Why GAO Did This Study

From 2005 to 2010, 24 U.S. agencies provided more than $9 billion in trade capacity building (TCB) assistance to help more than 100 countries reduce poverty, increase economic growth, and achieve stability through trade. To report on TCB funding, the U.S. government conducts an annual survey of agencies and publicly reports the data in a TCB database administered by the U.S. Agency for International Development (USAID). GAO examined (1) how agencies’ TCB activities are aligned with the agencies' goals, (2) the extent to which the TCB database provides sufficient information on key trends and funding, and (3) the extent to which USAID monitors and evaluates the effectiveness of its TCB activities. GAO focused on the agencies that reported the most funding for TCB activities since 2005—the Departments of the Army and State, the Millennium Challenge Corporation (MCC), and USAID—and the Office of the U.S. Trade Representative (USTR). GAO analyzed U.S. government data; reviewed agencies' strategic, budget, and program documents; and met with U.S. and foreign government officials in select countries.

What GAO Found

USAID and State conduct TCB activities that are aligned with their primary goals, but TCB is secondary to the goals of other agencies. USAID and State have developed strategic plans that include TCB-focused goals. Aligned with these goals, USAID and State assist countries in negotiating and implementing trade agreements. In addition, USAID assists countries in taking advantage of economic growth opportunities stemming from trade, often in conjunction with other agency goals. TCB is not a primary focus of MCC and the Army, however, they conduct activities to meet their broader agency goals that have trade-related effects. MCC identifies trade-related assistance it considers TCB as part of its programs’ poverty reduction goals. The Army implements TCB-related physical infrastructure projects as part of its disaster response objectives and in support of its reconstruction and economic development efforts in Iraq and Afghanistan.

The U.S. government TCB database has reported that annual TCB funding has increased from $1.35 billion in 2005 to $1.69 billion in 2010, but the database does not adequately describe certain factors underlying this growth and other significant changes in the composition of TCB funding. From 2005 to 2010, two agencies—MCC and the Army—began reporting significant TCB funding, primarily for physical infrastructure projects. Their funding comprised 54 percent of total TCB, and physical infrastructure projects comprised 45 percent of total TCB. However, the TCB database does not adequately explain significant factors driving changes in the composition of TCB funding. In particular, the annual TCB survey methodology attempts to identify and quantify just the trade-related components of projects, but this can be difficult in practice, particularly for physical infrastructure projects. Although GAO found the survey data to be generally reliable, these factors can lead to limitations in the data that are not described for its users. Clear reporting and transparent methodology and data collection are essential to understanding levels of funding and changes in the nature of TCB over time.

USAID has improved its assessment of TCB activities, including developing performance indicators and taking the positive step of commissioning a multicountry evaluation of the effects of TCB, but it has yet to develop plans to make use of the evaluation’s valuable insights. USAID uses trade and investment indicators to assess the immediate results of its TCB activities. However, officials explained that it is difficult to attribute trade-related trends revealed by the indicators to the effects of TCB assistance and collect valid and reliable data to measure progress. To assess longer-term results, USAID has commissioned evaluations of TCB programs in specific countries, but these are limited in number. It recently commissioned a multicountry evaluation of the long-term effectiveness of its TCB activities agencywide. While USAID is beginning to incorporate the evaluation’s results in its training, it has yet to develop plans for disseminating best practices to missions and offices on the methods they may use to better manage and assess their activities. Furthermore, it has not made plans for conducting evaluations on an ongoing basis.

What GAO Recommends

GAO recommends that the Administrator of USAID publicly report identified limitations and key distinctions in the categories of TCB assistance in the database. GAO also recommends that USAID develop a written plan for using its recent TCB evaluation and for conducting evaluations on an ongoing basis. USAID stated that it has already taken steps consistent with the GAO recommendations.

View GAO-11-727 or key components. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.