

UNITED STATES

WHAT IS YOUR AID FOR TRADE STRATEGY?

1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

Yes. The U.S. strategy for Aid for Trade is integrated within our overall development assistance framework. The United States supports trade, development and the interrelationship between the two. In 2002, the United States Government announced *The National Security Strategy of the United States*, which affirmed that development is as critical to national security as diplomacy and defense. In January 2006, the New Strategic Framework for Foreign Assistance was announced. Economic growth is one of the five pillars of the Framework, and support for trade—or trade capacity building (TCB) - is one of the priority objectives of the economic growth pillar.

The United States is in a unique position to provide TCB assistance on many levels— working with international organizations, national and local governments, and the private sector — using diverse methods. U.S. development assistance, including TCB activities has placed increased emphasis on the importance that countries play in their own development. A fundamental truth is that foreign assistance supports country progress. It does not lead it. We recognize that there is no one-size-fits-all approach to TCB assistance. U.S. aid for trade programs are based on three principles:

- Long-term sustainability of program results.
- Local ownership and commitment.
- Donor coordination.

The Strategic Framework builds upon two documents that lay out the elements of U.S. trade capacity building, or aid-for trade, strategy: “Participation, Empowerment, Partnership: Seeking Sustainable Results Through U.S. Trade Capacity Building” (2005) and “Improving Lives Through Trade and Aid” (2003)¹.

These principles enable the United States to provide flexible and effective assistance. As a donor, we strive to respond to the needs and priorities identified by our developing country partners and value their input to our TCB programs. We develop our assistance in line with the following: (1) Support for WTO-related technical assistance activities through the WTO’s Global Trust Fund and with project-specific support to the International Trade Centre; (2) Playing an active role in the effort to enhance the Integrated Framework for Least Developed Countries (IF) and contributing through our bilateral programming and financially to its trust fund; (3) TCB assistance for our developing country partners as an important element of our bilateral free trade agreements; and (4) Support for our partners to help them take advantage of unilateral trade preferences, including through the African Growth and

1. Available on the USTR (www.ustr.gov) and USAID (www.usaid.gov) websites.

Opportunity Act (AGOA), which has been extended through 2015 and the African Global Competitiveness Initiative, a \$200 million, five-year program, that aims to expand African trade with the United States, and other partners, and promotes export competitiveness.

The role of U.S. government agencies in providing U.S. TCB assistance continues to evolve, including as U.S. assistance levels continue to grow. The two leading implementers of U.S. TCB efforts are the U.S. Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC), which has played an increasing role in TCB activities since its creation in 2004. Their broad work is complemented by more than twenty U.S. government agencies providing assistance in their areas of specialization.

U.S. Agency for International Development

USAID is present in over 70 countries, providing the United States with a unique opportunity to work with and respond to the needs of developing countries as they seize the opportunities of trade liberalization. Targeted bilateral or regional programs are a practical, effective way of providing aid for trade. More importantly, an on-the-ground approach enables the United States to build strong partnerships with developing countries. USAID's field programs are complemented by a range of TCB assistance provided by many other U.S. government agencies.

Millennium Challenge Corporation

MCC is a U.S. government development agency established in 2004 and is increasingly a major provider of U.S. TCB assistance. The MCC is based on the principle that aid is most effective when it reinforces good policy. MCC thus focuses on reducing poverty through economic growth in countries with relatively good performance in terms of governance, investing in people, and promoting economic freedom.

The United States recognizes that trade is a vital contributor to growth and a key component of MCA countries' efforts to achieve their potential and become full participants in the global trading system. The MCC is an innovative response by the United States to the needs and priorities we have heard from around the world, including at Doha.

Of course, governmental assistance is only a piece of the development picture. Recognizing that public-private alliances multiply the impact of official development assistance, the United States seeks to engage the private sector in development partnerships. The private sector provides assistance that ranges from developing information technology skills to helping small farmers. Examples of these partnerships include:

- The CISCO Networking Academy Alliance, which partners worldwide with several technology companies, teaches students computer networking and provides them with the skills required to compete effectively in the global marketplace.
- Starbucks and Green Mountain Coffee, through the Finance Alliance for Sustainable Trade, help small farmers shift to sustainable growing techniques and assist them in capturing a significant market premium for certified organic coffee. This alliance provides assistance in Central America and several African countries, including Rwanda, Tanzania, and Uganda.

