An Evaluation of Trade Capacity Building Programs

Overview

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An Evaluation of Trade Capacity Building Programs

Overview

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Abbreviations and Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AGOA	African Growth and Opportunity Act
AIM	accessing international markets
ANE	Asia and the Near East (USAID bureau)
APHIS	Animal and Plant Health Inspection Service
ASEZ	Aqaba Special Economic Zone
ATRIP	Africa Trade and Investment Program
BIDE	Boston Institute for Development Economies
BOP	balance of payments
BSI	business support institutions
BSO	business support organizations
CAAEF	Central Asian-American Enterprise Fund
CARICOM	Caribbean Community and Common Market
CEPRA	Center for Economic Policy Research and Analysis
CIS	Commonwealth of Independent States
CTA	Confederation of Mozambique Business Associates
DEI	Office of Development Evaluation and Information (USAID)
DOE	Department of Energy (U.S.)
ECOWAS	Economic Community of West African States
ENI	Europe and the New Independent States (USAID)
EPA	Environmental Protection Agency (U.S.)
EPZ	Export Processing Zones
ESF	Economic Support Funds
Ex-Im Bank	Export-Import Bank of the United States
EU	European Union

EU/TACIS	EU Technical Assistance for the Commonwealth of Independent States
FDA	Food and Drug Administration (U.S.)
FLAG	Firm Level Assistance Group
FTA	free trade agreement
FTAA	Free Trade Area of the Americas
FTC	Federal Trade Commission (U.S.)
GSP	Generalized System of Preferences
HHS	Department of Health and Human Services (U.S.)
HIID	Harvard Institute for International Development
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
IPC	implementing policy change
IPR	intellectual property rights
IR	intermediate results
IRIS	Center for Institutional Reform and the Informal Sector (University of Maryland)
ISO	intermediate support organizations
LAC	Latin America and the Caribbean
MAP	Morocco Agribusiness Promotion
MOU	memorandum of understanding
MSME	micro, small, and medium enterprise
NGO	nongovernmental organization
NIS	New Independent States
NTAE	non-traditional agricultural export
OECS	Organization of Eastern Caribbean States
OPIC	Overseas Private Investment Corporation
OTI	Office of Transition Initiatives (USAID)

PEG	Partnerships for Economic Growth
PFF	Partnership for Freedom Program
QIZ	Qualified Industrial Zone
RAEF	Romanian American Enterprise Fund
RCSA	Regional Center for Southern Africa
REIP	Rural Enterprise Investment Partnership
REU	Rural Enterprise Unit
RNM	Regional Negotiating Machinery
SADC	Southern African Development Community
SEED	Support for East European Democracy (U.S. Department of State)
SEETI	Southeast European Trade Initiative
SEG	sustainable economic growth
SIECA	Secretariat for Central American Economic Integration
SME	small and medium enterprise
SO	Strategic Objective (USAID)
SOE	state-owned enterprises
SpO	Special Objective (USAID)
SPS	sanitary and phytosanitary
TCB	trade capacity building
TTC	trade technical unit
USDA	U.S. Department of Agriculture
USTDA	U.S. Trade and Development Agency
WAPP	West African Power Pool
WARP	West African Regional Program
WTO	World Trade Organization

Introduction

This paper reports on the first phase of a study by USAID's Office of Development Evaluation and Information (DEI) of U.S. assistance for trade capacity building (TCB).

The first section provides an overview of recent U.S. assistance for TCB, discussing the major types of assistance and recipients. The next section identifies kinds of TCB activities being studied, with the rationale for their selection. The last section describes the work undertaken under the first phase of the study, and provides conclusions and findings from the work.

An Overview of U.S. Assistance for Trade Capacity Development

USAID developed a database of U.S. government assistance for trade capacity building. The database provides extensive information by type of activity, recipient country, and U.S. Government agency.[1] It separates funding from implementation of activities funded by another U.S. Government agency. The database provides financial information for FY 1999–2002. The information in the database has increased in detail over time, and considerably more specificity is available for FY 2002 than for earlier years.

For the purpose of this study, the statistics were aggregated to obtain totals for the three-year period, FY 1999–2001. The activities during this period should be sufficiently mature to allow some judgments to be made.

Table 1 summarizes all U.S. Government TCB assistance reported by agencies to the USAID database. USAID is the primary source of such assistance, providing nearly $1.1 billion of the total of about $1.5 billion over the three-year period. USAID provided 72 percent of the total, followed by the Department of Labor, with 13 percent. The Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the United States (Ex-Im Bank), the U.S. Department of Agriculture (USDA), the Department of State, the U.S. Trade and Development Agency (USTDA), the Department of Energy (DOE), and the U.S. Peace Corps, in descending order, each provided more than $10 million over the period.

These statistics are based on a broad definition of TCB. A broad definition is appropriate because a country's capacity to trade depends on the overall operation of the economy. The quality of the transportation and communications infrastructure, the capability of the financial system, and the quality of a country's technical institutions to support productivity increases in the business sector are all examples of factors that are critical to a country's capacity to participate in the world trading system.

Table 1: U.S. Government Trade Capacity Building by Agency

Agency	As Funder	As Implementer Only
USAID	1,069.8	0.0
Labor	194.4	0.2
OPIC	58.5	0.0
Ex-Im Bank	34.1	0.0
USDA	27.7	33.5
State	26.5	0.0
USTDA	22.4	0.0
DOE	18.5	0.0
Peace Corps	15.1	0.0
Treasury	9.2	4.1
Commerce	1.1	11.4
EPA	0.3	0.8
FTC	0.0	1.6
Justice	0.0	0.8
HHS	0.0	0.0
Interior	0.0	0.0
Total	**1,477.6**	**52.4**

Source: USAID TCB Database

[1] The database is available online at http://qesdb.cdie.org/tcb/index.html.

Table 2: U.S. Government Assistance for Trade Capacity Building, FY 1999–2001
(Ranked by USAID Funding)
($US Thousands)

Rank	Country/Region	USAID	Other Agencies	USG Total
1	Eygpt	123,065	1,876	124,941
2	Armenia	59,775	2,912	62,687
3	Jordan	57,775	110	57,862
4	Sub-Saharan Africa (ns)*	53,709	24,108	77,817
5	Phillipines	50,772	975	51,747
6	Georgia	44,908	605	45,513
7	West Bank/Gaza	42,238	–	42,238
8	Kazakhastan	41,128	846	41,974
9	Ghana	40,465	3,564	44,029
10	Haiti	28,444	–	28,444
11	Asia (ns)	27,908	7,266	35,174
12	Kygyzstan	27,499	–	27,499
13	Ukraine	25,685	628	26,313
14	Russia	24,921	21,355	46,276
15	Croatia	23,815	31,901	55,716
16	Southern Asia (ns)	22,300	20	22,320
17	Romania	21,071	1,210	22,281
18	India	19,088	20,556	39,644
19	Indonesia	18,356	153	18,509
20	Mozambique	16,669	250	16,919
21	Peru	13,700	1,085	14,785
22	Mali	13,101	430	13,531
23	Honduras	12,501	1,234	13,735
24	Global (ns)	12,358	155,273	167,631
25	Nigeria	12,350	1,893	14,243
26	Vietnam	11,664	2,019	13,683
27	Bangladesh	11,393	6,377	17,770
28	Azerbaijan	11,136	25	11,161
29	Zambia	10,975	1,659	12,634
30	Central & Eastern Europe (ns)	10,936	6,304	17,240
31	El Salvador	10,778	4,697	15,475
32	Morocco	9,750	200	9,950
33	Western Africa (ns)	9,730	–	9,730
34	Latin America & Caribbean (ns)	8,674	6,717	15,391
35	COMESA Secretariat	7,217	–	7,217
36	Tanzania	7,122	3,000	10,122
37	Caribbean (ns)	6,904	5	6,909
38	Brazil	6,867	13,996	20,863
39	Sri Lanka	6,784	–	6,784
40	Thailand	6,238	782	7,020
41	Mongolia	6,124	570	6,694
42	Uzbekistan	5,725	1,071	6,796
43	Poland	5,600	851	6,451
44	Uganda	5,145	2,154	7,299
45	Dominican Republic	4,159	2,591	6,750

Table 2: U.S. Government Assistance for Trade Capacity Building, FY 1999–2001 (Ranked by USAID Funding) (cont.)

($US Thousands)

46	Senegal	4,120	245	4,365
47	Jamaica	4,000	1,384	5,384
48	Tunisia	3,899	–	3,899
49	Macedonia	3,786	239	4,025
50	Bulgaria	3,728	3,082	6,805
51	Malawi	3,462	388	3,850
52	Guyana	3,355	–	3,355
53	Namibia	3,208	–	3,208
4	Madagascar	3,106	–	3,106
55	Algeria	2,950	2,201	5,151
56	Bolivia	2,843	328	3,170
57	South Africa	2,814	604	3,418
58	Mexico	2,444	982	3,426
59	South America (ns)	2,306	9,526	11,832
60	Serbia	2,300	–	2,300
61	Lebanon	2,295	620	2,915
62	Tajikistan	2,292	–	2,292
63	Turkmenistan	2,251	807	3,058
64	Malaysia	2,113	102	2,215
65	Former Soviet Republics (ns)	1,723	3,573	5,926
66	Kenya	1,711	0	1,711
67	Windward Islands	1,662	0	1,662
68	Central America (ns)	1,507	1,123	2,630
69	Ecuador	1,326	–	1,326
70	Albania	1,129	463	1,592
71	Zimbabwe	1,045	104	1,149
72	Benin	975	–	975
73	Guatemala	882	3,614	4,496
74	Togo	875	–	875
75	Andean Pact Secretariat	700	–	700
76	Angola	651	1,190	1,841
77	Colombia	386	6,402	6,788
78	Hungary	386	450	836
79	Montenegro	386	–	386
80	Ethiopia	201	80	281
81	Botswana	100	–	100
82	Moldova	100	–	100
83	Paraquay	78	–	78
84	Nicaragua	75	2,916	2,991
85	Cambodia	56	1,000	1,056
86	Côte d'Ivoire	50	–	50
87	Nepal	45	4,953	4,998
89	Non-USAID Countries**	–	24,980	24,980
	Total	**1,069,813**	**402,535**	**1,472,348**

Source: USAID TCB

* NS = Country not specified. These are regional programs that cannot be allocated to a specific country.

** These include Turkey, China, Yemen, Argentina, Costa Rica, Cameroon, Venezuela, Mauritius, Bosnia & Hertzegovina, Czech Republic, St. Kitts & Nevis, Uruguay, Panama, and regional funding for Central America & Caribbean (ns) and Middle East (ns).

In earlier days, trade was based more on resource endowments—e.g., deposits of minerals or petroleum, or climatic advantages for particular crops. In recent years, however, the importance of products based on natural resource endowments has paled in comparison to goods and services that, in principle, can be produced anywhere in the world. The capacity to produce most manufactures depends more on the skills of a country's workers and the quality of its institutions rather than any natural endowment. Indeed, most of the oil producers—the one commodity whose producers are still envied by oil importers—have fared less well over the last quarter-century than most of the rest of the developing world. Oil-producing countries have suffered from "Dutch disease," a malady that affects countries when a resource-based export pushes the exchange rate to levels that eliminate the country's competitiveness in other products.

The more recent case of Japan provides further insights. For four decades, Japan pursued an export-led growth model. Its export-oriented industries, such as automobiles, electronic products and shipbuilding, were examples to the rest of the world on how to achieve productivity. But the nontraded part of the economy did not share in this productivity gain. Agriculture was highly protected, leading to domestic prices for some products, such as rice, that were many times the world level. Services were also protected from competition, so banking and wholesale and retail trade did not share in the competition-induced productivity growth of the export sectors. Eventually, Japan's capacity to grow was stymied by the lack of productivity outside the export sector. And exports began to be dragged down by the high costs caused by low productivity in the rest of the Japanese economy. In sum, it is no longer possible to separate the trade sector from the rest of the economy, at least as a country's economy becomes advanced and fully articulated.

Table 2 summarizes U.S. government assistance at the country level, broken down between USAID and other agencies. USAID provided TCB assistance to 88 countries and regions, and other agencies assisted another 17 countries. Altogether, the United States provided more than $1 million to each of more than 80 countries. Clearly, the U.S. Government is a world leader in assisting countries to participate in the world economy.

