these agreements touch on a number of issues that consumers and governments have grown increasingly concerned about, such as environmental impacts, safety standards, and adherence to international labor norms. Accords characterized as “21st century trade agreements” typically include strong provisions on labor, environmental protection, investment, and intellectual property rights. As a result of the reach of new trade agreements, TCB needs are more complex—a focus on reducing tariffs has given way to a focus on standards, non-tariff barriers, trade facilitation, services, and regional integration. USAID will concentrate its efforts to support countries in implementing these commitments, as a core element of the revised USAID TCB policy.

In addition to supporting developing countries through a growing number of bilateral and regional trade agreements, the United States has expanded its use of unilateral preference programs to assist developing countries in accessing the U.S. market. The Generalized System of Preferences offers preferential, duty-free treatment for up to 5,000 products from designated beneficiary countries and territories throughout the world. The African Growth and Opportunity Act (AGOA), which saw a substantial extension for 10 years in 2015, also allows duty-free entry of goods from 40 countries in Sub-Saharan Africa. Other U.S. preference

programs include the Caribbean Basin Initiative Program, the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006, the Food Conservation and Energy Act of 2008, and the Haiti Economic Lift Program of 2010.

The flows of private capital into developing countries have dramatically increased over the past decade. Private investment flows now dwarf development assistance. The most recent OECD statistics (for 2014) indicate that private flows amounted to \$402 billion while Official Development Assistance (ODA) amounted to only \$175 billion²³. In recognition of the increasing importance of private capital as a resource for development assistance, and in line with Sustainable Development Goal 17, USAID now actively seeks public-private partnerships and Global Development Alliances to leverage resources for common goals. Such partnerships exist in many TCB contexts, from efforts by the USAID-incubated Borderless Alliance to expedite border clearance processes in West Africa, to support from the USAID-initiated global Standards Alliance to help developing countries set up WTO-compliant standards enquiry points. Through the Standards Alliance, USAID and its private sector partners have assisted host countries’ governments to make it easier for businesses to know how to navigate a country’s standards and regulations affecting trade.

Moving beyond formal alliances, over the last decade, USAID has also increasingly expanded its interaction with the private sector as a key stakeholder, identifying issues, providing feedback on the impact of project activities, and advocating for reforms. USAID’s engagement with the private sector also focuses on developing new financing models that catalyze private investment in priority sectors in order to demonstrate the viability of these investments and spur greater private capital flows towards development goals. USAID will utilize the private sector’s perspectives (including a sensitivity to gender issues) and, where possible and appropriate, use private sector inputs and innovation to leverage the overlap between private sector and development goals. For example, in the area of trade facilitation, opportunities abound for U.S. businesses in the construction of roads and ports, and in their subsequent management.



ASOCIACIÓN DE PRODUCTORES LA OROQUENA
CARGOLTORES DEL MUNICIPIO DE EL CUNO
Asegurando el futuro

Columbia

AN INTEGRATED APPROACH

Trade capacity building works. A large body of empirical evidence demonstrates that TCB assistance increases exports, stimulates investment, increases productivity, and generates significantly higher revenues and incomes for firms and workers connected to international value chains. In many cases, it greatly improves economic opportunities for women as well.²⁴

USAID's goal for its TCB assistance is to increase the capacity of targeted developing countries to harness global economic forces to accelerate inclusive growth and increase incomes, thereby reducing poverty. In pursuit of this goal, USAID's trade activities will adopt an integrated approach to help selected countries meet three strategic requirements for benefiting from the global trading system: (1) implementation of trade agreements, (2) trade facilitation, and (3) enhanced economic responsiveness.

USAID will prioritize new or discretionary resources for TCB activities in countries with governments committed to reform and openness. The Agency will also give precedence to other reform-minded low-income countries (other than LDCs) when accelerated growth in those countries may have broad regional benefits for surrounding LDCs and other developing countries.

In the context of ongoing or future trade negotiations, USAID will consider the need for TCB assistance in developing countries in order to support U.S. trade policy priorities. The prioritization of incremental resources under this policy will not affect TCB activities implemented under other USAID strategic objectives, including in countries that do not fall in the categories described above.



PHOTO: USAID

IMPLEMENTING TRADE AGREEMENTS

At their core, modern trade agreements embody best practice for an export-led economic growth strategy. However, as the World Bank’s *Growth Report* suggested, “The goal of an export-led strategy is not to increase reserves or to run a trade surplus. It is to increase exports to enable incremental productive employment, larger imports, and ultimately faster growth.”²⁵ Many of the activities described in this Policy are in multilateral trade agreements, including the WTO and its specific agreements (e.g., the Agreement on Technical Barriers to Trade, and the Agreement on the Application of Sanitary and Phytosanitary Measures). The binding nature of these agreements can be a lever for reform, but proper implementation of trade agreements is not a simple matter of incorporating the agreement into legislation. Decades of disappointingly slow progress on a wide range of regional initiatives underscore the difficulties developing countries face in following through on these commitments. USAID supports developing countries in implementing trade agreements through support for (1) legislative and regulatory reform, (2) improved management of public resources, and (3) operationalizing policy-driven reforms through training, automation, and organizational change.

LEGISLATIVE AND REGULATORY REFORM

Recent trade agreements have helped catalyze reforms in labor laws, environmental protection, and intellectual property rights. Certain domestic interests may resist such reforms even though they are beneficial for broader development objectives. To manage the process effectively, governments need to strengthen analytical, communications, and outreach capabilities, as well as the inclusive consultative processes for stakeholders that help build political consensus for reform. To carry out these tasks and responsibilities, countries require both institutional and human capacity to implement commitments made in the course of trade negotiations, whether it be implementing WTO provisions or furthering regional integration in one of the regional economic communities.

USAID has provided extensive training related to the implementation of bilateral, multilateral, and regional agreements, and has supported the establishment and strengthening of trade-related institutions. For example, when supporting the accession of countries to WTO membership, such as Afghanistan and Liberia, USAID provided technical assistance and capacity-building assistance to important government entities such as the ministries of trade and to private sector business associations.



MANAGEMENT OF PUBLIC RESOURCES²⁶

As previously discussed, USAID is committed to ensuring that TCB activities complement other programs and development goals. Most developing countries face challenges in the management of public resources and delivery of services—often exacerbated by the lack of policy coherence among international donors. Weak public financial management (PFM) makes many trade-related challenges even more difficult. Poor government service provision, insufficient planning, difficulties in the transmission of benefits to disadvantaged populations, and the lack of supportive enabling environments can make TCB interventions less effective. In particular, countries fear revenue losses when reducing tariffs and related taxes, since these have traditionally been the dominant source of government revenues.

To address this challenge, USAID supports the efforts of partner countries to undertake comprehensive, gender-aware domestic resource mobilization activities. For example, USAID supports developing countries by strengthening the administration and collection of domestic revenues, both internally and at the border, to counter concerns revenue agencies often have about trade liberalization. As a result, many governments may see their revenue collections rise through improved border clearance processes that introduce risk management into the review of entry documents, speeding trade and reducing corruption, thereby facilitating greater volumes and value of trade despite lower tariff rates. USAID also assists countries harmonize their tax systems and tariff regimes with their trading partners' regimes and with other domestic policies designed to promote economic integration and international trade.