Local businesses and farmers benefit from these efforts by developing new skills and forging partnerships with such companies, which enable them to tap into new markets and enhance their overall competitiveness.

The United States and its free trade agreement (FTA) partners have pioneered efforts to synchronize TCB with trade initiatives. A systematic and focused approach to assistance must be taken to support fast-moving negotiations in the WTO and other forums and to seize trading opportunities. A number of U.S. FTAs with developing country partners included the creation of a TCB Working Group that met in parallel with the negotiating groups. This model has since been used in U.S. FTA negotiations with the Andean countries, the Southern African Customs Union, Thailand, and others. During negotiations, the TCB Working Group provided an opportunity for both bilateral and multilateral donors to listen and respond to the needs and priorities of our prospective FTA partners. Once the FTA is concluded, standing TCB Committees help make aid for trade more responsive, effective and efficient.

The U.S. is the world's single largest contributor to international financial institutions, such as the World Bank, that provide their developing member countries with aid for, among other things, trade capacity building. In fiscal year 2006, U.S. donations to all multilateral organizations, including the UN and World Bank, totalled \$2.4 billion. Of that total, \$1.25 billion goes to international financial institutions. Our financial assistance to the international financial institution leverages resources from other donors as well as the private sector.

2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?

3. How does this strategy address regional aid-for-trade challenges?

The United States Government uses the most appropriate institutions and mechanisms to address region-specific needs and challenges. In our experience, a combination of bilateral and regional assistance can yield significant results. Success is highly dependent on local commitment and intense collaboration with our developing country partners.

For example, the U.S. Government created regional Hubs for Global Competitiveness to support trade capacity building in Sub-Saharan Africa. USAID supports four hubs, located in Gaborone, Botswana; Accra, Ghana; Nairobi, Kenya; and Dakar, Senegal. In addition to assistance provided by these hubs, assistance comes from USAID headquarters, through USAID bilateral missions and by other U.S. government agencies. The Hubs respond to region-specific needs and serve as a central point for information and technical assistance on trade, investment, and business activities in the region, including training opportunities.

A wide range of activities are underway in each Hub, such as promoting exports of agricultural commodities, generating business opportunities for the export of textiles and apparel, and removing policy and infrastructure constraints that hamper trade. The Hubs have established AGOA resource centers to provide information and technical assistance on AGOA legislation, and to build relationships with U.S. businesses.

All four Hubs are staffed by experts in various trade-related fields. For example, advisors from the U.S. Department of Agriculture's Animal and Plant Health Inspection Service work on coordinating pest risk assessments and facilitating the export of agricultural products. In addition, the Hubs focus on products eligible for duty-free treatment under AGOA in sectors specific to their region, such as the Dakar Hub's work with fish and other seafood producers.

U.S. aid for trade supports efforts to expand intra-regional trade among developing countries, as well as trade between developed and developing countries. For example, the South Asia Regional Initiative promotes mutually beneficial energy linkages among the nations of South Asia. The program promotes an understanding of the benefits of regional energy trade and builds capacity for energy trading opportunities.

The U.S. Trade and Development Agency (USTDA) launched a Central America initiative to further implementation of the region's free trade agreement with the United States. The initiative supports economic development and regional integration in three key sectors: energy, transportation, and information communications technology (ICT). Most recently, commitments will support the transportation sector infrastructure in Honduras and Nicaragua.

HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?

SCOPE

4. *How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?*

The United States Government defines trade capacity building (TCB) activities in the areas of policy, human resources, institutional infrastructure, and physical infrastructure as those that are designed to promote trade and/or have a direct link to promoting a country's ability to conduct trade within international trading system. It includes only initiatives and programs that strengthen the capacity of developing countries and transitional economies to engage in international trade. The United States developed a program to capture all of its TCB activities at the activity level, and since 2001 has conducted an annual survey of all participating agencies. This program enables the United States to determine on a case-by-case basis the extent to which a project or program may have trade-related components. The trade-related component is valued and counted towards the aid for trade commitments. This ability to dissect programs into their component parts is an important difference between the U.S. Aid for Trade definition and the OECD/CRS Aid for Trade definition. For example, each infrastructure project is examined to determine first if it has a trade-related element, and if so, how much of it can be attributed to TCB. Only a small portion of U.S. funding for infrastructure projects is included in the aid for trade definition.