The country allocation of USAID TCB assistance merits some note. Many of the largest allocations go to countries where trade issues are probably less important than other development or policy concerns, or where the government has not provided a favorable policy environment for trade. Indeed, 10 of the 15 largest recipients of TCB assistance were countries that could be classified in this way.

While U.S. assistance for TCB has been spread very broadly among countries, it has also been spread widely among activities. Table 3 summarizes USAID TCB assistance by type of activity and by region. Overall, trade facilitation is the largest use of USAID resources for TCB during 1999–2001. The emphasis in each region differs, however.

- For the Bureau for Europe and Eurasia (E&E), financial sector development is the leading use of USAID TCB resources.
- WTO-related work is the largest use in the Asia and Near East region.
- Trade facilitation is most important in Africa and Latin America and the Caribbean.
- Environment and standards is the largest use for worldwide resources.

Activities Studied

Though trade is affected by everything else in the economy, study of particularly important aspects is necessary if the task of evaluation is to be made manageable. For the purpose of this study, the TCB activities to be included are only those that relate directly and principally to exporters, and to the government agency primarily responsible for trade issues—usually a ministry of trade or of external commerce.

Thus, this study includes

- assistance to ministries of trade
- assistance to government agencies or the private sector to comply with WTO rules

- assistance to exporters, either at the firm level or through associations of exporters
- other activities intended to increase exports as the principal effect

In terms of the categories in Table 3, all or most of the WTO-related activities would fit within the area studied. Three other categories—trade facilitation, trade-related agriculture, and trade in services—include many activities that fit within the limits of the study.

Findings from the Research

This section summarizes the results of a review of USAID TCB data. This review draws upon the information available from R4s for the period FY

Table 3: USAID-Funded Trade Capacity Building, FY 1999-2001 By Region
$ thousand
(percentage)

Sector	Africa	Asia & Near East	Europe & Eurasia	Latin America & Caribbean	Worldwide	Total
Competition Policy & Foreign Investment	3,617 (2)	40,349 (9)	32,481 (10)	2,944 (3)	0 (0)	79,392 (7)
Environmental Trade & Standards	1,03 (1)	53,196 (13)	11,779 (4)	8,396 (7)	4,560 (37)	78,963 (7)
Financial Sector Dev. & Good Governance	11,534 (6)	38,548 (9)	119,863 (37)	3,854 (3)	376 (3)	174,176 (16)
Gov/Transparency & Inter-Agency Coord.	9,700 (5)	58,853 (14)	22,858 (7)	819 (1)	0 (0)	92,231 (9)
Human Resources & Labor Standards	7,144 (4)	31,125 (7)	9,028 (3)	13,193 (12)	2,341 (19)	62,832 (6)
Physical Infrastructure Development	21,395 (11)	26,456 (6)	12,366 (4)	8,868 (8)	6 (0)	69,091 (6)
Services Trade Development	18,480 (9)	12,154 (3)	6,042 (2)	3,614 (3)	599 (5)	40,888 (4)
Trade Facilitation	57,028 (29)	65,586 (15)	78,329 (24)	36,136 (32)	1,466 (12)	238,546 (22)
Trade-Related Agriculture	42,371 (21)	16,448 (4)	13,862 (4)	26,722 (24)	1,665 (13)	101,068 (9)
WTO	26,249 (13)	67,147 (16)	13,217 (3)	7,460 (7)	1,344 (11)	115,417 (11)
Other TCB	251 (0)	14,928 (4)	449 (0)	1,582 (1)	0 (0)	17,210 (2)
Total	198,801 (100)	424,791 (1000	320,275 (100)	113,588 (100)	12,358 (100)	1,069,813 (100)

1999–2003.* (The documents were prepared annually between 1997 and 2001.) The documents were reviewed for all missions for which "narrowly defined" TCB appeared to be an important feature of the mission program from preliminary review of USAID Strategic Objectives (SOs). This review produced a list of 23 mission or regional programs. They accounted for more than half of all USAID funding for TCB during FYs 1999–2001. For each of these programs, a one- or two-page narrative was prepared, including

- a summary of the rationale for the USAID focus in this area
- a description of the approach used by the mission
- a description of the indicators used to measure performance of the specific activities undertaken
- a description of how the TCB work evolved over the five-year period being reviewed

These descriptions are in the appendix. They provided a database for subsequent work, including interviews by email and telephone with USAID project managers in field missions responsible for the implementation of these activities. Those interviews characterized the USAID interventions in more specific terms to determine the major challenges that project managers faced in designing and implementing their specific activities, along with their perspectives on the desirability of replicating such activities in other countries.

The main findings that emerge from the review of the 23 TCB programs are as follows.

1. **Integration of TCB with other activities.** In most missions considered, TCB activity is integrated very closely with other activities, making it difficult to treat it as separate from other activities. The SO containing the TCB work typically contains other activities of very little relation to trade. SOs have become conveniences that amalgamate a wide variety of activities. In such cases, it is not possible to separate a TCB activity from other quite different work by USAID missions.

2. **Flexibility.** USAID TCB activity has been managed very flexibly. In most missions, the specific activities being pursued vary significantly from year to year. These frequent changes complicate the problem of assessment of mission success in TCB. The earlier system of relatively rigid designs simplified evaluation, for it was relatively straightforward to compare outcomes with initial goals.

3. **Incoherence**. Even where trade is important to mission work, the annual R4s do not appear to lay out a coherent multiyear goal, supported by a consistent approach, which would make the mission work susceptible to evaluation using the usual tools.

4. TCB R4 SOs often do not identify specific inputs, and they rarely mention outputs. If there are no multiyear goals, vaguely stated inputs, and no clearly stated outputs, it is difficult to make judgments about program impact, efficiency, and effectiveness. Therefore, it is surprising when almost all TCB SOs meet or exceed expectations. Over a five-year timespan, success is not always self-evident. When targets and measures of success change every few years, programs can perhaps be "successful," but such success cannot be confirmed through evaluation.

5. **A moving target.** The discussions with USAID staff during this review make clear that USAID has been upgrading its capabilities in the TCB area. This was particularly the case during FYs 2000–02, when a number of training courses were provided for both Washington and overseas staff. More recently, USAID

* R4s are a USAID mission annual report on past performance and budget requests for future years.

Washington increased the number of professionals working on TCB issues, bringing in people with trade experience from elsewhere in the U.S. Government. In reviewing activities that were largely implemented before this staff training began, it is important to keep this in mind. There is little value in identifying a problem that is already being addressed.

Appendix: Summaries of Country/Regional Programs, 1997–2001

Armenia

Rationale

The TCB rationale for USAID's involvement in Armenia was to push for a private sector-led export strategy that would utilize a trade trade-friendly regime's help to gain WTO accession. This would help open markets for increased trade.

Approach and Modality

In the early years, USAID worked closely under multiple Strategic Objectives (SOs) to create the legal and regulatory enabling environment required for accession to WTO. The initial accession target of 1998 was pushed back after USAID realized that a ceasefire did not result in increased trade because the land borders were still largely blocked. This increased the cost of inputs, making Armenia a high-cost producer. In FY 1999, considerable progress was made towards accession, and Armenia reached the fourth round of working negotiations in Geneva. Accession had been anticipated in the summer of 1998, but a new pro-Russian government reconsidered the merits of WTO accession. However, by this time, USAID's assistance program through the Center for Economic Policy Research and Analysis (CEPRA) project had come to an end and effective WTO accession work was handed over to the European Union's technical assistance program for the Commonwealth of Independent States (EU/TACIS).[1]

Performance Measurement

The performance indicator in the FY 1999 R4 was very trade-specific, making WTO membership an indicator under "Increased Access to Export Markets and Development of Domestic Markets." The following year, the same indicator was maintained under the "Accelerated Development and Growth of Private Enterprise" SO. The FY 2001 R4 indicator was changed to "access to broader markets" and tracked the volume of exports. Trade-related indicators were dropped in the following fiscal year.

Evolution of the SO

FY 1999. The FY 1999 R4 (June 1997) reports Armenia's merchandise exports at $290 million and trade deficit at $861 million in 1996. Armenia's top export markets in 1996 were Russia (27 percent), Iran (13 percent), Belgium (13 percent), and Turkmenistan (5 percent), indicating that penetrating Western markets had barely begun. USAID's agenda has been to convince the private sector that a liberal trade regime and WTO membership will allow them to import needed inputs, add value, and export the products. Though conceptually sound, this strategy has not succeeded because of the lack of regional peace, cooperation, and integration. Armenia's land transportation corridors were largely blocked (Azerbaijan and Turkey). This raised the cost of inputs and made Armenia a high-cost producer. Thus a ceasefire was not enough to cause an export-led, private sector growth strategy to succeed. USAID has programs in all areas of enabling environment to assist Armenia in gaining entry into WTO. WTO requirements for accession were not yet satisfied. WTO was not comfortable with the breadth and depth of Armenia's reform of the legal and regulatory environment for trade. WTO will require four or five "working parties" for Armenia to complete the process of accession. USAID's original estimate was three "working parties," so the accession target was pushed back from 1998 to 1999 or 2000. USAID continued to provide an improved framework for the protection of intellectual property rights and tariff rates and structures. USAID programs also focused on civil, criminal, and administrative codes for compliance with European and WTO conventions.

FY 2000. The FY 2000 R4 (May 1998) reports a worsening trade deficit in 1997. USAID continues to provide WTO assistance under its SO "Increased Soundness of Fiscal Policies and Management

[1] Armenia finally joined the WTO in December 2002.

Practices." USAID work has included programs for tax policy and customs advisory, including customs code, customs valuation, and country of origin. Under its SO "Accelerated Development and Growth of Private Enterprise," USAID has continued to work on the enabling environment program for WTO accession administered by the Center for Institutional Reform and the Informal Sector (IRIS) at the University of Maryland. Armenia completed its Fourth Working Group session on WTO accession in Geneva and the new R4 talks about accession as early as 1998. EU/TACIS also had a program to support Armenia's entry into the Council of Europe and WTO.

FY 2001. This R4 (March 1999) reports that USAID expectations for the country's entry into the WTO were not realized in 1998 as the new government reconsidered the merits of membership. There has been renewed invigoration of Armenia's interest in WTO, and accession was now expected in 1999, before the completion of the Uruguay Round. WTO membership was expected to increase access to export markets and boost foreign investor interest. USAID's technical assistance was effectively handed off to EU/TACIS with the end of the IRIS contract.

FY 2002. The R4 document released in March 2000 does not mention any USAID work towards WTO accession except for translating some documents about WTO accession for the ministry. Political changes—including the October 1999 assassinations of the prime minister and parliamentary speaker—resulted in a slowing down of the economic reform process.

Bulgaria

Rationale

The TCB rationale for the SO was to assist the Government of Bulgaria to privatize former SOEs and spur private sector development through both firm-level assistance as well as assistance to business support organizations (BSOs) to act as intermediaries. Assistance was also provided through policy, legal, and regulatory interventions. Accession to EU membership was seen as a key factor in bringing about economic and political success.

Approach and Modality

In the early years of the SO, firm-level assistance was the preferred method of building trade capacity in Bulgaria. Assistance was also provided to BSOs to act as intermediary support organizations. As a result of a disastrous economic situation in 1996–97, assistance was targeted more on bank restructuring, financial market development, and other policy and regulatory aspects. After macroeconomic stabilization and the possibility of EU membership, USAID assistance was focused on getting Bulgaria ready for adherence to the economic rules of the EU so that the country could sustain the competitive pressures once it entered the European Union. Graduation of USAID assistance was delayed from 2002 to at least 2004–05, as it became evident that Bulgaria was in no position to gain admittance to EU because of its slow reform pace.

Performance Measurement

The performance indicators in the FY 1997 R4 were targeted towards tracking firm-level improved business practices and transactions. The indicator was changed in FY 1998 to show the percentage share of GDP supplied by private enterprise as well as laws and policies drafted to foster private sector growth. Other indicators were added: the strength of BSOs and improved performance of their members. The new SO introduced in FY 1998 to develop a private financial market had its own indicators: the share of private banks versus total bank assets and nonperforming loans as a share of total bank loans. The SO had additional indicators for securities market development and private pension systems. The following year most of the indicators remained the same, with some minor changes about the increase of exports in targeted firms. An additional indicator was established to track the number of licensed dealers in the securities market. The private pension system indicator was dropped. The same indicators were carried on in the final year of assessment. Though they provided a reasonable idea of the competitiveness of private enterprises, they were not directly related to trade capacity building.