THE ADDIS TAX INITIATIVE (ATI)

More effective Domestic Resource Mobilization (DRM) can provide governments with the budgetary space to advance trade reforms, tariff liberalization, and other development priorities. USAID is supporting the ATI, which focuses on the importance of domestic revenues for financing development. The ATI calls for substantial additional development cooperation in this area and specifically highlights the importance of tackling tax evasion and avoidance. USAID and other donors have established an ATI Steering Committee that serves as a coordination mechanism for providing technical support for DRM.

FACILITATING TRADE FLOWS

In many countries, the inefficiency of border clearance procedures and other public sector trade facilitation functions constitutes a far greater burden on trade than tariffs and other non-tariff barriers.²⁷ USAID trade facilitation interventions help to expedite the movement, release, and clearance of goods, including goods in transit. These include customs procedures, such as import licensing, and other practices by border control agencies that may add to the cost and time requirements to trade. Export-led economic growth by developing countries depends as much on their ability to import needed production inputs as it does on their ability to export traditional and non-traditional goods. Therefore, USAID TCB assistance will focus on facilitating both import and export trade flows. It will do so by (1) supporting reforms to simplify customs management; (2) identifying and mobilizing resources for necessary infrastructure; (3) supporting ICT innovations to make customs more efficient; and (4) providing technical assistance and leverage to increase competition in associated services such as transport and logistics.

The benefits from trade facilitation are enormous. The 2015 OECD Trade Facilitation Indicators find that the implementation of the WTO's Trade Facilitation Agreement could reduce worldwide trade costs by between 12.5 percent

and 17.5 percent. The biggest reductions in trade costs are projected for low and lower middle-income countries. Moreover, trade facilitation is important because measures designed to increase trade (through either trade policy reform or infrastructure improvements) can have negative effects if inefficient customs or roadblocks cause resource-using queuing at the border or along the main transport networks.²⁸

There is evidence that trade facilitation is especially beneficial for the poor. Time delays at border crossings are costly for all, but especially for women, who are time-constrained by their home and family obligations. Lack of governance and corruption hit small traders (who usually have slim profit margins) hard. Greater transparency and predictability in border-crossing procedures will especially benefit small traders, many of whom are women. Clearance delays have a calculable cost to the quality and value of perishable agricultural products. Since the extreme poor, including women, often grow and trade these products, they can benefit greatly from improved trade facilitation. Finally, there are also public health benefits from the reduced transmission of HIV that can result from long distance truck drivers having less opportunity to solicit sex workers while awaiting border formalities to be completed.

THE GLOBAL ALLIANCE FOR TRADE FACILITATION (GATF)



USAID has fostered the creation of a multi-donor platform with its donor partners from Australia, Canada, Germany and the UK. GATF is an innovative public-private partnership that will promote and support effective trade facilitation reforms in developing and least developed countries. The GATF serves as a framework around which multinational corporations and developing countries' businesses can partner with governments to facilitate implementation of the WTO's Trade Facilitation Agreement. Specifically, the GATF creates a platform to engage companies in developing economies and links implementation funding to projects that have a commercially meaningful impact.

PHOTO (NEXT PAGE): RUDY GHARIB FOR USAID



CUSTOMS AND BORDER MANAGEMENT

USAID supports reforms that simplify administrative burdens and which will have a commercially meaningful impact such as by reducing the time and costs to traders. Interventions include those that provide greater predictability, transparency, effectiveness, and efficiency of government services and regulations with regard to the clearance of import, export, and transit transactions across international borders. In addition to focusing on customs authorities, work in this area also targets other border control agencies that can have a significant impact on the movement of goods across borders. Support also includes trade facilitation measures relating to cross-border management and supply chain security.

PHYSICAL AND “SOFT” INFRASTRUCTURE²⁹

In many developing countries, the inefficiency, high cost, or simple absence of critical trade infrastructure and associated services may be the single greatest impediment to expanded international trade. It costs more to ship a container from inland production centers in Africa to the nearest international ports than it does to ship the same container to those ports from distant Asian supply centers. Transport costs can account for as much as 75 percent of the retail price of goods produced in landlocked African countries. Reliable,

high-quality transport, telecommunications, and energy infrastructure services are critical for tourism, one of the dominant trade service sectors in many poor developing countries.

In most countries, USAID does not directly fund major investments in physical (“bricks and mortar”) infrastructure. However, USAID is often able to play a significant role in helping public and private sectors develop the capacity to prioritize, plan, and maintain transport, telecommunications, and energy networks, and to regulate port management, trucking, Internet, and other services that use those networks. USAID’s support of “soft” infrastructure (e.g., systems integration) can catalyze and mobilize much larger public and private sector investments

USAID increasingly focuses its assistance on unlocking private capital to fund much needed infrastructure improvements.³⁰ USAID also works closely with other U.S. Government agencies such as MCC, OPIC, and the U.S. Trade and Development Agency, which in turn provide funding and other support for infrastructure investments.

INFORMATION AND COMMUNICATIONS TECHNOLOGY³¹

Access to modern, affordable information and communications technology (ICT) infrastructure and related services is indispensable for trade facilitation and the efficient management of trade transport

TRADE FACILITATION IN ACTION

USAID supports increased trade flows through its regional Trade Hubs in Africa. In a number of West African countries, USAID opened Border Information Centers to integrate border management operations and reduce delays in crossing, resulting in millions of dollars of savings for traders. In other part of the world, such as in **Burma, Laos,** and the **Philippines,** USAID supported development of trade portals that increased transparency by publishing policies and practices affecting the movement of goods across borders. In **Tunisia** USAID has provided expertise to improve processing time for exports and imports that would reduce costs and increase customs revenues. In **Pakistan,** USAID provided technical assistance and equipment to enable real-time automated processing and reconciliation of export and import documents, thereby reducing border delays.

and logistics. Such access also can make production systems more responsive to rapidly changing price, demand, and other conditions in distant markets, enabling women and men to compete more effectively for better prices, or increasing the value of their products.

However, ICT solutions are not a panacea for reform, particularly given that developing countries' investments in technology and telecommunications services are often sub-optimal. The public sector's dominance in these areas, and the lack of appropriate regulatory oversight, makes investments subject to the inefficiencies of governments' fiscal management and priorities, while limiting the opportunities for profitable private investment. In many countries, therefore, a combination of public and private sector investments in ICT may be an important complement to investments in trade transport infrastructure. In addition, modern ICT services provide the platform for other services critical to trade—such as trade finance, advertising, and marketing—as well as for the automation and streamlining of border clearance processes.

ICT can also play a significant role in addressing governance issues and reducing discretionary authority that also traditionally raises trading costs. USAID has extensive experience in helping integrate ICT solutions into trade facilitation interventions and will continue to support such initiatives when they appropriately support broader reform efforts and objectives.