As noted previously, many U.S. Government agencies and institutions provide technical assistance to help developing countries and rebuilding economies accede to the WTO, follow the rules of the international trading system or build their trade competitiveness. Those technical assistance activities that are not specifically related to WTO accession or agreements can include, but are not limited to, any of the following types of support activities:

- Negotiating regional trade agreements.
- Eliminating subsidies or price controls in the trade sector.
- Improving trade statistics.
- Encouraging business support services for exporting and importing companies.
- Developing business information for export and import markets.
- Improving trade competitiveness.
- Improving the legal capacity to adjudicate commercial transactions and disputes.
- Implementing anti-monopoly policies.

- Designing consumer protection policies.
- Reforming government procurement.
- Improving sanitary/phytosanitary standards in traded goods.
- Promoting technology transfer to enhance trade.
- Removing technical barriers to trade.
- Applying rules of origin.
- Improving customs procedures.
- Developing a competitive workforce.
- Promoting human resources and labour standards, including labour law awareness and enforcement, and elimination of the worst forms of child labour.
- Encouraging trade finance.
- Developing the financial sector.
- Achieving sound fiscal, monetary, and exchange rate policies.
- Developing necessary infrastructure for trade.
- Supporting trade-related transportation projects.
- Designing environmental standards and technology.
- Promoting investment agreements and investment protection mechanisms.

METHODOLOGY

5. How do you allocate the aid-for-trade share in individual projects and programmes?

The United States Government maintains a database of trade capacity building activities. Data is reported by the U.S. Government agency or field mission, which either funds or implements the activity. The data reporter is instructed to report only that part of the current year funding that is trade-related. A technical team led by the trade group within USAID works with the data reporters to ensure accuracy and consistency.

The TCB database can be found at <http://qesdb.usaid.gov/tcb/index.html>.

COMMITMENTS

6. According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?²

Trade-Related Investment Needs, 2006-2015 (In million of Euros)

Trade Capacity Building Category	2002	2003	2004	2005	2002-2005 Total
<i>-- millions of dollars --</i>					
WTO Awareness, Accession, & Agreements	50	50	35	37	171
Business Services, Training, E-Commerce & IT	97	104	118	197	515
Customs, Export Promotion, & Other Trade Facilitation	61	91	128	143	424
Regional Trade Agreements	9	29	33	29	100
Financial Sector, Governance, and Policies	131	155	158	233	677
Human Resources and Labor Standards	100	115	138	88	441
Environmental Trade & Standards	19	29	29	29	107
Trade-Related Physical Infrastructure Development	19	44	120	346	529
Trade-Related Agriculture	84	104	115	164	468
Services Trade Development	45	17	25	26	113
Other Trade Capacity Building	22	22	22	53	119
TOTAL TRADE CAPACITY BUILDING	638	760	921	1,345	3,664

PLEDGES**7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference.**

At the Ministerial Conference in Hong Kong, the United States announced its plans to more than double its contributions to global Aid for Trade, from \$1.3 billion in 2005 to \$2.7 billion in grants by 2010. This is consistent with the priority the United States has given to providing developing countries with the tools to benefit from the global trading system. U.S. cumulative spending in 2001-2005 totalled over \$4.2 billion in grants. To complement our commitment, we look to our developing country partners to prioritize trade in their national development plans.

8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?**HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?****MAINSTREAMING****9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at head quarters and in-country?**

The Aid for Trade Task Force placed a strong emphasis on the need for increased attention in all countries, donor and recipient, to trade as a tool for development. It emphasized, in particular, the need for recipient countries to prioritize trade in national development plans and for donors to improve coordination and coherence in their responses to these plans. The U.S. Government, for its part, has expended increasing efforts to ensure coherence among our trade and development agencies and to more fully integrate trade capacity building as a part of our overall development framework. Of course, our efforts must be complemented by increased coherence on the part of our developing country partners as they prioritize their needs, including trade capacity building needs, in the context of their overall development objectives.

The United States is making continual efforts to improve the efficiency and coherence of aid-for-trade and other development assistance. The new office of the Director of Foreign Assistance in the

Department of State has developed an improved system for coordinating assistance planning and matching funding allocations with its development objectives. The Director of Foreign Assistance, who serves concurrently as the Administrator of USAID, consults closely with the U.S. Trade Representative and senior representatives of other trade and development agencies in developing the President's annual Foreign Assistance budget proposal to the Congress.