Evolution of the SO

FY 1997. The FY 1997 R4 (March 1997, for the period October 1, 1997–September 30, 1999) reports that, in response to a worsening economic crisis in Bulgaria, USAID allocated additional resources to SO 1.3: "Increased Growth of Private Firms in a Competitive Environment" to position it for economic structural reform. Along with targeting Firm-Level Assistance Group (FLAG) efforts on economic areas of potential strength such as export-oriented firms (agribusiness, dairy processing, and light manufacturing, among others), new initiatives were targeted in the macroeconomic areas of bank restructuring and enterprise reform. To further support economic reform, USAID Bulgaria participated in the Ron Brown Fellowship Program to send young leaders involved in economic policy making to the United States for a one year of university training. The SO included two intermediate results (IRs) for direct enterprise assistance, association strengthening, and legal and policy reform. The privatization SO was folded into this SO.

FY 1998. The FY 1998 R4 (May 1998) reports that Bulgaria instituted stringent economic recovery measures and USAID continued to refine its own SO—from a predominantly "retail" assistance delivered at the firm level to one seeking to induce greater private-sector change through policy, legal, and regulatory initiatives. A new country strategy was adopted for USAID Bulgaria. Accession to EU membership became a major objective. Creation of a functioning and open market economy able to sustain the competitive pressure within the EU and the ability to uphold the obligations of membership became a priority. A new SO1.4, "A More Competitive and Market-Responsive Private Financial Sector," was introduced with a view to strengthening financial markets. The SO was linked more clearly to phase out in year FY 2002. Though overall funding for FLAG was reduced, with resources dedicated to only those members working at institutional, legal, and regulatory issues, FLAG continued to play a major role in the development of Bulgaria's private sector and in fostering a competitive market environment. Sustainable economic development of private enterprises in a competitive environment was targeted through the creation of an enabling legal environment, and in association building and enterprise growth.

FY 2000–01. This R4 (April 1999) reports that initial plans to graduate Bulgaria from USAID assistance in 2002 will not be met—at least until about 2004 or 2005—partly as a result of the escalating conflict in Kosovo and Serbia, which dampened economic recovery prospects. This was expected to affect the achievement of EU economic accession criteria. It was also felt that that building of sustainable intermediate support organizations (ISOs) was going to take more time than originally anticipated. The R4 claims that the relevant SO "is creating a vibrant private sector, supported by a functioning policy and regulatory framework." The SO aims to develop strong and sustainable ISOs—such as business, trade, and professional associations—that support the growth of member firms and provide business services which ultimately become self-sustaining through membership dues. The SO also tries to improve legal and policy framework as the basis for sustained economic growth and competitiveness. It meets short-term priorities of job creation and economic growth by focusing on increasing the competitiveness of micro, small, and medium enterprises. In FY 2000–01, a microfinance program was also tested with limited budgets. Work under the new SO for bank restructuring, capital market development, and public-private pension reform system continued. The R4 notes that $3.4 million will be allocated to FLAG activities in FY 2000 and $1.9 million in FY 2001. Additional resources were allocated to SO1.4.

FY 2002. The R4 document released in May 2000 reports that accession to the EU is not anticipated for another decade or so because of the status of democratic and economic adherence progress. Bulgaria suffered a disruption of trade and commercial routes because of events in Kosovo. USAID Bulgaria wants to continue to promote Stability Pact and EU Accession goals, and will graduate Bulgaria from U.S. assistance when keystone criteria are satisfied. Citing strong performance by BSOs, USAID has decided to shift its strategy from targeting them for assistance to using them as sustainable partners in promoting small and medium enterprise (SME) development, notably in the areas of competitiveness and external trade. Agreements were previously signed with banks under a loan guarantee program providing capital to SMEs. USAID continued its activity under bank restructuring, capital markets assistance, and pension reforms. Though most bank privatization would have occurred by late 2000, this activity would be continued to encompass other privatization initiatives. The intermediate results were slightly rearranged to meet these objectives.

Another R4 document, released in February 2001, states that administrative barriers to business continue to burden the development of SMEs. Foreign direct investment exceeded $700 million in 2000. Considerable progress was made toward creating a competitive and market-responsive private financial sector, but Bulgaria was still far from having a broad and liquid capital market, despite a noticeable increase in trading volume. The private sector share of GDP had grown to about 70 percent in 2000. USAID will continue to advance regional initiatives, such as the Southeast European Trade Initiative (SEETI), which directly contributes to market development and trade with Western Europe. USAID is mobilizing loan and equity finance to SMEs with the creation of a new $7 million Trans-Balkan Bulgaria Fund in late 2000. USAID's program continues to contribute to the development of laws, policies, and institutions that enable private sector growth. The mission was poised to conduct several assessments and evaluations about the current firm-level assistance model, the role and value of micro and SME finance in Southeastern Europe, needs in the agricultural sector, and, possibly, a commercial law assessment.

The Caribbean Region

Rationale

Means are needed to increase exports because growth in exports is vital to broad-based economic growth in the small economies of the Caribbean.

Approach and Modality

For SO 538-004-01, "Increased Employment and Diversification in Select Non-Traditional Activities," barriers to increased production are to be addressed, both for goods and services. Cost-reducing activities such as telecommunications reform and reduction in government red tape are to be undertaken, and technical assistance and training to raise productivity will be provided. These countries are constrained by the limited resources for policy and regulatory changes needed to implement Free Trade Area of the Americas (FTAA) and WTO commitments, so technical and policy assistance to governments is needed. Harmonization of commercial laws in the region and trade liberalization will also be supported.

Performance Measurement

One performance indicator was developed for the FY 2003 R4: total employment for all goods and services in the economies of the Organization of Eastern Caribbean States (OECS) where USAID works. This is an overly broad measure, not well linked to the SO, which focuses on select nontraditional activities.

Evolution of the SO

FY 2002 R4. The SO was first developed for the FY 2002 R4, incorporating some programs previously managed from USAID Washington. A general program design has been developed, and a workplan for the initial year of the program is being developed. The secretariats of the Caribbean Community and Common Market (CARICOM) and the OECS are to be the principal implementing organizations, but various NGOs and private sector associations will also be used.

FY 2003 R4. Subgrants and cooperative agreements on major elements of the program are to be signed soon, but several initiatives have already begun. Computers and software have been provided to all CARICOM members in support of the Regional Negotiating Machinery (RNM), and most are connected to the RNM website. USAID has begun providing technical assistance on competitiveness to business groups.

The Central American Region

Rationale

The basic rationale is greater prosperity through more open markets and more sustainable use of the region's resource base.

Approach and Modality

The program seeks to promote Central American participation in the FTAA by alleviating the shortage of technical expertise in the region's governments and institutions. Technical assistance is to be provided through the Secretariat for Central American Economic Integration (SIECA) to support improvements in policies that facilitate the FTAA, such as trade liberalization, protection of intellectual property rights, and protection of worker's rights. Technical assistance is being provided by various U.S. Government agencies, including the Customs Service, Department of Labor, and the Patent and Trademark Office, as well as by private consultants.

Performance Measurement

The initial measurements used were Central American trade as a share of GDP and the composite score on a set of "readiness indicators" for participation in a free trade agreement (FTA). Both measures are relevant to the goal of the SO, and were tracked consistently for the five-year period reviewed. Nevertheless, they are such high-level indicators that the USAID activities probably had only a marginal influence on their movement.

Evolution of the SO

FY 1999 R4. The SO is formulated as "increased Increased Central American participation Participation in global Global Markets." USAID signed agreement with SIECA to support regional participation in FTAA working groups and develop a medium term plan for achievement of FTAA requirements.

FY 2000 R4. All countries made progress in implementing WTO commitments, and with USAID support, reduced tariffs on external trade. Regional cooperation on labor was also promoted, with baseline data collection on workers' rights conditions in each country and analyses of mechanisms to facilitate free labor movement in the region.

FY 2001 R4. Central American countries kept on schedule for their reductions in external tariffs. Their participation in FTAA work increased, with the region's governments chairing three of 11 working groups. Regional sanitary and phytosanitary (SPS) regulations consistent with WTO standards were negotiated. Progress continued on labor issues, and all countries in the region have now been removed from the Generalized System of Preferences (GSP) worker rights "watch list."

FY 2002 R4. Progress continued to be made on WTO commitments on customs valuation and intellectual property. Work on various issues of regional integration, including trade in services, investment, and dispute resolution, continued. An FTA has been negotiated with Chile.

FY 2003 R4. Progress continued on training and dissemination of information on trade issues. Two countries in the region established a customs union. Intellectual property rights (IPR) legislation was ratified in two countries. Progress continued to be made on trade negotiation readiness, and an FTA was signed with Mexico by three countries.

Croatia

Rationale

The initial rationale for the SO was to work as little as possible with the government, which was seen as rigid and detrimental to economic progress. After the new government was voted in, the FY 2002 R4 outlined programs focused on private sector capacity building. Small activities were carried on for employment creation and poverty reduction for war-affected areas and populations.

Approach and Modality

The initial modality was implementing and enforcing an effective, transparent legal and regulatory framework for economic development, but this was abandoned due to an unyielding approach on the part of the Government of Croatia. Targeted support was given to SMEs in selected regions to support people affected by the war. After the new government was sworn in, a more comprehensive economic growth program was designed in the final year of review.

Performance Measurement

The FY 1998 R4 indicates that the initial indicators for showing a more competitive, market-responsive private financial sector included establishment of viable, transparent financial institutions and expansion of capital markets. There were no specific indicators for enterprise growth or trade capacity activities other than some work on SME development under the reintegration SO. In FY 2001, an indicator was established to assess the growth of micro, small, and medium enterprises (MSMEs) and show their ability to provide jobs and incomes to support returning and remaining populations. In FY 2002, the new indicators for the newly approved SO1.3 included: (1) "Competitive, Transparent Privatization of State State-Owned Enterprises;" (2) "Strengthened Capacity of SMEs to Operate and Compete;" and (3) "Improved Investment Climate."

Evolution of the SO

FY 1998. The FY 1998 (June 1997) R4 reports that though the Croatian economy is recovering well since the end of the war, the government has serious reservations about implementing and enforcing an effective, transparent legal and regulatory framework to ensure more broad-based participation of society in economic restructuring. There is a slow rate of increase of private investment, primarily due to an underdeveloped financial sector. Initial privatization resulted in a small group of oligarchs with ties to the ruling party and a concentration of most of the economic wealth. After initial rejection, Croatia was accepted to the Council of Europe in November 1996. Croatia wants EU and NATO membership but needs to meet some basic political and economic guidelines before it can join. SO2 in Croatia aims to establish "A More Competitive, Market-Responsive Private Financial Sector." It aims to develop an effective legal, regulatory, and administrative framework to support the development of transparent, reliable, and participatory financial markets. Under its SO for reintegrating population affected by the Erdut Agreement, USAID Croatia is carrying out some small private enterprise development in the greater Slavonia region to create employment opportunities and economic growth. The SME portfolio comprises five specific activities: a business registration project; , a private sector development project; a microloan program; an equity finance project; and a business training program.

FY 2000. The March 1998 R4 reports that though Croatia has strong economic indicators, it is not ripe for "graduation" because of the war in Yugoslavia and the lack of "democratization" commitment of the ruling party. This is also hampering Croatia's attempt to join the EU. Under the reintegration SO, USAID is carrying on its SME portfolio with the intention of providing small businesses in war-affected areas with access to the credit, capital, technical assistance, and training to enable them to develop and expand. Due to a reduction of $5 million in the FY 1998 budget and no increase in FY 1999 budget, USAID may be forced to prematurely terminate all economic revitalization activities for war-affected populations.

FY 2001. The April 1999 R4 reports that USAID continued its support to SMEs under the reintegration of war-affected population SO. The closeout request for this SO has extended by a year, to December 2000. USAID has requested a $3.5 million funding to carry on the SME activities and support the provision of jobs and incomes for returning and remaining populations.