COMPETITION AND ANTI-CORRUPTION³²

In many developing countries, port and airport management, coastal shipping, trucking, rail forwarding, and other related services are dominated by highly inefficient, politically protected monopolies. The monopoly actors often provide less service than local demand requires, combined with a higher cost than most emerging small businesses can afford.³³ Reforms aimed at encouraging new businesses to enter the market, preventing anti-competitive practices by dominant firms, properly regulating natural monopolies, reducing corruption, and taking other steps to foster efficient investment and services in these sectors—and, where possible, healthy competition—may play an important part in allowing local producers, users, and consumers to take advantage of potential trade opportunities.

More broadly, a few privileged firms that seek to prevent new small businesses and other potential competitors from entering their markets tend to dominate critical sectors of many developing countries' economies. This lack of competition allows these firms to provide overpriced, poor quality products and services to their local customers. The effects of these anti-competitive practices can be severe. An oligopoly of agricultural wholesalers or trucking businesses, for example, may conspire to suppress farm gate prices and capture the bulk of the profits generated by increased farm productivity. Entities that engage in

INNOVATIVE TECHNOLOGIES SPEED TRADE IN AFRICA

East Africa has some of the highest transport costs in the world, with the result that regional businesses are severely hampered by inefficient trade facilitation systems, including transport logistics, administrative cross-border entry and exit procedures, and transit regulations. USAID's East Africa Trade and Investment Hub has supported the development and implementation of an efficient customs and transit data exchange, management, and reporting system. USAID supports the Revenue Authorities Digital Data Exchange (RADDEx), a software application and data exchange system that allows near real-time transmission of customs documentation to authorized public and private sector users that are working at key transit border posts and cities across the five countries of the East African Community (EAC).

This regional capacity building initiative has resulted in increased awareness of the benefits of regional cooperation, sensitization to the need for legal reforms in the digital age, and movement towards the revenue authorities of the EAC Partner States functioning in a harmonized manner.

TCB SUPPORTS ECONOMIC TRANSITION...

USAID's principal objective in providing assistance to countries in Europe and Eurasia has been to support and accelerate the transition to market-oriented democracies. USAID has supported privatization of state-owned enterprises and has helped private enterprises and entrepreneurs learn business skills, while at the same time working with governments to create more supportive business environments. It has done this by helping establish sound financial markets and good corporate governance, and by putting in place the fundamental public and private institutions necessary to continue the reform process.

The experience garnered from USAID's work in this area continues to be relevant given the focus on state-owned enterprises in recently concluded trade agreements such as the Trans-Pacific Partnership (TPP).

...AND DIVERSIFICATION

In Tunisia, USAID has helped the economy move from traditional textile exports to production for higher value added industries such as high tech electronic components for the automotive global value chain and for the aerospace industry through the Business Reform and Competitiveness Project

USAID's Trade and Investment Hubs in East, West, and Southern Africa promote expanded and diversified global and intra-regional trade. The Hubs often work with national and regional business associations to serve as leaders in adopting improved practices, attracting buyers and investors, and promoting market integration in conjunction with regional economic communities. The Hubs partner with the private sector in a selective manner to promote regional investment and the utilization of innovative technologies to drive trade.

Improving Africa's competitiveness, encouraging the diversification of exports beyond natural resources, and promoting inclusive economic growth collectively lead to greater food security and increased resilience at the community level.

illegal trade (e.g. timber and fish) or employment (e.g. trafficked labor, debt servitude and child labor), if seen to be immune to local prosecution, greatly undermine the competitiveness of legitimate commercial enterprises. So too, illegal logging undermines incentives for sustainable forest management because illegally logged timber is often cheaper than legal timber.³⁴ While such issues of political economy are inherently challenging, USAID is working with host country stakeholders, when undertaking TCB project, to establish and support fora that address these constraints.

ENHANCING ECONOMIC RESPONSIVENESS

Businesses must be competitive and productive to be able to take advantage of the opportunities from trade. USAID addresses a wide range of development needs in the public and private sectors to promote economic responsiveness. USAID helps governments create a business-friendly environment supporting local enterprises' abilities to identify and produce goods and services the world is willing to buy. For the private sector, USAID focuses not just on the capacity to produce for trade (the supply "push" side of the market), but also on linking that production capacity to identified regional and global customers and intermediaries (the demand "pull"). In coordination with our broad sectoral programming, USAID focuses its efforts on (1) fostering diversification of economic activity; (2) advancing labor-intensive sectors, including services; (3) helping entrepreneurs meet international standards and take advantage of trade preferences; (4) engaging the private sector; (5) creating a business-enabling environment through regulatory reform; and (6) helping them to take advantage of trade preference programs.

FOSTERING DIVERSIFICATION

The composition of trade and growth—its sectoral, gender, and geographic distribution—matters. Countries with diversified trade tend to have higher per capita incomes. Diversification of export trade networks—including increased opportunities for female traders—creates new opportunities for entrepreneurship, innovation, and specialization



PHOTO: SCOTT HOCHENBERG FOR USAID

based on evolving comparative advantages. In addition, diversification helps reduce the risks associated with excessive dependence on one source of export income, such as natural resource extraction or tourism.

Narrowly focused trade that exacerbates dependence on resource extraction industries, for example, can increase countries' macroeconomic risks, reduce resilience, and impede the development of agriculture, manufacturing, services, and other labor-intensive and job-creating sectors critical to the poor. Capital-intensive oil and mineral extraction activities dominate many developing country economies. These "enclave industries" offer few employment or other backward linkages to the unskilled labor of extremely poor households and informal, local small businesses. In addition, the large, highly concentrated revenues generated by extractive industries stimulate intense, non-productive rent seeking that often exacerbates political violence and conflict. Moreover, the dominance of these sectors creates relative price distortions, inflation, currency appreciation and fluctuations, and other macroeconomic impacts that erode country competitiveness and severely disadvantage the poor. USAID will continue in its efforts to promote diversification in agriculture, manufacturing, and services in order to promote inclusive growth and economic resiliency.

ADVANCING LABOR-INTENSIVE SECTORS

Since the poor derive most of their income from labor, which is often their only asset, trade expansion in labor-intensive sectors has particularly strong potential to foster broad-based economic growth and poverty reduction. The expansion of light manufacturing and other non-traditional exports in many developing countries has created significant new employment opportunities for women. Moreover, the agriculture sector employs half of the labor force in the developing world, and 70 percent of the labor force in least-developed countries. Thus, participation in international food and agricultural supply chains and gaining access to the productivity-enhancing, agricultural inputs and more nutritious foods available offers immediate opportunities to increase the incomes of the poor as well as to combat stunting and malnutrition.