The U.S. Government is also taking region-specific steps to increase the effectiveness of its trade capacity building assistance. For example, the African Global Competitiveness Initiative (AGCI), announced in 2005, aims to build sub-Saharan Africa's capacity for trade and competitiveness. Through AGCI, the U.S. Government collaborates with host-country governments, regional organizations, and private sector partners to promote a range of activities focused on advancing economic growth and trade. The AGCI coordinates the resources of the U.S. Government to build capacity and stimulate investment in Africa. Areas of emphasis include private sector development; information and communication technologies dissemination; export diversification; financial sector strengthening; infrastructure investment facilitation; and international quality standards and inspection requirements compliance.

10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?

Interagency working groups within the U.S. Government help improve the effectiveness and coherence of U.S. trade capacity building (TCB) activities. Coordination of these groups is led by the Office of the U.S. Trade Representative. United States TCB activities are strengthened by the resources and technical expertise of the following agencies: USAID, MCC, the U.S. Trade and Development Agency, the Departments of Agriculture, Energy, Interior, Justice, Labor, State, and Transportation; the Environmental Protection Agency; U.S. Customs and Border Protection of the Department for Homeland Security; The Commercial Law Development Program; International Trade Administration, U.S. Patent & Trademark Office, and the National Institute of Standards & Technology of the Department of Commerce; the Food & Drug Administration; the Federal Trade Commission; U.S. Export-Import Bank; and the Overseas Private Investment Corporation.

USAID has a cadre of economic growth officers in the field, and a trade team based in Washington, which serves as a valuable resource to developing countries worldwide. The Washington-based team is made up of individuals with extensive trade and trade-policy experience. USAID also provides in-depth courses on trade capacity building.

The Commercial Law Development Program (CLDP) of the U.S. Department of Commerce has legal trade-related expertise to assist governments with drafting and implementing laws based on international commercial law standards, which support trade liberalization and market-based economic developments.

OWNERSHIP

Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.

11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?

One of the cornerstones of the U.S. trade capacity building strategy is that TCB works most effectively when developing country partner governments and civil society prioritize trade as part of development. If those efforts require strengthening in a particular country, the U.S. Government

makes available assistance activities for countries to analyze trade development challenges and assess their own capacity needs.

For example, countries that are eligible to receive Millennium Challenge Account (MCA) assistance identify for themselves the greatest barriers to their own development and, in consultation among government, civil society, the private sector and others, develop their own MCA program proposal. MCC evaluates the proposal based on its contribution to growth and poverty reduction and works with partner countries to help them fully develop the program. The country itself then implements the program. To further the incentive for policy reform, MCC also has a “Threshold” program for countries that come close to qualifying but fall short on one or more of the indicators. This program is smaller and more directed but also has trade-related elements as countries improve customs systems to reduce corruption, address cost and days to start a business and look to improve their trade policy.

12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?

USAID has more than seventy field and regional missions. Having a local presence allows USAID officials to engage with capital-based officials and other key stakeholders on a country’s development and aid-for-trade priorities. The United States participates as well in multilateral processes and local donor efforts to coordinate aid-for-trade such as the IF.

In addition, the TCB Working Groups associated with bilateral free trade agreement negotiations strongly encourage trade partners to engage all stakeholders when preparing for, negotiating, and implementing agreements with the United States. Active participation by both the private sector and civil society is critical to the success of any trade agreement. USAID’s field presence is particularly useful in bringing together disparate groups in these circumstances.

ALIGNMENT

Refers to donors basing their overall support on partner countries’ national development strategies, institutions and procedures.

13. Are you using the partner countries’ policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?

The U.S. Government targets trade capacity building assistance to partner countries which demonstrate their commitment to needed economic reforms, including in trade-related areas. One of the ways in which developing countries demonstrate that commitment is through their own policy planning and budget choices.

For example, MCA participation requires a high-level commitment from the selected country. In the MCC approach, the partner country determines the TCB component of its MCA Compact program based on its own prioritization of trade. So far, MCA countries have put a relatively high priority on trade and over half of all MCC programs have been trade related.

HARMONISATION

Refers to donors’ actions being more harmonised, transparent and collectively effective.

14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?

The United States Government uses a variety of institutional mechanisms to coordinate trade capacity building analysis and programs with other donors.