FY 2002. USAID Croatia's assistance in the economic sector originally fell under SO1.4. Assistance under this SO was suspended in 1998 due to the unwillingness of the Croatian government to move toward economic reform and fulfill its commitment to the Dayton Accords. The coalition government elected in early 2000 has made substantial progress in reversing the nationalist and authoritarian polices of the previous Tudjman government. Croatia joined WTO and the NATO Partnership for Peace in 2000. Soon after the elections, the EU formed a European Union Task Force for integration of Croatia into Europe. A Stabilization and Association Agreement with the EU is expected to be signed in 2001. An economic advisor was provided to the deputy prime minister. The economic reform activities in Croatia during FY 2002–03 will accelerate as new or following initiatives addressing privatization, SME development, international competitiveness, energy restructuring, banking supervision, and commercial law reform are launched. A new Strategic Plan for FY 2001–05 programs SEED funds to achieve its SOs. USAID's assistance program expanded significantly in 2000. Earlier programs aimed only at improving political processes, strengthening civil society, and reintegrating war-affected populations, but a new portfolio now includes significant economic reform and social transition activities. Under an overarching theme of competitiveness, the new SO1.3 will support macroeconomic and structural reforms to improve the enabling environment for private sector growth. At the same time, the work in SO1.3 will pursue interventions to help businesses acquire the skills, tools, and services needed for them to succeed in increasingly competitive local, regional, and global markets.

The Dominican Republic

Rationale

TCB was only one among various activities carried out under the rationales of economic growth and good governance benefiting the poor. Consequently, no explicit rationale for working in this area is evident in the R4s.

Approach and Modality

The principal approach used in the Dominican Republic was support for policy advice to the Government of the Dominican Republic. The specific location of this activity in the mission's strategic framework varied year by year. This suggests that the mission saw this activity as important, so it was shuffled about into the most convenient box for justification to consultants. These included the Monitor Company and Chemonics for competitiveness, and Harvard Institute for International Development (HIID) and the Boston Institute for Development Economies (BIDE) for studies.

Performance Measurement

There were no performance measures directly relating to TCB. One performance measure relating to government policy decisionmaking continued throughout the period considered. Its specific formulation varied over time, with later formulations becoming more specific. The FY 2003 formulation is "economic policy reforms developed with USAID assistance and approved by the GODR [Government of the Dominican Republic], which means that the law, decree, regulation, or plan has been authorized at the appropriate level and is ready for implementation." Even in this specific form, the measure is open to wide variation in interpretation. Any government enacts thousands of measures annually, some significant number of which will have been influenced by USAID.

Evolution of the SO

FY 2000 R4. As part of the consolidation of the mission portfolio, the mission's economic growth SO, "Institutions Which Contribute to Increased Economic Opportunities for Poor Dominicans Strengthened," was eliminated. A Special Objective (SpO) for "Policies Adopted That Promote Good Governance" was established to carry on an activity that provide policy advice to the Government of the Dominican Republic, including development of a national competitiveness strategy.

FY 2001 R4. USAID continues policy advice under the SpO in a wide range of policy areas, including some relating to trade—competitiveness, an investor's roadmap, tariff reduction, trade negotiations, and the FTAA

FY 2002 R4. The TCB activity was included along with energy and environment in a new governance SO "Policies Adopted That Promote Good Governance" that also encompasses education. The trade-promoting activities included a competitiveness program, technical assistance (TA) for IPR and customs reform—but also activities relating to SOE reform and environment.

FY 2003 R4. The SO was renamed as "Policies Adopted that Promote Good Governance for Sustainable Economic Growth." Under the national competitiveness strategy, clusters have been implemented for the Santiago region with promising progress for horticulture, tourism, and SMEs. Policy analysis supported by USAID helped in the development of legislation that reduced import tariffs.

Ecuador

Rationale

SO 518-011 is "Improved Social and Economic Conditions of Inhabitants along the Peru-Ecuador Border Thereby Promoting Border Integration." The activity, begun in 1999, is intended to support peace negotiations between Peru and Ecuador by promoting economic and social development of the area where the two countries share a border. The region is one of the poorest parts of Ecuador, with more than 70 percent of the population living in poverty and only 22 percent of homes with running water. Unemployment and underemployment are also very high.

Approach and Modality

The initial phase of the program emphasized social services—health, water, and sanitation—implemented by CARE for people living in the border areas. Other aspects of the program, including income generation and environmental concerns, are in the process of design.

Performance Measurement

The performance measures included all addressed social indicators such as access to water and sanitation. No trade or economic factors measures have yet been developed.

Evolution of the SO

FY 2002 R4. The SpO was established as a result of an October 1998 peace agreement between Ecuador and Peru, which ending ended more than a century of occasional conflict. USAID committed resources to support the Ecuadorian effort to improve conditions in the border area. An initial $1.5 million was committed to CARE to carry out social infrastructure activities, and design work began on economic aspects of the program.

FY 2003 R4. The second phase of the program began with the signing of a cooperative agreement with CARE for $19 million. This includes funding for water and sanitary infrastructure, microfinance, and training and technical assistance to municipalities. Changes in legislation to facilitate binational commerce are to be sought, and binational trade fairs are to be promoted.

Egypt

Rationale

The strategic goal is to increase Egypt's economic growth rate—from 2.9 percent in 1994 to 6 percent in 2001—by increasing trade and investment and improving economic efficiency. There is one clear trade SO and two SpOs that are weakly related to trade: SO1 "Will Accelerate Private Sector-Led, Export-Oriented Economic Growth;" SpO-A, "Will Increase the Use of Egyptian Universities in Quality, Demand-Driven Applied Research;" and SpO-D, "Demonstrates Approaches to Sustainable Tourism." During 1999 USAID developed a new strategy for 2000–09 designed to change the U.S.-Egypt relationship to one grounded on trade and investment. A new program goal is: "A Globally Competitive Economy Benefiting Egyptians Equitably."

Approach and Modality

In addition to advice from USAID direct-hire economists, a long list of projects is designed to improve macroeconomic policies, trade policies, increase selected exports, speed the pace of privatization, improve WTO compliance, decrease direct taxes, improve competitiveness, and encourage small and microenterprises.

Performance measurement

Though every year nearly all SO targets are met or exceeded, policy and structural economic problems threaten growth.

Evolution of the SO

FY 1999. For SO1 the targets are increased GDP growth rates; a greater share of GDP produced by the private sector; an increase in non-petroleum exports; an increase in real GDP per worker; and increased privatization. All targets are met or exceeded. SpO-D demonstrates and promotes sustainable approaches to tourism. Though tourism generates foreign exchange, USAID's emphasis is on environmental sustainability and cultural suitability. The linkage of universities to trade is not explained in a convincing manner.

FY 2000. The level of trade protection remains extremely high. The banking sector has a low level of restrictions. As in the last year, all indicators were good though non-petroleum exports were down. Lagging export growth is due to macro and micro policy and institutional problems, which USAID is addressing. Sector policy reforms had positive accomplishments, with 56 percent of reforms accomplished so far. Tourism was high, although the massacre of tourists in Luxor in 1997 cast a pall over future tourism and GDP growth.

FY 2001. SO1 continues the extensive list of macro and micro indicators, with nearly all meeting or exceeding expectations. GDP grew 5 percent: the private sector share of GDP rose to 70 percent; private sector jobs increased by 400,000; nontraditional exports increased by $500 million; and non-petroleum exports increased from $1.1 billion to $1.7 billion. The SO notes that faster economic policy reform and progress on privatization will be needed if Egypt is to compete more effectively in the global economy.

FY 2002. The new goals and SOs have been in place less than a year so results are not yet available. Under the old goal, Egypt's policy reform performance is impressive, with progress on privatization and deregulation and "commendable progress on GDP growth and private sector productivity." Exports in USAID-supported areas increased 30 percent. Egypt still has a high level of poverty and unemployment. An overvalued Egyptian currency is one of several reasons for stagnant export growth and a deteriorating investment climate.

FY 2003. The two new SOs have been in place for over a year: SO16, "Environment for Trade and Investment Strengthened" and SO17, "Skills for Competitiveness Developed." But performance is not that great. Under SO16, non-petroleum exports as a percentage of GDP are down from 22 to 20 percent. GDP growth dropped from 6 to 4 percent. For the good news, exports in selected sectors are up, new stock market shares issued are up 20 percent, and 35,000 jobs have been created by microenterprise loans. Under SO17 (skills for development), 1,000 people are trained in software applications. SpO–12 on tourism is finally folded into environment, SO19.

Eritrea

Rationale

The broad goal of SO 661-002, "Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports," is to promote investment in Eritrea. USAID Eritrea's Investment Objective Number 2 began as a five-year project in late 1997. It is also referred to as the Rural Enterprise Investment Partnership (REIP), a bilateral agreement with the Government of Eritrea. By providing technical assistance and credit services to rural enterprises to increase their efficiency, competitiveness, and profit, Investment Objective 2 aims to increase Eritrea's capacity to generate income and foreign exchange to purchase food, capital equipment, and consumer goods. Achieving this objective depends on two principal immediate results: the value of domestic goods and services sold by assisted enterprises must increase; and the value of exports from assisted enterprises must grow.

Approach and Modality

The two main components of the REIP are the Rural Enterprise Unit (REU) and the Enterprise Investment Fund (EIF). The REU provides technical assistance to enterprises and the EIF, managed by the Commercial Bank of Eritrea, makes land available to enterprises to meet capital requirements and increase investment in the rural areas. Originally technical support and credit assistance was to be carried out by Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) in an integrated manner between the REU and the EIF, but that changed when the Government of Eritrea announced that it would assume responsibility for the REU. However, due to conflict, ACDI/VOCA was brought in to provide an alternate disbursement mechanism for loans in FY 2000.

Performance Measurement

The FY 1999 R4 does not include performance data tables because the mission was operating without an approved strategy. Performance monitoring occurred at the activity level instead of the objective level. In FY 2000, trade capacity building activities fall under IR2.3, "Value of exports from assisted enterprises increased." There is one indictor for this SO: "Increase in export sales by enterprises receiving loans and technical assistance." In FY 2001, the IR remains, but the indicator changes to "Number of enterprises receiving loans and/or technical assistance." The FY 2002 R4 again keeps the IR, but changes the indicator to "Value of export sales of enterprises receiving loans and/or technical assistance." The FY 2003 R4 has the same IR and indicator as FY 2002.

Evolution of the SO

FY 1999 R4. USAID supported the first marketing trip by Eritrean growers to Saudi Arabia and the first investment mission to the United States by Eritrean businessmen. These are the only trade capacity building activities mentioned in the R4.

FY 2000 R4. Trade capacity building activities fall under IR3, "Value of exports from assisted enterprises increased." Efforts consist of identifying appropriate export crops that Eritrea can produce, process, and export to increase foreign exchange earnings and diversify its export base. The first Eritrean investment mission to the United States was sent in the fall of 1997 under a program financed by USAID to determine the initial level of interest among industrial processors of vernonia oil-based products. USAID is exploring options to further research, produce, and process vernonia oil for the U.S. market. The activity was scheduled to begin during FY 1998. Other exploratory efforts to develop export markets have included a horticultural trade mission to Saudi Arabia. (Eritrea, in the 1960s, exported a significant supply of bananas to Saudi Arabia.) Efforts will be made in FY 1998 and onwards to regain the export markets lost during the protracted struggle for liberation. The focus is on improving the quality and volume of bananas and other fruits produced in Eritrea and making them marketable in Saudi Arabia and other regional markets.

FY 2001 R4. Overall, the SO did not meet expectations, but there was progress in export sales. Two trade missions to regional markets resulted in firm export contracts of $60,000. This opened new markets and suggests that Eritrean leather and leather goods can compete favorably for foreign exchange.

FY 2002 R4. The SO did not meet expectations due to the conflict with Ethiopia. The development assistance program was virtually suspended following two ordered departures, the evacuation of all mission staff except the director, and the restrictions imposed on the disbursement of dollar resources.