USAID TCB activities will continue to provide a range of support aimed at helping developing countries to seize this opportunity. They will include assistance to agricultural producers, for example to help them comply with international sanitary and phytosanitary standards (SPS); address trade bans, barriers to trade, and weak governance; and support policy, legislative, and regulatory



PHOTO: THOMAS CRISTOFOLETTI FOR USAID

reform and implementation. These TCB activities will also aim at assisting the public sector to improve agriculture-specific trade policy, regulation, and governance. Improving the quality of rural wage labor is also a priority.³⁵ The International Labor Organization has found a significant presence of child labor and forced/trafficked labor among other issues at work in agriculture.³⁶ Eradicating extreme poverty in the sector will therefore require close coordination with sector-specific efforts to end child labor and forced labor. Creating safe work places, free from harassment and gender-based violence, will also be a focus of reforms that expand employment opportunities.

Other labor-intensive goods and services sectors, some connected to agriculture, may offer similar potential for enhancing the benefits of trade expansion for the poor.

FOCUSING ON SERVICES

Given the multifaceted contribution of services to national economies and trade, it is crucial to design and implement development interventions that take into account the contribution that services can play in an overall economic development effort. In many countries, trucking and other transportation

services, maintenance of roads and other infrastructure, and wholesale and retail trade may offer particular promise. Tourism and associated services have significant potential to generate income and opportunity for the poor.

However, the challenge for a number of developing countries with successful tourism sectors has been an overreliance on the sector, which can lead to vulnerabilities for the poor—especially in the event of a natural disaster, terrorist alert, health pandemic, or rise in fuel prices—factors that are beyond their control.

For developing countries and least-developed countries (LDCs), service trade is the new frontier for enhancing their participation in international trade through global value chains. GVCs can help them realize significant development gains and positively integrate LDCs—land-locked developing countries in particular—into the global economy. Such trade-in-services opportunities can often ameliorate otherwise difficult issues related to distance from markets and other transportation challenges. USAID will continue to support the development of service sectors and trade in services to take advantage of the ability of such activities to deliver economic empowerment to the poor.

PROMOTING WESTERN BALKAN ECO-TOURISM

Through the Europe and Eurasia Bureau's Regional Economic Growth (REG) Project, USAID promotes the Western Balkans as a world-class destination. The initiative, which includes **Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro,** and **Serbia**, emphasizes adventure, nature, and cultural tourism. Product development, promotion and marketing assistance further the region's economic recovery while encouraging sustainable tourism development. Tourism is an important sector for regional collaboration and contributes to the building of national and regional competitiveness. More importantly, tourism benefits local communities economically and socially, while raising support for environmental conservation.



MEETING INTERNATIONAL STANDARDS

One of the greatest challenges for developing country suppliers is to meet the health, safety, and quality standards in major international markets. International buyers with access to wealthy consumer markets are not interested in doing business with suppliers who are unable to meet their quality specifications consistently. Some sectors in which developing countries have the greatest export potential, such as raw and processed food products, are subject to the most rigorous process and quality standards.

Developing country suppliers are often unaware of the quality standards required in international markets, and lack the technical capacity to comply with them. In addition, they do not have access to recognized testing and certification facilities needed to demonstrate that they have met the relevant standards of their potential international business partners. To maximize the development benefits of trade, therefore, USAID's TCB efforts prioritize helping developing country suppliers to understand the international standards relevant to their products and to build the capacity to meet those standards fully and consistently. In

some cases, this requires significant investment in internationally recognized, public and private testing and certification services that will assure external buyers of standard compliance. Assistance will also be directed toward assuring that governments' formulation of regulations is scientifically-based and that regulatory impact analysis is encouraged in order to minimize unnecessary regulation.

ENGAGING THE PRIVATE SECTOR

Businesses move goods across borders, making them vital stakeholders in TCB efforts. Not only are traders a source of information on bottlenecks, they also have insights into how to solve problems, and can provide real-time feedback on whether reforms are having an impact. USAID projects seek to partner with the private sectors in developing countries to build their capacity to (1) engage with the government and other stakeholders in a coherent voice, and (2) build mechanisms or fora for regular, relevant, and effective public-private dialogue. The trading community and private sector actors in supply chains must also commit to comply with transparently drafted import, export, and transit laws. USAID TCB efforts, as a result, will target compliance from both the public and private sector points of view.

THE STANDARDS ALLIANCE

In May 2013, USAID and the American National Standards Institute (ANSI) entered into a partnership that coordinates private-sector subject matter experts from ANSI member organizations in the delivery of training and other technical exchange with interested countries. The Standards Alliance provides technical and financial resources to advance reforms that help businesses participate in the global trading system, while building the capacity of developing countries to implement the WTO Agreement on Technical Barriers to Trade (TBT).

USAID will also continue to support firm- and sector-level efforts to enable integration into international value chains. In Egypt, for example, USAID has helped firms improve marketing and sales for firms that have export quality products to improve their ability to compete in global markets through the Export Development Program. Elsewhere, international firms specialized in the processing and marketing of coffee, cocoa, tea, and other tropical products have a strong interest in improving the quality and reliability of supply of the products they purchase from their developing country suppliers. In many cases, they are willing to share the cost of building local suppliers' capacity to meet international regulatory requirements and their own quality standards and, if those efforts are successful, to significantly increase the prices they pay to those suppliers. This provides important opportunities to increase the sales revenues of developing country businesses and the incomes of poor households with whom they do business. USAID's activities will focus on supporting local private sector entities to improve their productivity and competitiveness in order to meet the demands of international markets.

TAKING ADVANTAGE OF TRADE PREFERENCE PROGRAMS

USAID will continue to support developing country producers' efforts to take advantage of existing U.S. trade preference programs, such as the recently renewed AGOA and the Haitian Opportunity through Partnership Encouragement Act (I and II), among others. Preference programs

can be an important element of overall economic growth strategies, but only if they foster economic specialization and domestic productive capacity. USAID assists firms in accessing the benefits of preference programs by helping them to develop market demand and to comply with relevant standards such as for safety, quality, and labeling. For the first time, Congress' renewal of the AGOA preference regime is for a period of 10 years (until 2025), which provides the business community with a predictable commercial environment that will allow for longer-term planning and related investments. In the past, such investments were unlikely given the longer time needed to amortize the investment. The new AGOA legislation also calls on countries to develop strategies for the effective utilization of AGOA, which USAID will support as part of countries' broader export efforts. In addition to some firm-level support, activities will also seek to build institutional capacity within developing countries that, over time, will allow local chambers of commerce, associations, and consultants to provide support to the private sector for further exports.

REFORMING REGULATIONS³⁷

Transparent, predictable governance is critical for reducing commercial risks and establishing an environment conducive to trade. Both the perception and the reality of arbitrary governance and corruption often dissuade potential international buyers, sellers, and investors from exploring potentially lucrative commercial partnerships with developing country businesses.

AFRICAN GROWTH AND OPPORTUNITY ACT

USAID's Trade and Investment Hubs in East, West, and Southern Africa are all responsible for supporting utilization of the African Growth and Opportunity Act (AGOA) trade preference program. In West Africa, the Trade Hub works with associations and leading firms to increase their capacity to expand trade in targeted value chains, and partners with AGOA Resource Centers across the region to provide information about trading requirements, including requirements for firms exporting to the United States under AGOA.