The United States has served as the IF donor facilitator in both Mali and Mozambique, and collaborated with the World Bank on the diagnostic trade integration studies.

Field missions work directly with their counterparts from other donors to improve TCB efficiency and reduce redundancies.

15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)

U.S. TCB assistance focuses on regional and bilateral programs that take advantage of an extensive network of local missions that are in continuous contact with recipients, thereby ensuring that programs are flexible and can respond in a timely way to local needs and opportunities.

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?

U.S. aid for trade activities are extremely diverse, and the objectives and timeframes reflect the unique circumstances of each country and project. The timeframe of some activities – such as training on trade policy issues – may be as short as a few weeks. Other activities – such as assistance in harmonizing trade and transport standards, procedures and infrastructure – often require multi-year time frames.

One example of how the U.S. Government sets objectives and time-frames for trade capacity building is the Millennium Challenge Corporation's compacts with partner countries. Specific objectives and time-frames, as well as measures of success, are set to best reflect country conditions and the areas of assistance.

Another example of U.S. Government setting objectives and time-frames for trade capacity building involves technical assistance related to TIFAs or bilateral FTA negotiations with a developing country. In these circumstances, CLDP helps our developing country partners build capacity and bring it into legal compliance with agreed to provisions of the agreements. The date by which the developing country completes all agreed to terms often affects the date agreements go into force. Success can be measured by whether a country has come into compliance or not.

17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?

USAID is in the process of implementing a Cluster Evaluation Methodology as an approach to evaluating Aid-for-Trade. This form of evaluation has been used by the World Bank and other larger multilateral agencies. Cluster evaluation is sometimes described as a sub-category of multi-site evaluation, but some of the objectives and methodologies employed are different.

Cluster evaluation methodology has the following characteristics:

It looks across a group of projects to identify common threads and themes that, having cross-confirmation, take on greater significance;

It seeks not only to learn what happened with respect to a group of projects, but why those things happened;

It happens in a collaborative way that allows all players – projects, donors and external evaluators – to contribute to and participate in the process so that what is learned is of value to everyone; and

The relationship between individual implementers and the external evaluators conducting the cluster evaluation is confidential. This ensures an environment in which projects can be comfortable in sharing with the cluster evaluators the realities of the work they have undertaken, problems and frustrations as well as triumphs. It greatly increases the usefulness of evaluation findings.

Primary goals of cluster evaluations include:

Determining how well the collective cluster of projects has succeeded in achieving the funding objectives (objectives-oriented evaluation);

Translating individual project findings into broad recommendations about the program/area under which the cluster is funded (utilitarian evaluation).

Developing consensus among a group of practitioners and stakeholders about what works. (participatory evaluation)

A founding principle of the Millennium Challenge Account (MCA) is to plan for monitoring and evaluation (M&E) at an early stage in program design in order to boost the effectiveness, accountability, and transparency of development assistance. MCA Compact development includes defining clear objectives and benchmarks to measure progress and a plan to measure results. Monitoring and evaluation covers the entire life cycle of an MCA program from concept through implementation and beyond. MCA programs that address trade are treated in this way. Further information on MCC monitoring and evaluation methodology can be found at: <http://www.mcc.gov/countrytools/compact/fy07guidance/english/29-guidelinesformande.pdf>

18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?

The U.S. participated in the OECD effort to develop tools to improve monitoring and evaluation of aid effectiveness for trade-related assistance. Additionally, USAID development publications including evaluations are publicly available online at: <http://dec.usaid.gov/partners/evalweb/>

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?

The Paris Declaration seeks to encourage locally-developed action plans and coordinating processes based on a more frank recipient-donor partnership, with a view to improving aid effectiveness and achieving better development results. The U.S. supports all 54 commitments in the declaration. For 12 of those commitments, indicators and targets were set as part of an agreement to monitor progress on the aid effectiveness declaration. The U.S. placed a reservation on the targets related to donor use of country financial management and procurement systems, pending resolution of an agreed method for defining and assessing quality systems. These are being developed in a DAC-multilateral institution-host country partnership, which the U.S. is actively supporting in order to be able to remove its reservation. Where such mechanisms exist at country or regional level, the United States participates. However, based on the data from the 2006 Survey on Monitoring the Paris Declaration, only 44% of the surveyed countries had such mechanisms in place.