FY 2003 R4. The SO did not meet expectations as a result of the economic effects of the conflict, which disrupted traditional trade patterns with Ethiopia. USAID sent a delegation of 19 Eritrean businessmen to a leather convention in Casablanca, Morocco, in September 2000. Several deals totaling about $675,000 were successfully negotiated and have expanded the value of leather exports to markets in Africa and Europe. This is the second event in as many years that has increased the leather industry's exposure to nontraditional markets and has produceds tangible, if limited, evidence of Eritrea's competitiveness and ability to generate foreign exchange. Other activities were constrained by the security situation.

Honduras

Rationale

The initial rationale of SO 522-00, "Economic Reactivation Meeting the Needs of the Poor," was to achieve broad-based economic growth and job creation by reducing barriers to Honduran participation in the world economy. After Hurricane Mitch, restoration of the economy and infrastructure became more central.

Approach and Modality

Aside from an old project for non-traditional agricultural exports (NTAE), TCB has not been a separate area for USAID work. Support for improved policy through studies and dialogue on numerous issues relating to trade—Export Processing Zones zones (EPZs), elimination of controls on pricing and trade in agricultural products, investment policy—as well as on various other macro and sector policies less directly related to trade. During the early years, behind-the-border activities, particularly in agriculture, focused on strengthening the capacity to export by sector-level technology transfer and marketing assistance

Performance Measurement

Performance indicators included very aggregate measures—total employment (first four years), total investment (last four years)—and several measures of microfinance and education performance. The first four years included an export performance measure, but the specific measure tracked was each year.

Evolution of the SO

FY 1999 R4. Under SO1, "Enhanced Economic Participation and Increased Incomes of the Poor," small farmers are gaining access to export markets because of technology and management assistance provided by USAID. At the policy level, USAID supported a unit that recommended liberalized trade in agricultural products, expansion of export processing zones, and increased private investment in mining and bananas.

FY 2000 R4. The SO changed slightly to "Enhanced and Equitable Access to Productive Resources and Markets." There was continued support for policy improvements by the government, although this was slowed by elections. There was support for FTAA. Honduras saw continued success in NTAEs through technology transfer.

FY 2001 R4. The SO changed slightly, with "expanded" replacing "enhanced." Progress on NTAEs had been impressive until Hurricane Mitch, which caused major losses. Policy improvements continued, except for some temporary restrictions following Mitch.

FY 2002 R4. SO changed to "Economic Reactivation Meeting the Needs of the Poor."

FY 2003 R4. Program emphasis is improving the overall policy environment for growth and promotion of micro and small business. The TCB emphasis is not evident from the document. Activities shifted toward construction of secondary roads and other infrastructure related to Mitch-related reconstruction, microfinance, land titles, and forestry.

Indonesia

Rationale

By 1997, Indonesia was on an extremely successful economic roll. By 2020 it might be the fourth largest economy in the world. USAID will help Indonesia make its economic breakthrough and then phase out U.S. assistance in FY 2001. The macroeconomic situation is excellent, though Indonesia needs to further liberalize its international trade, improve domestic competition, and improve economic efficiency. USAID will work to improve microlevel policies through financial, legal, and regulatory reform. The USAID strategy was put in place before the 1997 Asian financial crisis. By 2001 USAID noted that several microlevel reforms had been successful but macroeconomic conditions were grave as the country was struggling to recover from the Asian financial crisis.

Approach and Modality

For SO 497-011, "Recovery of the Economic and Financial System," USAID economists and contractors will work on fiscal and monetary policy; improved capital markets; trade policy, regulations, and legislation; along with measures to improve competitiveness.

Performance Measures

Import tariffs and export restrictions were reduced faster than anticipated. More than 90 percent of USAID funding-advisor recommendations were acted upon. The USAID Partnerships for Economic Growth (PEG) project got off to a slow start, but economic laws and regulations were improved. This should help domestic competition, along with increased lending to SMEs. But macro conditions (fine five years ago) were not depressed: the rupiah remained weak; the stock market was depressed; inflation was high; and economic growth, investment, and exports were all below pre-crisis levels.

Evolution of the SO

FY 1999. Since macroeconomic conditions are superb, all attention is concentrated on microeconomic legal, regulatory, financial, and procedural factors affecting international trade and domestic competition.

FY 2000. All performance targets were met or exceeded. The economy continues to open up and trade increased. This was achieved against the dour macroeconomic background of the Asian financial crisis.

FY 2001. The financial crisis lays bare the structural flaws of the economy, and there is unprecedented public sector support for economic reform. A new anti-monopoly law and steps to promote corporate restructuring move forward. All IMF targets on internal trade liberalization are met.

FY 2002. The economy has finally stopped contracting and is starting to recover. Much work remains in bank and corporate restructuring and governance systems. Exports failed to benefit from the depreciated rupiah and credit is tight. New laws on anticorruption, secured transactions, and consumer protection are passed.

FY 2003. A modest economic recovery occurs. The legal and regulatory environment has improved and critical legislation on competition and corporate governance is passed. Indonesia has a staggering array of challenges to overcome as the economic crisis continues.

Jordan

Rationale

The initial rationale for the SO was to change government policy to open the economy, because greater participation in the world economy was seen as critical to long-run growth, employment creation, and poverty reduction in Jordan.

Approach and Modality

The initial modality was primarily policy dialogue, supported by large, policy-based, grants, to be disbursed as progress was made on agreed goals. Grants for technical assistance in important areas—WTO accession and investment promotion—were also provided, apparently through institutional contractors. As described below, the mission approach changed significantly when Jordanian government policy changed. After this, support for quick WTO accession was provided, along with project funding for an industrial park—a Qualified Industrial Zone (QIZ)—from which production would be exported to the United States. A Jordanian-U.S. free trade agreement was negotiated.

Performance Measurement

The FY 1998 R4 did not include performance monitoring indicators,; but rather, it discussed general issues relating to the stability and relevance of measures used to track performance under the SO. In FY 1999, five indicators relating to TCB were established: for registration of new companies, amount of foreign investment, number of jobs created by foreign investment, customs efficiency, and public knowledge of policy reforms. A year later, the first two remained, but the final three were dropped. A new third indicator, for progress on privatization of SOEs, was added. The same three indicators were reported in the FY 2000 and 2001 R4s. The three indicators appeared to provide a reasonable tracking of the overall performance of the government policy regime, though none were very closely related to the trade sector. None were directly related to the three broad areas of concern of the SO—economic growth, employment creation, and poverty reduction.

Evolution of the SO

FY 1998. The FY 1998 (April 1997) R4 proposed a new SO: "Increase Economic Opportunities for Jordanians." The discussion highlighted job creation as the central concern, to be addressed through credit for micro and small enterprise, through policy implementation, including "customs, tax laws, business regulation and licensing procedures, and intellectual property rights," and through addressing gender concerns in employment. The SO included IRs for financial service delivery and trade policy reform.

FY 1999. This R4 reports that the SO was approved in April 1997. Establishment of Middle East Peace and Stability Fund in June 1997 allowed the USAID mission to add $50 million to policy-based balance of payments (BOP) assistance. A new IR, "Improved environment for sustained policy reform," based on conditioned BOP support of $200 million over next four years, was approved in February 1998. The mission has a wide-ranging policy agenda with the Jordanian government, including "the Prime Minister's Privatization Unit, the Ministries of Planning, Finance (including the Customs Dept.), Trade and Industry, and the Investment Promotion Corporation." The mission gave a $15 million grant to World Bank for TA for policy implementation.

FY 2000. This R4 includes the first mention of progress over the past year toward WTO accession in 2000, and mentions the Government of Jordan's commitment on IRP framework and enforcement. It mentions the launch of USAID-funded TA (technical assistance) fund with World Bank supporting privatization, insurance reform, capital markets, but notes the failure to go ahead with telecom privatization. It indicates plans to promote business competitiveness in the Ministry of Planning. Early in the year, a $50 million disbursement is linked to specific actions on IPR, WTO, banking supervision, and privatization. The USAID Bureau for Asia and the Near East (ANE) program approved a "comprehensive" revision of the SO performance monitoring plan in January 1999, and the SO end date was extended from 2002 to 2004.

FY 2001. This R4 reports that Jordan acceded provisionally to WTO in December 1999. Prospects had seemed bleak as late as June 1999, but strong support came from the new King of Jordan, who also promotes private sector and information technology. The passage of 13 WTO-related laws is expected in 2000. USAID BOP support doubled to $100 million, probably on a one-time basis. The USAID Implementing Policy

Change (IPC) program promoted rapid expansion of QIZ, not mentioned in the previous R4. Telecom was privatized. The Jordan-U.S. Business Partnership provided extensive firm-level assistance to small and medium-sized firms.

FY 2002. USAID provided two years of TA for WTO accession. This included IPR legislation leading up to full WTO accession in April 2000, initialing of U.S.-Jordan FTA in October 2000, and preparation for the February 2001 opening of the Aqaba Special Economic Zone (ASEZ), with $20 million from USAID. USAID pushed legal changes, stock market development, and privatization.

Kazakhstan

Rationale

The rationale of USAID Central Asian Republics (CAR) was the development of a market market-based, vibrant private sector that would quickly strengthen itself under a strong legal and regulatory environment to enable Kazakhstan to gain WTO accession.

Approach and Modality

In the early years of the SO, USAID assistance focused on the development of a policy and regulatory environment for commercial law reform to ready Kazakhstan for admittance into WTO. USAID attempted to create a policy environment to ensure private sector competition, adequate judicial reform to enforce these policies, and the development of human resources to function in the market economy. The same focus was maintained in a year of strong macroeconomic reform in preparation for WTO accession. The FY 2001 R4 started reporting that WTO accession would be delayed because macroeconomic reform alone could not spur private sector development, which was affected by the 1998 Russian economic crisis and the move of the capital from Almaty to Astana. As it became more evident that WTO accession would take longer than initially anticipated, the mission's strategic objectives were redirected to providing firm-level assistance and fostering SME growth.

Performance Measurement

The performance indicators in the FY 1997 R4 were targeted towards tracking private-sector participation in the share of GDP, capital investments, laws and policies consistent with international practices passed, and market transition news in broadcasting. The same indicators were maintained in the following three years. A new set of indicators to match the new SO of SME growth were put forward in FY 2003. These included a variety of indexes for business environment, a business education environment (outlining the steps necessary to create increased access to business information, knowledge, and skills), and a financial markets index (outlining the steps necessary to create more responsive financial institutions, instruments, and markets). The final indicator outlined the percentage of legal and regulatory benchmarks achieved.

Evolution of the SO

FY 1998. The trade capacity buildingTCB-related SOs in Kazakhstan are aimed at building up the country's private sector capacities to ready it for admittance into the WTO. The relevant SOs in the FY 1998 R4 (April 1997) deal with privatization of SOEs, development of private enterprise—most relevant—and the development of a private financial market. SO1.3, "Accelerated Development and Growth of Private Enterprises," works in the areas of legal and regulatory reform, WTO accession, commercial law training of legal and administrative personnel, and promotion of human resources able to function in a market economy. The SO includes IRs for policy environment to ensure competition, adequate judicial reform to enforce these policies, and the development of human resources. The Government of Kazakhstan has adopted a comprehensive set of international accounting standards in early FY 1997. The target for WTO accession was within a year.

FY 2000. This R4 (February 1998) reports that the SO for the development of private enterprise continued to work with the same focus as the year before. It mentions Kazakhstan's extremely rapid progress in satisfying requirements for WTO membership during the past two years. Pro-business bankruptcy, procurement, and foreign investment laws have all been adopted. The R4 reports that Kazakhstan has reached the stage of intensive negotiations with the Geneva Working Group members. Accession in 1998 is possible if the government can accelerate progress in a number of key areas, including intellectual property rights, antidumping, and countervailing duty legislation, and, most particularly, a number of key services. The Central Asian-American Enterprise Fund (CAAEF) continued its investment and lending activities in support of private enterprise development. Training on commercial law issues, bankruptcy and liquidation procedures, customs procedures, and the latest customs legislation and regulations will continue. Although substantial success was achieved with USAID assistance in privatizing small and medium sized companies, many large scale enterprises remain under state control. In the financial sector, the R4 mentions a slowly developing stock market, more mature banking, and the development of a privatized pension reform system.