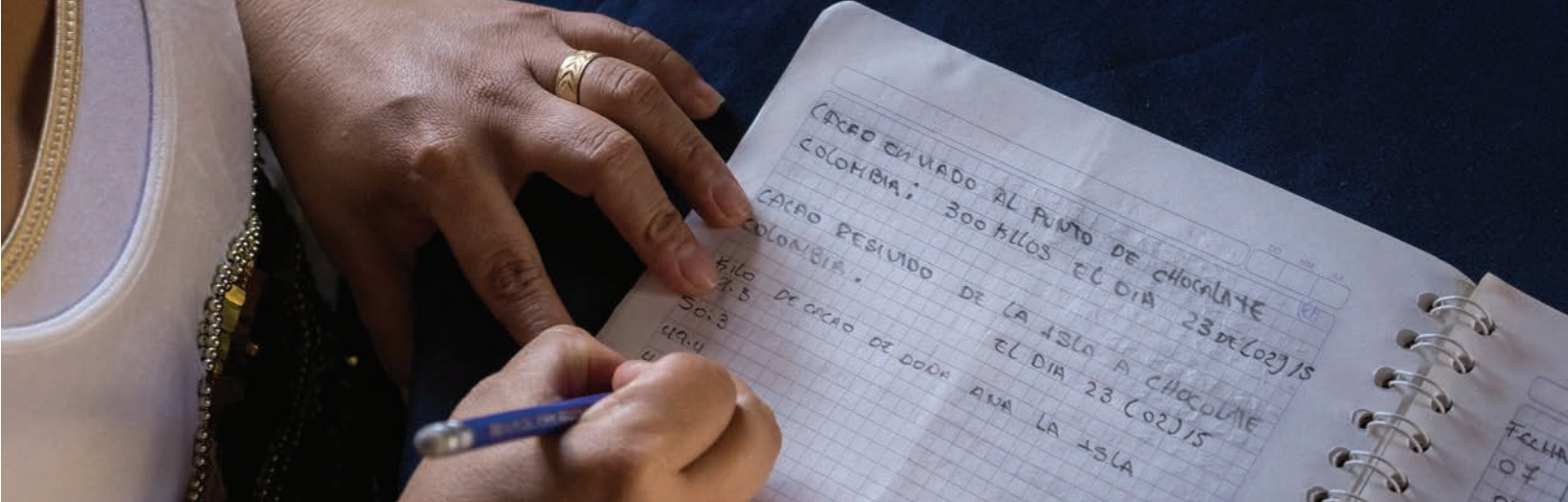


PHOTO: THOMAS CRISTOFOLETTI, USAID

To sign a contract with an international distributor, apply for commercial credit, or establish other long-term commercial relationships, small businesses must be legally registered and in compliance with all local labor, taxation, and other legal requirements. However, most developing country small businesses have no formal legal status, and the administrative and regulatory costs of formal registration are high. An absence of decent work opportunities and a disproportionate share of the working poor mark the informal economy. Ample empirical research has shown that workers in the informal economy face higher risks of poverty than those in the formal economy.³⁸ The informality of local small businesses is, therefore, an important challenge for USAID to address. Employment with such businesses is sporadic and unpredictable, and provides none of the labor rights and benefits associated with employment in formal enterprises. The unpredictability of labor conditions, in itself, constitutes a major challenge to poor households' incomes and resilience.


SUMMARY OF AN INTEGRATED APPROACH

In summary, in keeping with the crosscutting nature of trade, USAID will harness multiple, but mutually reinforcing interventions to increase the capacity of developing countries to harness global economic forces, in order to accelerate growth, increase incomes, and reduce poverty. TCB activities will primarily be embedded in other USAID programs which serves to maximize impact of those programs by ensuring that trade barriers do not hinder our work while fostering a better enabling environment with spillover effects for other sectors.

IMPROVING BUSINESS ENVIRONMENTS

USAID often partners with the World Bank Group, which releases an annual report benchmarking the regulations that affect private sector firms. The 2015 Doing Business report commended 10 countries as “top reformers” that improved their regulatory environments over the previous year. In **Ukraine**, USAID supported reform of the property registry, with the result of reducing the time to process applications by 18 days. In **Kosovo**, USAID worked with the government to reduce construction permit fees and introduced phased inspections for construction, making it easier for companies to acquire construction permits. In Jordan, the competitiveness program supported a partnership with the Investment Commission that finalized new regulations that support the National Investment Law such as the “Investment Window Regulation” that streamlines and clarifies business processes, enabling private businesses to expand more rapidly.





ALTERNATIVE FRAMEWORKS FOR PROGRAMMING AND INTEGRATION

As indicated in previous sections, trade activities can significantly enhance the potential impact of related assistance in other parts of USAID's portfolio. Comprehensive programming that is cross-cutting in nature, and which looks across sectors for an integrated country strategy, is a best practice that all USAID Missions should strive to achieve. We present here several approaches to conceptualizing the inclusion of trade into Mission development strategies and programming: categorization, trade corridors, and regional TCB programming. The three are not mutually exclusive, but rather mutually reinforcing.

CATEGORIZATION

A broadly used taxonomy for organizing or thinking through trade capacity-building support is: (1) Beyond the Border, (2) At the Border, and (3) Behind the Border. This taxonomy can assist staff, when creating strategies and designing projects, to determine the suite of activities that best promotes economic growth for poverty reduction.



PHOTO: BOBBY NEPTUNE FOR USAID

These three categories can be a helpful way to see the relationship between specific trade activities and the supporting trade capacity building activities in a portfolio.

- **Beyond the border.** Global trends and processes, including the negotiation of global and regional trade agreements and the harmonization of international standards, as well as producers' ability to meet market and buyer requirements in international markets.
- **At the border.** Everything involved in moving across the border; including not just forms and certificates, but also information regarding the process, avenues to comment on procedures before they enter into force, ability to appeal decisions, and transparent and predictable fees and penalties.
- **Behind the border.** In-country issues such as the productivity and competitiveness of producers and associated services, and the regulatory, legal, and institutional framework for competition and commerce.

Each of these focus areas can be relevant to any of USAID's regulatory and legal programs. For example, in trade facilitation, an effective strategy for reducing the cost of regional land transport services could include a combination of the following activities:

- **Beyond the border** regional negotiation to harmonize axle-weight standards;
- **At the border** simplification and streamlining of border clearance processes by Customs, standards, health, and other border control agencies and installation of weighing stations and inspection/warehousing facilities; and

- **Behind the border** reforms to reduce anti-competitive practices in trucking and logistics services. Likewise, efforts to ensure gender-inclusive policy processes could ensure that each of the above effectively addresses gender disparities behind, at, and beyond the border.

TRADE CORRIDORS

Typically, there are a few key transportation corridors for the primary imports and exports of commodities of a country. USAID has been a global leader in developing sophisticated analytical tools and systems for identifying corridor "choke points," such as inefficient customs clearance and other "at the border" regulatory processes. Mobile payment systems improve safety and increase sales capacity for informal traders along the corridors, such as women. Improvement of these "soft" systems helps to ensure that countries are able to take full advantage of their much larger investments in hard trade infrastructure.

USAID also has helped build public/private corridor development coalitions that set priorities for advancing the legal and regulatory agenda to overcome barriers to corridor development, giving prospective investors the confidence they need to invest in facilities along the corridor, leveraging USAID's investments many times over.

Improvements along transportation corridors provide a natural entry point to link to other development objectives. Geospatial mapping tools can identify infectious disease hot spots and locations of health clinics, or adjacent areas of environmental or biodiversity significance.



The extremely poor are often concentrated in remote, rural areas—often in landlocked countries—with little or no access to modern infrastructure and trading networks. In many parts of Africa, the cost of transporting food and agricultural products from local farms to the nearest urban markets may be much higher than the cost of shipping the same products from Asia or other distant locations. The absence or poor quality of roads, the inefficiency and high cost of local transport services, and the lack of cold storage and other critical trade logistics services mean that a farmer may often lose more than half of what she has worked so hard to produce before it ever reaches a paying customer.

Further exacerbating the situation is the expected exponential growth of urban population in Africa that will double by 2050.³⁹ This population will include a large cohort of youth under the age of 35 who will be food consumers, not producers, and will be looking for employment opportunities. Labor-intensive manufacturing industries that can take advantage of trade opportunities will be the best positioned to provide employment for this urban population. Thus, USAID must consider TCB for this sector as one of the key development priorities for addressing this looming demographic trend in Africa.

Transport corridors may be within a single country or may involve multiple countries. Where multiple countries are involved, coordinating programming between USAID Missions or through a regional Mission may be appropriate. A number of USAID regional trade hubs have helped broker regional transit agreements and develop regional fora for undertaking corridor development activities.

REGIONAL APPROACHES

Globalization has led to unprecedented interlinkages and interdependencies among producers and suppliers within value chains—regardless of the national borders that separate them—resulting in an increased emphasis on regional integration. As a result, regionalism and regional integration are becoming keystones for economic growth strategies among developing and developed countries. To assist project design teams to leverage the potential from regional integration, USAID has recently published *Regional Trade Support Programs: Approach and Programmatic Considerations* (2016). This handbook provides guidance on working with Regional Economic Communities, linking national level actions to regional efforts, and modulating assistance within the target region to reflect varying levels of development and unique national challenges.

While individual countries have their own approaches to development, the path to economic stability and sustainability requires integration of markets and coordinated action across regions. Greater resilience indicated by improved food security and rates of economic growth more commensurate with anticipated population growth can be achieved through regional integration. USAID's regional platforms will leverage USG assistance with Regional Organizations, public international organizations and economic communities to advance and exploit opportunities provided by regional integration for increased intra-regional and export trade and inclusive economic growth. By working in partnership with regional institutions to eliminate barriers to trade, advance integration, and increase competitiveness, it is possible to address trade, investment, and chronic poverty at a regional level.





ROLES AND RESPONSIBILITIES

This TCB policy should guide and illuminate USAID’s TCB priorities as they are set at the agency, bureau, and overseas office (country or regional) levels. The selection and prioritization of TCB activities at the country level should continue to reflect Missions’ Country Development and Cooperation Strategies (CDCS) and at the regional level, the Regional Development and Cooperation Strategies (RDCS). However, for this policy to be implemented there must be close cooperation across agencies, bureaus, and offices—at both the Washington and field levels. The very nature of TCB is constantly expanding and evolving. Presidential Initiatives, regional priorities, whole-of-government interagency processes, and the ever-increasing number of areas impacted by trade all need to be considered in the strategic guidance process.

Priorities will vary from country to country depending on their levels of income and development as well as their poverty profiles; the quality and engagement of key leadership; geography; participation in global, regional, and bilateral trade agreements; activities of other donors; trade composition (current and prospective); gender dynamics; and funding availability and flexibility.

USAID’s TCB efforts will continue to be multifaceted, supporting activities beyond, at, and behind the border. The Agency will work with both public sector and private sector partners and, where possible, will seek to foster increased dialogue and engagement between them as well as with civil society.



PHOTO: BOBBY NEPTUNE FOR USAID

USAID/WASHINGTON

USAID/Washington will coordinate between bureaus and offices to:

- Provide overseas offices with state-of-the-art technical and strategic guidance
- Share and disseminate lessons learned and best practices from global research and evaluations
- Support learning and community-building opportunities (e.g., meetings, consultations, webinars, and training) where USAID staff can meet with global experts—as well with each other—to share experiences and lessons learned.

USAID/Washington intends to:

- Foster a community of practice on TCB within USAID, as well as with implementing partners, donors, and other USG agencies active in TCB
- Build USAID's internal expertise and capacity to support TCB efforts by retaining knowledgeable, experienced Washington staff, as well as by providing ongoing training courses for field and headquarters staff

- Create convenient and easily accessible tools and best-practice guides to supplement the rich body of resources that has been developed over the past 15 years to guide and inform TCB assistance
- Provide targeted support to overseas offices to assist them in integrating TCB into CDCSS/RDCSSs, designing TCB activities, and tapping USAID and other USG agency expertise over the course of program implementation
- Support flexible implementation mechanisms to facilitate programmatic changes based on evolving trade and competitive conditions, and which enable rapid response to unanticipated requests for short-term technical assistance related to TCB
- Evaluate and learn from USAID's vast experience implementing TCB activities and sharing its findings with USAID overseas offices, bureaus, other donors, other USG agencies, and implementing partners
- Liaise with other USG agencies involved in funding, designing, or delivering TCB assistance, as well as with the Office of the U.S. Trade Representative, the U.S. Congress, and USAID country and regional Missions
- Provide analysis, tools, and guidance to Missions in identifying and addressing gender issues in TCB policy and interventions



MISSIONS

Ultimately, the success of USAID's TCB Policy will depend on dedicated Mission leadership and the deliberate integration of the policy's programmatic and operational guidance throughout the Program Cycle for Missions with economic growth, food security, environment, democracy/rights/governance, and other funding for which trade-related assistance may be relevant.

USAID Missions will contribute to using trade as a means of achieving USAID's overall objectives in the following ways.

- Draft CDCs and RDCs that appropriately reflect the opportunities and challenges of global integration in the context of development objectives and results frameworks, and which align with both host country and regional economic development and poverty reduction strategies
- Develop appropriate gender-aware designs of TCB activities or of programs with other focus areas that integrate TCB, drawing upon the lessons of experience in the host country and region as well as in other countries and regions, consulting with TCB experts at USAID/Washington

- Efficiently mobilize resources, harmonize programs, coordinate with other donors, and monitor and evaluate implementation to achieve maximum impact and sustainability
- Establish inclusive, whole-of-government coordination with other USG agencies working in country and in the region (and with USTR) on programmatic TCB priorities and approaches, especially in the context of regional or bilateral trade agreements or a trade preference program
- Utilizing the TCB Database, report on TCB activities implemented in the field, as requested by USAID/Washington, for donor collaboration, interagency coordination, and congressional reporting purposes
- Support the community of practice on TCB within USAID, encouraging staff and other stakeholders to be engaged in learning about the implications of trade for broader development results.