FY 2001. The March 1999 R4 document mentions progress toward WTO accession slowed in past year because of the move of the capital from Almaty to Astana and the input due to renewed vigorous political ties with Russia and the Commonwealth of Independent States (CIS). USAID will continue assistance for sound tax administration, intergovernmental finance reform, and budget reform at national and local levels. In FY 2000, USAID will begin phasing out reforms in the areas of capital markets, pension reform, and bank supervision. USAID is considering support for land privatization and the nascent insurance industry. CAAEF returned largely negative results in1998. As a result, the strategic focus of the fund was changed to concentrate on SME lending. Commercial law drafting and training work will be shifted to the Ministry of Justice and will be henceforth managed by the International Bank for Reconstruction and Development (IBRD).

FY 2002. The R4 (April 2000) reports the development of a new strategic assistance plan for Kazakhstan for 2001–05. USAID will increase work at the local or micro level to begin to bring to local institutions and citizens the benefits of macro-level policy and legal and regulatory reforms. An example of this approach is the Atyrau Regional Initiative, a public-private partnership designed to increase investment in a region of Kazakhstan that has significant human needs, despite its gas and oil reserves. Economic assistance will focus on improving the business environment, business-related education, tax and budgetary reform, and financial mechanisms such as insurance, mortgages, and microcredit. The R4 reports that private enterprise growth has stagnated and slowly recovering from the Russian economic crisis of 1998. The primary impediments to growth, however, continue to be overregulation of the economy and rent-seeking behavior by government officials. USAID assistance continues to work towards WTO accession. Fifteen WTO laws were enacted and five major documentary submissions were drafted for the Government of Kazakhstan's WTO accession in the previous year. Under the new strategy, USAID will begin to provide more assistance directed at businesses, particularly SMEs. The new strategy will also eliminate indicators that are now obsolete and introduce new ones.

FY 2003. The R4 (February 2001) reports that it is a transition document between an old and a new strategy. The new strategy shows a clear shift towards fostering SME growth. The SO is changed to "An Improved Environment for the Growth of Small and Medium Enterprises." Three new intermediate results are outlined that focus on the opportunity to acquire business information, knowledge, and skills; more responsive financial institutions, instruments, and markets; and increased implementation of laws and regulations. USAID's focus changes to new job creation, economic growth, greater participation, and improved quality of life for the citizens of Kazakhstan.

The LAC Region

Rationale

The smaller countries and subregions in LAC are constrained in their capacity to participate fully in the FTAA. USAID support can help bridge the gap and bring them into the integration process in a way that meets equity and environmental considerations.

Approach and Modality

The main vehicles in the approach are support for the FTAA process in the subregions, including increased participation in regional trade: greater availability of credit and other financial services; increased access by the poor to secure and marketable land titles; and environmentally sustainable development.

Performance Measurement

A number of performance measurement indicators were established, most involving counting the number of countries or subregions that are participating or making progress in relevant areas. The measures are thus subjective, and influenced by whether the project is providing inputs in particular regions. Meaningful measurement is inherently difficult in a case where several types of activities are being undertaken in a variety of countries or regions. The measures used, though crude, are probably as much as can reasonably be expected.

Evolution of the SO

FY 1999 R4. The SO is defined as "Progress Toward Resolving Key Market Issues Impeding Environmentally Sound and Equitable Free Trade in the Hemisphere." The results framework was approved in August 1996. Progress during the first six months was limited by lack of timely release of funding for program.

FY 2000 R4. So far, the program has emphasized CARICOM, signing a memorandum of understanding (MOU) with the secretariat, and promoting a Caribbean food safety initiative and credit for small enterprises in the OECS countries. The program is also supporting strengthening of labor ministries in the region, and funded a comprehensive analysis of trade and environment issues by the World Resources Institute for an upcoming trade and environment conference.

FY 2001 R4. Technical support to the CARICOM countries to increase trade is a main emphasis. Helping countries meet SPS requirements for exporting to the U.S. was a major area of support, with the help of USDA. The Customs Service provided help on customs reform and valuation. The "virtual secretariat" of CARICOM was also supported as a means to improve communication and information exchange among the member countries. Microfinance is being promoted through ACCION.

FY 2002 R4. The Caribbean effort on SPS and food safety has been very successful. Conferences on property registration and microfinance have been held with support from the program. It has also supported assistance on competition policy to Argentina and Brazil, provided by the Department of Justice and the FTC. This SO is being terminated, with some responsibilities transferred to regional missions (especially for the Caribbean regional activities), and several new SOs and an SpO are to be established.

FY 2003 R4. A new SpO, "continued participation of LAC subregional trading blocs in the FTAA process," has been established to replace the previous trade SO. It is intended to help smaller economies to meet WTO obligations, facilitate business development, and foster civil society participation in the FTAA process.

Mali

Rationale

The Sustainable Economic Growth (SEG) SO for the period FY 1996–2002 is, "Increased Value-Added of Specific Economic Subsectors to National Income." The targeted subsectors are cereals, livestock, alternative commodities, and financial services, including microfinance. SEG had targeted an aggregate 5 percent annual growth rate in the cereals, livestock, and alternative commodity sectors for the strategic period, consistent with the mission strategic goal of not less than 5 percent gross domestic product annual growth overall.

Approach and Modality

The SEG IRs integrate production, processing, and trade activities in the cereals, livestock, and alternative commodity sectors through a crosscutting approach. It promotes agribusiness growth while ensuring rational natural resources management and women's participation in the country's economic growth.

Performance Measurement

The mission started a new five-year strategy in the FY 1999 R4. Intermediate results and indicators were not in place until the FY 2000 R4. Trade capacity building activities were placed in the SEG objective. In the FY 2000 R4, IR3 "Increased trade in cereals, livestock, and alternative commodities," was developed, but no indicators were in place. In the FY 2001 R4, the IR remains, and an indictor, "Total volume of alternative commodities sold in domestic and export markets," is added. This IR and indicator remain for the FY 2001, 2002, and 2003 R4s.

Evolution of the SO

FY 1999 R4. The SEG SO was believed to be on track, though indicator data are not available because the mission was beginning a new five-year strategy. The SEG SO includes activities to increase the value-added in alternative crops and livestock products for export and increase exports of livestock. Under the Cereals Results Package, the value-added of cereals did increase. Official cereal exports were 45,000 metric tons, valued at $12.6 million; no baseline is provided. In the Livestock Results Package, impacts include expansion of sales of dried meat into new markets, including Switzerland; interest expressed by regional traders in access to markets in the west and southern regions of Mali; a reduction in paperwork required for exports; and a reduction in payments per truckload of animals from Segou to Abidjan. Under the New Opportunities Results Package, USAID helped arrange private air charters for fruit and vegetable exports to Europe, undermining the Air Afrique monopoly. Green bean processing and export operations were improved and high value products were exported by private firms in retail packs. The mission encouraged the testing of commercial production and export of hibiscus flowers.

FY 2000 R4. Highlights of the TCB activities include an increase in exports of Central Veterinary Laboratory vaccines; establishment of two new regional markets for livestock sales; elimination of export taxes on hides and skins; privatization of ground handling facilities to increase competition and decrease costs of air freight for agriculture products; and increased production of niche crops for export markets, including green beans, mangoes, and hibiscus flowers. In particular, improved hibiscus varieties were cultivated for and exported to Celestial Seasonings of Colorado.

FY 2001 R4. Under the trade IR, the total volume of alternative commodities (green beans, mangoes, tomatoes, onions, and natural products) marketed and exported increased by 17.4 percent, surpassing the indictor target. The growth is a result of the promotion of partnerships between private-sector agribusiness and farmer production groups. A model pioneered by USAID Mali's SEG for integrating larger agribusiness enterprises into the program to assist in quality control, improved packaging of products, and establishing export linkages is now being adopted in other areas of the country.

FY 2002 R4. The USAID-supported market information system expanded its product and market coverage to include national, regional, and world markets. A new organizational structure of market information provided producers and traders with real-time information. USAID sponsored the second Market Outlook Conference, during which a network of regional traders was created for fostering regional integration and the removal of trade barriers. Also, the SEG-supported Agro-Enterprise Center successfully organized a first-ever export of 35 tons of Malian mangoes, by sea, to markets in the United Kingdom and Germany.

FY 2003 R4. Livestock exports increased. Support was provided for improving marketing efficiencies through improved market infrastructure, increasing management capacity among livestock cooperatives, and developing stronger business relationships between Malian exporters and importers in neighboring countries. As within the cereal sector, USAID support assisted in better dissemination of livestock market information and the creation of regional trader networks. USAID support also contributed to improved efficiencies in livestock vaccine production and marketing.

Morocco

Rationale

The rationale of SO 608-005, "Increased Opportunities for Domestic and Regional Trade and Investment," is to reduce or eliminate impediments to private sector investment and strengthen the capacity of intermediary institutions to deliver services to small and microenterprises.

Approach and Modality

USAID Morocco has a two-pronged approach to TCB. One is improving policies to support trade and the other is to improve the competitiveness of firms. In the area of policy, USAID Morocco supported an agricultural intellectual property rights law, reforms in custom inspection procedures, and uniform food safety standards and regulations. Improving the competitiveness of firms contributed to an increase in exports, expansion into nontraditional markets and nontraditional products, and the adoption of new technologies by Moroccan firms.

Performance Measurement

The FY 1999 R4 does not include performance indicators. In the FY 2000 R4, under IR3.1, there is one indicator, 3.1.1, "Progress towards adoption of 15 key reforms." IR3.4 has two indicators: 3.4.1 "Export sales attributable to USAID assistance" and 3.4.2, "Exports to non-traditional markets attributable to USAID assistance." The FY 2001 R4 indicators stay the same, with the removal of indicator 3.4.2. In FY 2002, indicator 3.1.1 remains and 3.4.1 is dropped. In addition, a new IR and indicator are being developed: IR5.2, "Strengthened institutional capacity to foster private sector," with the indicator "Progress toward strengthening institutional targeted institutions." Finally, in the FY 2003 R4, SO3 changes to SO5, "Increased Opportunities for Domestic and Foreign Investment." There are no TCB-specific IRs or indicators under this SO, although much work around building the private sector.

Evolution of the SO

FY 1999 R4. TCB activities fall under SO3, "Expanded Base of Stakeholders in the Economy, Targeting People of Below-Median Income." Two of the four IRs for this SO contain TCB-related activities. The first is IR3.1, "Improved policy and regulatory environment." Under this IR, an agricultural intellectual property rights bill was passed, customs inspection procedure reforms generated a reduction in road transport costs for food exporters, and uniform food safety standards and regulations, based on U.S. Food and Drug Administration (FDA) models, were nearing adoption by Morocco's Ministry of Agriculture. For IR3.4, "Improved competitiveness of USAID-assisted firms which generate employment for below-median income people," the Morocco Agribusiness Promotion (MAP) and the Accessing International Markets (AIM) are the primary activities focused on improving the competitiveness of firms that employ below-median income people. AIM closed on July of 1996. Under IR3.4, exports of horticultural and other products increased. A majority of these export sales went to nontraditional markets and some were in new or nontraditional products. New horticultural products were introduced that benefit Moroccan exporters. Moroccan firms also adopted new production, processing, packaging, transport, and management technologies.

FY 2000 R4. TCB activities continue under SO3 and IR3.1 and 3.4. Accomplishments under IR3.1 include USDA concurrence with phytosanitary procedures for tomato exports to the United States and the completion of the Truck Export Surcharge Cut. Progress was made on the implementation of the Agricultural Intellectual Property Rights law, the Uniform Food Safety Standards and Regulations, and Crop Contracts and Arbitration. Under IR3.4, progress continued in export sales, export sales in new markets, market diversification products, introduction of new horticultural products, adoption of new U.S. technologies, and reduction of road transport costs for food exporters.

FY 2001 R4. TCB activities continue under SO3 and IR3.1 and 3.4. A big accomplishment under IR3.1 was the advent of tomato exports to the U.S., following five years of effort and Animal and Plant Health Inspection Service (APHIS) approval. Implementation of the Agricultural Intellectual Property Rights law continued. Under IR3.4, progress continued on horticultural exports, diversified agricultural exports, introduction of new horticultural products, and adoption of new U.S. technologies.