Accelerating and sustaining improvements in trade integration and trade-led poverty reduction in developing countries will require the efforts of civil society, other donors, multilateral and regional trade and technical organizations, national governments, and the private sector to effectively advance country and regional TCB initiatives. USAID overseas offices, both bilateral and regional, are in a good position to leverage existing capacities, facilitate coordination, and forge new partnerships among all of these stakeholders.



CONCLUSION

The investments made by the United States to help developing countries build their trade capacity will pay significant future dividends. TCB funding is an investment in more stable, economically viable, food secure, and better-governed regimes that are integrated into the rules-based system of the global economy. USAID's efforts to ensure that trade lifts the world's poorest out of poverty, providing them with resources that help them plan for and prepare for the future, is critical to achieving the Agency's mission of ending extreme poverty and promoting resilient, democratic societies while advancing U.S. security and prosperity.

PHOTO (PREVIOUS PAGE): BOBBY NEPTUNE FOR USAID

ANNEX I: THE USAID PROGRAM CYCLE AND TCB PROGRAMMATIC INTEGRATION

The USAID Program Cycle is a planning framework for implementing USAID programs. It serves as the foundation upon which project teams develop their programs and should incorporate continuous learning and adapting. There are numerous opportunities for integrating trade capacity building activities throughout the cycle. We provide illustrative examples below.

Country Development Cooperation Strategy (CDCS). A CDCS is a 5-year USAID Mission strategy that lays out development hypotheses and a results framework with goals, development objectives, results, and indicators. A Regional Development Cooperation Strategy (RDCS) is a similar effort carried out for regional programming. The CDCS process provides an entry point to integrate trade by:

- Identifying trade's contributions to health, environmental protection, humanitarian assistance response, and other relevant areas
- Conducting an integrated problem analysis that focuses on the intersection of trade and the development sectors of interest
- Allowing for the role of trade to be considered within an Inclusive Growth Diagnostic and
- Utilizing a “buy-in” to the Office of Trade and Regulatory Reform’s assistance mechanisms for diagnostic tools in non-tariff barriers to trade, trade market mapping, and analysis of competitive sectors, and utilizing the International Trade Centre’s suite of market analysis tools, which include Trade Map, Market Access Map, Investment Map, Trade Competitiveness Map, and Standards Map

Project Design and Implementation. Options for trade integration and collaboration during activity design include:

- Working with a multidisciplinary activity design team
- Promoting use of common theories of change that integrate activities and outputs across sectors (e.g., consider geographical approaches such as trade corridors or regional linkages)
- Selecting interventions where opportunities for outcomes in a trade-enabling environment and other sectors coincide
- Leveraging the Office of Trade and Regulatory Reform’s interagency agreements in the areas of customs, commerce, and investment project scoping and
- Partnering with the private sector for commercially meaningful results that integrate issues across value chains or comprehensively along a value chain.

Some activities may require additional design analysis based upon the guidance in the following:

- Automated Directive System (ADS) 225 – Program Principles for Trade and Investment Activities and the “Impact on U.S. Jobs” and “Workers’ Rights”: <https://www.usaid.gov/sites/default/files/documents/1865/225.pdf>
- Policy Determination (PD) #15 – Assistance to Support Agricultural Export Development: http://pdf.usaid.gov/pdf_docs/pnaav460.pdf
- PD #71 – USAID Financing of Palm Oil, Citrus, and Sugar Projects and Related Products: http://pdf.usaid.gov/pdf_docs/Pnacd307.pdf

Monitoring and Evaluation. Effective, adaptive management requires the development of indicators and other metrics for monitoring and evaluation during activity planning stages. While the Agency does have standard indicators (<http://usaidprojectstarter.org/content/standard-indicators>) for trade capacity building to track resources and tell the USAID story, performance management indicators should reflect the project’s theory of change. Options for integration and collaboration through monitoring and evaluation include:

- Developing indicators that capture both trade capacity building and other development outcomes and
- Identifying opportunities to capture and track development co-benefits and impacts of TCB activities, such as the impact on food security of trade facilitation efforts or on inclusive growth.

ANNEX 2: APPLICATION OF GUIDING PRINCIPLES

The *USAID Policy Framework*⁴⁰ lays out a set of core operational principles that guide all USAID programs. These principles, as they relate to trade capacity building, are as follows:

- Promote gender equality and female empowerment
- Apply science, technology, and innovation strategically
- Apply selectivity and focus
- Measure and evaluate impact
- Build in sustainability from the start
- Apply integrated approaches to development
- Leverage “solution holders” and partner strategically

Promote gender equality and female empowerment. Trade policy and its implementation affect men and women in different ways. Gender equality, in turn, affects economic growth potential. Refer to USAID’s Gender Equality and Female Empowerment (GEFE) Policy, to better understand how to appropriately address these differences. Also, please refer to Promoting Gender Equality, page 10.

Apply science, technology, and innovation strategically. Access to modern, affordable ICT is indispensable for trade facilitation. The role of IT in border management has grown exponentially in recent years, but its use is not a panacea for reform efforts. See Information and Communications Technology (ICT), page 23.

Apply selectivity and focus. USAID has increasingly recognized the importance of moving away from firm-level assistance to support for higher-level business associations and organizations that can have a broader impact for similar levels of effort. Another way of optimizing assistance is to focus on targeted value chains—those areas in which a country or region has a comparative and/or competitive advantage that will have significant employment and other poverty alleviating impact.

Measure and evaluate impact. USAID has challenged itself to enhance its capacity to design and deliver development results. Meeting this challenge has led USAID to adopt a more evidence-based approach to design, paired with active learning strategies that build on the systematic monitoring of program and project performance and more frequent and rigorous evaluations. Accordingly, USAID has developed a self-guided, web-based monitoring and evaluation toolkit specific to TCB to ensure that high-quality evidence about what works—and what does not work—is more readily available to development partners and countries alike. The ProjectStarter toolkit (www.usaidprojectstarter.org) is a monitoring, evaluation, and learning resource for USAID staff and implementing partners in developing countries involved in designing, monitoring, evaluating, or learning from a trade-related technical assistance program.

The screenshot shows the ProjectStarter website interface. At the top left is the USAID logo with the tagline 'FROM THE AMERICAN PEOPLE'. To the right is the ProjectStarter logo with the tagline 'BETTER PROJECTS BY DESIGN'. Below the logos is a navigation menu with links for Home, Program Cycle, M&E Pathways, Resources, Sitemap, ProjectStarter Survey, About, and Help. A search bar is located in the top right corner. The main content area features a large heading: 'Welcome to the E3 Trade Facilitation Monitoring, Evaluation and Learning Toolkit' followed by the sub-heading 'Meet the Challenge of Rising Standards.' Below this is a paragraph of introductory text about the toolkit's purpose. A blue button with white text asks 'Have 5 minutes to take a survey to help improve this site?' with a 'YES' option. At the bottom, there are three columns of content: 'UP-TO-DATE GUIDANCE', 'EDITABLE PDF TEMPLATES', and 'BUILD YOUR SKILLS', each with a brief description of the resources available.

Build in sustainability from the start. USAID's TCB activities will focus on building the local public and private sector capacity that developing countries need to sustain their trade functions without external assistance. Experience from TCB and many other programs demonstrates that capacity-building is a complex, long-term endeavor, and short-term training of individual professionals does not necessarily result in improved performance of the public or private organization in which those professionals work. USAID's TCB efforts, therefore, must also focus on the work processes, relationships, incentives, and collective behaviors within the trade-related organizations and enterprises receiving TCB assistance.

USAID TCB assistance will align with countries' national strategies, plans, and commitments, including those contained in global and regional trade agreements as well as with their poverty reduction strategies and other national economic development plans. For LDCs participating in the WTO's Enhanced Integrated Framework (EIF), USAID will, to the extent possible, coordinate closely with the countries' EIF National Focal Points, National Steering Committees, and Donor Facilitators on the design, monitoring, and evaluation of TCB activities.

USAID will work toward mutual accountability between USAID and host countries. USAID recognizes that only through genuine partnerships will it be able to deliver results. USAID can establish mutual accountability by setting out a shared agenda with clear objectives and reciprocal commitments at the outset of prospective TCB activities, agreeing on indicators of progress, milestones, or expected final results, and engaging in regular dialogue and review toward agreed objectives.

Apply integrated approaches to development. USAID will seek to ensure that TCB efforts are integrated, well-coordinated undertakings. For example, where TCB support encompasses a range of activities (beyond, at, and behind the border), the Agency will strive for coordination and consistency. USAID will align efforts to improve trade-enabling policy environments with activities that center on improving the productive sector. USAID will work to stimulate imports as well as exports, recognizing today that the two go hand in hand. For example, the impact of efforts to help agricultural producers comply with international export standards may be much greater if TCB also supports policy reforms that expand producers' access to imported seed and plant stocks. In sum, USAID has learned the importance of holistic strategies and will ensure their implementation. An integrated approach to TCB can also ensure that other USG priorities, such as ending human trafficking and illegal trade in wildlife and timber, are included in efforts to improve border clearance processes.

Leverage "solution holders" and partner strategically. USAID has learned from its vast experience implementing TCB activities that effectiveness requires a firm commitment to trade-related reforms at the highest levels of government and business in the host countries it assists. Without such a commitment, even well designed TCB activities will fall short of their potential. Leaders' commitment to reforms must be sufficient to overcome resistance to change as well as opposing objectives. For example, finance ministries or revenue authorities sometimes see trade reforms that lower tariff rates or introduce risk management into border screening and clearance processes as at odds with revenue collection targets they must meet to fund government programs. Political will is required to prioritize trade liberalization and expansion as a means to achieve growth and thereby make up for any potential revenue losses from reductions in import duties.

In support of the development and implementation of trade reforms, USAID has also assisted with the strengthening of intra-governmental trade policy and trade facilitation coordinating mechanisms, as well as with inclusive public outreach and engagement strategies, in many developing countries; this work will remain essential.

ANNEX 3: SOURCES OF TCB FUNDING

With the increased expansiveness and complexity of GVCs, USAID's support for TCB in the developing world can be supported by funding from non-trade sectors that participate in, or are affected by such GVCs. TCB will require greater support for the implementation of an increased number and variety of trade agreements. This will be especially true for agreements that require serving hard-to-reach populations as they integrate into global market systems that offer the prospect of sustainable graduation from extreme poverty. The investments USAID makes in building trade capacity in the developing world will pay future dividends in the form of more stable, economically viable, and better-governed regimes that are more fully integrated into the global economy.

As the demand for TCB grows, utilization of funding outside of Program Area 4.2, Trade & Investment, will be critical for ensuring that other sectors with trade-related issues are able to yield positive results for both TCB and the other sectors. A majority of the TCB assistance cases reported in the TCB Database are obligations for development projects that had trade-related effects—and were therefore counted as TCB—but were conducted primarily to fulfill other development objectives. Consistent with guidance provided by this TCB Policy and USAID planning processes, the development and implementation of TCB activities in the field continue to be guided by country-specific strategies that incorporate country needs, circumstances, and priorities.

The sphere of TCB activities and funding sources is constantly increasing as the ever-increasing complexities of trade become more evident. Labor and environment issues have become very strong components of the recently negotiated Trans-Pacific Partnership (TPP) and USAID, through a focused interagency process, is increasingly utilizing funds budgeted for the environment and labor issues to support TCB. In addition, trade agreements increasingly affect health programs on issues ranging from intellectual property rights to equipment tariffs, standards, and mutual recognition. Health-related funding is appropriate for these TCB-related issues.

USG Interagency Cooperation on TCB

USAID funds less than half of U.S. TCB assistance overseas today, down from 75 percent 15 years ago. Twenty other federal agencies also contribute. In some cases USAID also implements TCB activities funded by other agencies (such as the Department of State and the Department of Labor). The reverse also is true: USAID funds TCB activities (through interagency agreements) for implementation by other agencies, such as the Department of Commerce and the U.S. Customs and Border Protection Agency. In addition to USAID, significant sources of TCB funding are the MCC (created in 2004) and the U.S. Department of State. USTR neither funds nor implements TCB programs, but is actively involved in their design and delivery because many of these programs support the implementation by developing country governments of trade agreements to which the United States is a party.

Interagency coordination has long been important where TCB is concerned. USAID/Washington and overseas offices have evolved a variety of informal structures and working groups (in the field as well as in Washington) to supplement more formal structures, such as a USAID-chaired interagency Working Group on Trade-related Technical Assistance and a USTR-chaired Trade Policy Staff Committee set up for individual trade initiatives involving developing countries, in which USAID participates.

USAID recognizes the value of sustained interagency collaboration as a way to magnify development impact, ensure alignment with U.S. strategic priorities and foreign policy interests, and take advantage of internal resources and expertise that reside in many USG agencies. Regardless of the forum or format for collaboration, USAID will strive to engage in interagency coordination mechanisms and practices that will:

- Define and articulate a common outcome
- Establish mutually reinforcing or joint strategies
- Identify and address needs by leveraging resources
- Agree on roles and responsibilities
- Establish compatible policies, procedures, and other means to operate across agency boundaries
- Develop mechanisms to monitor, evaluate, and report on results.

ENDNOTES

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- ³⁰ Power Africa, a whole-of-government Presidential initiative, is an example of how USAID is bringing together technical and legal experts, the private sector, and governments from around the world to work in partnership to increase the number of people with access to power. USAID also recently created the Office of Private Capital and Microenterprise to leverage development resources and spur private sector investment to help fill the estimated USD \$2.5 trillion additional financing (of which \$1 trillion is in infrastructure) necessary to achieve the SDGs.
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- ³² Please see Annex 3 regarding sources of TCB funding.
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SEPTEMBER 2016