FY 2002 R4. TCB activities continue under SO3 and IR3.1, but IR3.4 has been dropped. Future assistance will be delivered under SO5, "Increased Opportunities for Domestic and Regional Trade and Investment," that will concentrate on making the trade and investment environment more attractive. Under IR3.1, a competition law was passed and phase 1 of the Investor's Roadmap was completed.

FY 2003 R4. The new SO5, "Increased Opportunities for Domestic and Foreign Investment," is based upon two IRs: IR5.1, "Improved legal, administrative, regulatory, and policy environment for private sector development," and IR5.2, "Strengthened capacity of selected institutions to foster private enterprise." Approval of the SO did not occur until March 2000. The mission used supplemental resources to revise the newly enacted competition law and conduct a watershed study on the potential for trade distortions arising from the Moroccan–EU free trade agreement. Economic support funds (ESF) were used in the reengineering phase of the Investor's Roadmap exercise.

Mozambique

Rationale

The initial rationale for SO 656-00, "Improved Enabling Environment for Private Sector-Led Growth and Development," was to improve the environment for economic growth and development by expanding existing government efforts toward an open market economy.

Approach and Modality

The approach focuses on two results: (1) increasing the role of the private sector in the development of economic policy, legislation, and regulations; and (2) improving policies and facilities to encourage trade and investment. Under the second focus, USAID activities promote tax system reforms, reduction of red tape, telecommunications policy reform, trade openness, the establishment of a dispute resolution center, and privatization of three main rail lines that serve much of the eastern area of southern Africa. USAID provides a combination of technical assistance resources to the private and public sectors and budget support to compensate for temporary revenue shortfall resulting from institutional, tax, and tariff reforms.

Performance Measurement

A trade capacity building indicator does not appear until the FY 2003 R4. It is under IR4.1.1, "Effective and informed private sector voice in policy formulation." This IR's only indicator, "Analyses of proposed policies or legislation performed or contracted by Confederation of Mozambican Business Associations (CTA) annually," includes analyses of Southern Africa Development Community (SADC) trade protocol.

Evolution of the SO

FY 2000 R4. The SO is introduced as a proposed SpO, "Improved Enabling Environment for Economic Growth and Development." It was created to unite improvements to the overall socioeconomic enabling environment, track progress in the overall environment for growth and stability (such as public sector reform and the development of a new commercial code and fiscal legislation), and serve as the central point for tracking the mission's macroeconomic policy. Significant assistance is to be received under the Africa Trade and Investment program (ATRIP). Under ATRIP, the mission would help the government expand its efforts towards an open market economy, which include trade and investment treaties and protocols and tariff reduction.

FY 2001 R4. The SO appears as a SpO: "Improved Enabling Environment for Private Sector-Led Growth and Development." USAID will focus on two results for this SpO: (1) increasing the role of the private sector in the development of economic policy, legislation, and regulations; and (2) improving policies and facilities to encourage trade and investment. Under the second result, USAID supports more openness to trade-both regional (under the SADC trade protocol) and global (under the WTO); the introduction of a value-added tax; the reduction of red tape; and the completion of the privatization of the three main rail lines, which serve much of the eastern are of Southern Africa. USAID will provide a combination of TA resources to the private and public sectors and nonproject assistance to compensate for temporary revenue shortfall from tariff and tax reforms. USAID worked on developing a consensus within the Mozambican private sector that regional free trade deserved its support, and then provided direct support for the government's negotiating team for the SADC Trade Protocol.

FY 2002 R4. The objective keeps its name, but changes from a SpO to SO4 (656-004). The goals and activities under the second goal of trade and investment remain the same. The program built on 1998 assistance to the private sector by providing the Government of Mozambique with the resources to establish a Trade Technical Unit (TTC) to negotiate SADC trade protocols. The TTC is staffed by high-level Mozambican officials, backed by short-term assistance from a U.S. trade specialist. The Mozambican delegation is now a strong negotiating team, and debate on trade issues is now open, public, and newsworthy.

FY 2003 R4. The SO title and goals remain the same and activities are expanded to include telecommunications policy reform and the establishment of an alternate dispute resolution center. This year, CTA conducted policy analysis of trade issues, particularly the SADC Free Trade Area and Africa Growth and Opportunities Act. The CTA can take much of the credit for Mozambique's full commitment to the regional Free Trade Area (FTA) envisaged by the SADC protocol, a major policy transformation achieved in a very short period. USAID support for trade reform, including the African Growth and Opportunity Act (AGOA) and WTO principles will continue. Mozambican businesses have increasing access to global and regional information and markets through increased internet services.

The Philippines

Rationale

USAID activities were designed to transform Mindanao from an impoverished supplier of primary products to one of the most productive regions in the Philippines, with a standard of living equal to the national average. Increased investment and higher value exports would dramatically increase employment and welfare. International trade was a minor part of the program. The program was put in place after a peace agreement was signed in Mindanao. The SO 492-001, "The Economic Transformation of Mindanao" would be the economic glue to make the peace agreement stick. By 2001, the fighting started up once more, investment and economic activity ground to a halt, and the SO was closed down.

Approach and Modality

The project design concentrated on facilitating investment in new enterprises that would generate new jobs. Assistance to farmers and fishermen would help them gain access to more lucrative markets that would dramatically increase their income. The project built a new airport that would greatly increase passenger and air cargo traffic. Increased government infrastructure investment and improved telecommunications were designed to greatly encourage business investment.

Performance Measurement

The original targets were creation of 250,000 new jobs; $6 million in higher valued products shipped from Mindanao; a $1.4 billion increase for direct exports; and investments in new enterprises to create 25,000 new jobs and a 160 percent increase in the incomes of 9,300 farmers and fishermen.

Evolution of the SO

FY 1999. With a new peace agreement, peace is now possible in Mindanao. USAID will work to support economic growth to make the agreement succeed. USAID will expand activities in the newly created Zone of Peace and Development. It will make Mindanao a safe place to do business.

FY 2000. The 1997 Asian financial crisis has made it harder to create new jobs. Employment is sharply down. Mineral exports are below target, though higher value products shipped to domestic and international markets are above target. The project is working with USAID's Office of Transition Initiatives (OTI) to help former combatants become productive farmers. Success with microenterprises and rural banks is encouraging.

FY 2001. An expanded effort has been launched to better link low-income groups to markets. Work on the policy environment and business support organizations is going forward. Efforts will now shift to assisting Muslim excombatants to become productive farmers.

FY 2002. The Government of the Philippines pledges to increase the share of national infrastructure investment that goes to Mindanao. The microenterprise program triples in size. New private investment falls significantly below target.

FY 2003. The security situation and the political atmosphere have dramatically deteriorated. Outbreaks of violence in Mindanao have brought investment to a halt. Crucial national economic reforms are lagging. Trade protection has not been reduced. Due to the bad political and economic climate, the Mindanao SO1 will be combined with SO2, which supports a more competitive economic environment. Peacebuilding activities in the old SO1 will become part of a SpO. Work will continue on helping the Philippines on several trade issues, including meeting WTO commitments, with special emphasis on customs valuation. The SO2 will also include efforts to reduce corruption, improved governance and encourage open and competitive markets.

Regional Center for Southern Africa (RCSA)

Rationale

SO2, "A More Integrated Regional Market," was formally adopted in May 1997. According to the RCSA FY 2000 R4, "SO2 was developed in the belief that Southern Africa's economic performance will improve if the region can begin to operate as a single market in which goods, services, capital and labor move easily across national borders. RCSA expects a more integrated regional market to lead to increased trade and investment. Increased trade and investment will, in turn, lead to business expansion, employment and income growth and greater food security." As the SADC countries pass trade protocols, the rationale of the SO is adjusted to also pursue increased trade and investment opportunities for the region under the WTO and AGOA.

Approach and Modality

The RCSA mainly provides technical assistance to help SADC countries form trade agreements and reduce transport costs for trade. Training is also provided to increase the capacity of the private sector to advocate for the expansion of regional trade.

Performance Measurement

The SO started in the FY 2000 R4. The following IRs and indicators are in FY 2000-03 R4s. "Increased value of intra-SADC trade" is an SO-level indicator, while "Reduced barriers to broadened participation in the regional market" is IR2.1, with the indicator "Decreased proportion of intra-SADC imports subject to tariffs in excess of 10 percent." "More efficient provision of infrastructure" is IR2.2, with indicators "Reduced transport costs of imports;" "Number of licensed telecommunications service providers;" "Costs of transporting imports—Beira to Ndola" (added in FY 2003 R4); "Costs of transporting imports—Durban to Ndola" (added in FY 2003 R4); and "Extent of telecommunications service provision" (added in FY 2003 R4). IR2.3 is "Advocacy for sustained regional integration strengthened," but performance data tables are not provided.

Evolution of the SO

FY 2000 R4. SO2, "A More Integrated Regional Market," is formally adopted in May 1997. To measure economic integration, RCSA will monitor the value of trade within the region and with the rest of the world. RCSA will also monitor four commodities (Panado, Surf, Colgate toothpaste, and Toyota oil filters) to serve as a proxy of overall wholesale price convergence. The SO2 has not been in place long enough to show progress at the SO level, but it does mention that the SO is building on past work to reduce trade barriers, increase the efficiency of infrastructure, and strengthen networks to address policy formulation and integration.

FY 2001 R4. Performance of the SO exceeded expectations. Evidence of a more integrated market is seen in the increase in intra-SADC trade, reduction in tariff and nontariff barriers, formulation of regional networks, development of SADC protocols, and the changed nature of the debate within SADC. Under IR1, "Reduced barriers to broadened participation in the regional market," progress was made in the development of a Finance and Investment Protocol that will complement the existing Trade Protocol. The new protocol will provide a framework for harmonizing central bank policies and regulations and for audit and accounting standards throughout the region. Under IR2, "More efficient provision of infrastructure," RCSA activities focused on efficiency concerns rather than building roads or rails. The average transportation cost did decrease, and member states are in the process of adopting simplified and harmonized customs clearance procedures. Under IR3, "Increase advocacy for sustained regional integration." the discussion has changed to when, not if, regional integration should occur, in what sectors, and under what institutional arrangements.

FY 2002 R4. Activities continue in the three areas of reducing trade barriers, increasing efficiency in transportation and communications, and building the capacity of associations to advocate for policy reforms. With technical assistance provided by the RCSA, SADC member states ratified the Trade Protocol in 1999, which established the legal and policy framework for the creation of the SADC FTA. Implementation of policies following 1998 ratification of the Transport and Communication Protocol, with RCSA's technical assistance, are contributing to a reduction in transport costs. There has also been an increase in dialogue on regional integration issues between national governments and the private sector, as a result of assistance provided by the RCSA to public and private sector groups.

FY 2003 R4. TCB activities continue under the three IRs. Following the SADC Trade Protocol ratification in January 2000, the SADC FTA was launched in September. RCSA provided support to the member states for the FTA and helped build private sector support through private sector awareness efforts. Eleven SADC countries were declared eligible for expanded trade benefits under AGOA, and four successfully completed the certification process. RCSA was also involved in the establishment of institutions and systems that will make up SADC's electricity trade market, and supported further implementation of transport sector and telecommunications policy reforms.

Romania

Rationale

The rationale for the SO was to capitalize on the presence of a reform-minded government to institute the necessary policy and legal changes to spur the development of private enterprise in Romania, which would encourage economic development, create employment, and reduce poverty.

Approach and Modality

After the new government came to power in 1996, USAID decided to shift its activities from a local focus to policy reform that would provide an environment for private sector growth. It was decided to narrow the focus of the SO to include agribusiness-related enterprises. Over the next couple of years, the focus was maintained, though economic reform slowed and macroeconomic indicators did not perform well. The Romanian economy suffered due to the Kosovo conflict, but the government's support for NATO was rewarded with EU accession talks. USAID strategy shifted to working with intermediary organizations and MSMEs.

Performance Measurement

The FY 1998 R4 indicators were not very effective in data collection, concentrating on aspects such as physical infrastructure, more competitive market places, increased capital investments, and improved management practices. These indicators were refined over time to facilitate more effective data gathering, with new indicators on strengthened BSOs and more refined indicators showing increased capital investments and improved management practices. The indicator for improved management practices was dropped in FY 2001. The following year, the intermediate results were adjusted for the same indicators for more accurate reporting.

Evolution of the SO

FY 1998. The FY 1998 R4 (May 1997) is very bullish about the new reform-minded administration voted into power in Romania. It reports a shift in strategic plan from pilot and local activities to a more policy-focused intervention. It also mentions that by the end of FY98, the focus of SO1.3 will be narrowed to privatization, agriculture, and the development of agribusiness. The R4 reports that key laws in bankruptcy, intellectual property rights, competition, and commercial law have been passed. It mentions that USAID is working to reduce the licensing time required for new entrants to private enterprise. A number of clients were financed by the Romanian American Enterprise Fund. Human resources were improved with the creation of Centers of Business Excellence in key universities. Progress will depend on creating an open and competitive marketplace, increased capital investment in private enterprises, and improved management practices adopted by enterprises.

FY 2000. This R4 (May 1998) reports that the private sector increased its share of contribution to GDP, from 52 percent in 1996 to 58 percent in 1997. Improved legislation was passed to promote fluid land market; lower income and profit taxation; increased open competition; increased foreign direct investment; and leasing. In addition, as of December 1997, the Romanian American Enterprise Fund had provided loans to 15 large companies, 23 small companies (total $1.5 million), and 223 microenterprises (total $1 million). The confusing and inadequate legal framework across all sectors continues to impede economic growth, while the judiciary is in need of major, comprehensive reform. Thus far, donors have provided little assistance to the judicial sector. The R4 mentions that the U.S. Government can take the lead in establishing such reform. USAID assistance under SO1.3 will target three areas: an improved policy, legal, and regulatory framework in place that supports private enterprise development (including SMEs); increased capital investment in private enterprises; and improved management practices adopted by businesses. The policy regulatory work will be done in partnership with the World Bank, which is preparing a $175 million SME development project. The focus of agribusiness development will continue.

FY 2001. The FY 2001 R4 (March 1999) states that progress toward economic reform has been extremely slow in the past year. The mission has made several adjustments to its SOs and indicators to effectively capture the results of its assistance. Current tax and investment policies provide disincentives for foreign and domestic investors. USAID realizes that, in the longer term, the overall investment climate must improve and associations must play a greater role in facilitating private sector growth. SO1.3 will shift the bulk of the reform and advocacy interventions to business associations and support organizations. It will continue to push for removal of subsidies, reduction in import tariffs, and other trade-friendly measures. The mission will also start working with MSMEs and link sustainable business and agricultural associations with advocacy. To bolster human talent, USAID will also work to encourage the returned of skilled Romanian students and promote opportunities for American volunteerism. The mission also showed concern about efforts to promote subsidized credit on the part of EU.

FY 2002. The March 2000 R4 document states that Romania's support of NATO was recognized by EU, which invited Romania to participate in accession talks. It also refers to a growing informal economy (estimated at about 50 percent of the formal GDP) that accommodates the large numbers of those unemployed as a result of privatization and job losses. Romania's economy was badly jolted by the Kosovo conflict and the Serbia embargo, which severed markets and destroyed shipping on the Danube. The mission's program has encouraged increased domestic and foreign investment in larger scale enterprises. The Romanian American Enterprise Fund (RAEF) has issued $35 million in loans and venture capital to 17 large companies, leveraging total financing of $81 million for these projects. The U.S. investment promotion program, the Capital Trade and Development Group, has stimulated $33 million in investment. It has also spurred about $44 million in U.S. imports for equipment goods. A "red-tape analysis" was completed, which identifies barriers to private development and foreign investment to foster critical regulatory and policy changes. It is expected that the agribusiness sector will spur exports and efficiency by increasing the production of valuable fruits and vegetables and using agricultural waste for construction materials.

Russia

Rationale

USAID policy in Russia is to work with SMEs newly created as a result of privatization or new business ventures, assisting a number of Business Support Institutions (BSIs) that would provide business development services.

Approach and Modality

In conjunction with BSI assistance to provide support to SMEs, USAID also worked on the policy and regulatory environment to ensure that SME-friendly laws were enacted. New microfinance programs to provide lending to SMEs were also developed. As a result of privatization, many ordinary Russians found themselves holding vouchers for part-ownership of their former workplaces. There was an explosion of SMEs where individual firm-level assistance was not possible. Thus, USAID concentrated its efforts on working with intermediary service providers who could ultimately be made self-sustaining, either through membership dues or user fees.

Performance Measurement

The indicators included in FY 1998 R4 to show the development of the private sector were policies, laws, and regulations; land and real estate market mechanisms; models of private ownership; and a network of sustainable BSIs. These indicators were reported on in the following year. FY 2001 saw reporting done on a new set of indicators: whether small and medium sized businesses flourish over time; whether successful models of private ownership and modern management are widely replicated; and whether modern management practices adopted by private sector firms translate into increased external financing. The following year, these indicators are slightly revised again to show the increase of SMEs over time, identify successful models of private ownership and modern management and whether they are being adopted by firms.

Evolution of the SO

FY 1998–99. The FY 1998-99 R4 reports that the SO for private sector development played a strong role in the Agency's goal of Broad-Based Economic Growth. It is a high priority for the USAID Bureau for Europe and the New Independent States (ENI). Although Russia's overall environment for accelerated private sector development could be improved, USAID Russia activities have been supporting commercial law development, the formation of a functioning land and real estate market, restructuring of privatized firms, and the development of Business Support networks. USAID provides firm-level assistance to newly privatized and new business ventures, as well as support to Business Support Institutions that provide training, advisory services, and business contacts to a client base of entrepreneurs and business associations. USAID has started several regional initiatives to spur economic growth. Tax burdens, lack of market information and experience, managers' resistance to new standards of corporate governance, gaps in the legal and regulatory framework, inadequate law enforcement, and uncertain ownership rights to assets are all listed as impediments to business growth. The R4 reports that under the Clinton Administration proposed a "Partnership for Freedom in the NIS [New Independent States]" There is a chance of substantially increased funding, compared to previous levels.

FY 2000. The FY 2000 R4 (April 1998) outlines real estate reform, housing sector reform, business development support and management training, business consultant expertise programs, university linkages, creation of centers of business development, and business network strengthening as priority areas for the accelerated private enterprise growth SO. USAID assistance will continue to focus on BSI assistance and the ability to make them self-sustaining. The resource requirement for the entire SO for FY 2000 was about $15 million, compared to $16 million in FY 1999 and $19.5 million in FY 1998.

FY 2001. R4 (April 1999) reports that there has been a dramatic increase in the number of SMEs across Russia. USAID Russia continues to support business training for individual entrepreneurs in marketing and western management practices; onsite client-focused business consulting services; formation of effective and sustainable business associations, trade organizations and business support centers; access to credit from nonbank sources; and land and real estate privatization to help make additional collateral available through monetization of assets. Indicators showing private sector growth included the number of SMEs registered in Russia, number of additional jobs created, and the ability of USAID-assisted firms to access external financing. In spite of the August 1998 economic crisis, USAID has continued to pursue its initial SO targets because the fundamental problems with the development of the private sector remain-access to credit, lack of trained human capital, and unfavorable policy environment. The FY 2001 budget request is for about $16 million, with slightly more resources aimed at microenterprises than in the previous years.

FY 2002. The April 2000 FY 2002 R4 reports that private sector growth is targeted primarily through assistance to BSIs. This includes training, counseling, internet use, and appropriate referrals to help entrepreneurs obtain business opportunities and financing, along with greater access to finance for Russian entrepreneurs from nonbank financial institutions, often through microfinance institutions. USAID also works to improve the policy and regulatory environment for small businesses.

Sri Lanka

Rationale

In FY 1999, the strategy included SO1, "Increased Private Sector Employment and Income," which addressed "major constraints to entry and opportunity in the private sector." Activities were designed to expand private enterprises and improve the enabling environment. The SO has few trade development interventions in FY 1999 and 2000. SO1 is changed in FY 2001 to add trade. It is now designed to create "an improved framework for trade and investment." By FY 2002 the rationale is amended to "Improving the framework for trade and investment, which contributes to the USAID objective of expanded and strengthened private markets, which is the main contributor to broad-based economic growth." In FY 2003, the SO1 remains, but a new specific trade SO is added. The new SO4, "Improved Competitiveness," has the goal of "increased competitiveness in the global marketplace."

Approach and Modality

Five activities are implemented by USAID contractors: IESC, OSU/DAI, J.E. Austin, Deloitte Touche, and ISTI. Mission staff work with the government to encourage adoption of policy and institutional reforms. Nathan and MSI are added in FY 2003, as trade becomes an emphasis.

Performance Measurement

As is usual in R4s, all targets are achieved or surpassed, or they are dropped or changed.

Evolution of the SO

FY 1999. The USAID TIPS, AgEnt, MED, and SCOR projects provided 14 percent of Sri Lanka's employment creation in 1996 (12,212 jobs). Stock exchange development and IPOs provided capital that generated 3,000 jobs. The number of shareholders increases by 10,000. Government privatization was $77 million. There is increased private sector investment, more food is distribution by the private sector, and use of improved agricultural technologies is up. There are no indicators of trade impact.

FY 2000. The SO continued its focus on job creation, technology, investment, and support of the stock exchange. SME promotion is added as a specific concern. Trade trips and trade shows are used to promote exports. Exports related to USAID activities were $119 million. As in the last year, everything is working well.

FY 2001. The redesigned SO that includes trade supports nine new policy and regulatory reforms needed to improve domestic and export competitiveness. It will work with 30 private sector associations. Policy and institutional reforms include secondary trading in government bonds; code of conduct for primary dealers; improved banking supervision and regulation; reduced tariffs on packaging material; intellectual property rights; infrastructure policies and; agricultural technology.

FY 2002. Eight of the nine policy reforms are successfully launched. Imports of new agricultural technology increased from $.9 to $1.7 million. Sales in targeted sectors rose $30 million and imports of genetic material increased from $1.75 million to $4.8 million. Support for competitiveness clusters and improved corporate governance are now included in the SO.

FY 2003. The nine SO1 policy reforms have increased to 20. Many trade development reforms have been shifted to a new trade SO4 that has established five clusters and a private and public sector dialogue.

West Africa Regional Program (WARP)

Rationale

The FY 2003 R4 is the first R4 for the West Africa Regional Program. It is a new program based in Mali. The goal of the WARP is a politically stable and economically prosperous West Africa. No specific rationale is given for SO4, "Regional Economic Integration Strengthened in West Africa," but the ultimate beneficiaries of its investments in increasing interregional trade and harmonized trade laws and energy regulations are all inhabitants of the West Africa region.

Approach and Modality

Activities currently described in the SO are technical assistance and training. Seminars and business linkages programs are planned to develop the capacity to support the expansion of trade. Regional training activities are planned for improving and expanding banking services, and technical assistance is provided for the regional energy initiatives.

Performance Measurement

SO4 has two SO indicators: "Percent of total trade that is intra-regional increased from 10 percent to 25 percent by 2008," and "Harmonized regulations for the international trade of gas and electricity adopted in at least seven ECOWAS [Economic Community of West African States] countries." SO4 also has four intermediate results. IR1 is "Intra-regional barriers to trade reduced;" IR2, "Improved dialogue and coordination on trade policies among West African countries;" IR3, "Improved harmonization of regional monetary and fiscal policies by West African countries;" and IR4, "Improved regional institutional capacity to provide sustainable and competitively priced supply of energy." Additionally, IR4 has two indicators. Indicator 4.2, "International electricity interconnection capacity in the ECOWAS region increased to connect all countries in Zone A by 2005 with an investment of at least 100 MW connecting to Zone B by 2008," and Indicator 4.3, "Transnational electric energy sales within ECOWAS grow each year following the establishment of regional electrical entity, and transnational sales (in MWh [megawatt hours]) during 2008 are at least triple transnational sales in 1999."

Evolution of the SO

FY 2003 R4. The SO was approved for the period FY 2001–08. The targeted subsectors are trade and investment, banking and finance, and energy. In the area of trade and investment, the SO will work to reduce barriers to trade and build trade and investment linkages between West Africa and the United States. In banking and finance, training will occur to improve banking services and increase the capacity of banks to facilitate international trade and expand domestic lending activities. Interventions in the energy sector involve support for the establishment of the West African Power Pool (WAPP), a project involving the national electrical utilities and energy ministries of 14 of the ECOWAS countries.

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