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# **THE TRADE FACILITATION AND CAPACITY BUILDING PROJECT “FASTRADE”**

## **Final Report**

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Paul Fekete  
Chief of Party

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Booz | Allen | Hamilton  
8284 Greensboro Drive  
McLean, Virginia 22102

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**I. ACRONYMS**

CAFTA	Central American Free Trade Agreement
COP	Chief of Party
DTIS	Diagnostic Trade Integration Study
EGAT	Economic Growth, Agriculture and Trade
FASTrade	USAID's Trade Facilitation and Capacity Building Project
ICT	Information and Communication Technology
IF	Integrated Framework
NGTF	Negotiation Group on Trade Facilitation
TF	Trade Facilitation
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

## II. EXECUTIVE SUMMARY

USAID's Trade Facilitation and Capacity Building Project "FASTrade" commenced in 2003 under the sponsorship of USAID's Bureau for Economic Growth, Agriculture and Trade (EGAT). Since its inception, FASTrade has worked with USAID field missions, other U.S. agencies, the U.S. private sector, other donors, and a range of developing country government agencies and private sector stakeholders to address trade facilitation issues.

Trade facilitation covers numerous topics, and is sometimes characterized simply as measures that reduce the costs associated with trade. More specifically, trade facilitation measures include the streamlining of clearance procedures, meeting new international security requirements—particularly those promoted by the World Customs Organization (WCO), and reducing the transaction costs at international borders.

During its five years of existence, FASTrade has been active in 23 countries and has built and strengthened developing countries' institutional foundations to ensure that training, technology transfer, and new infrastructure have a strong and sustainable long-term impact on economic development.

Trade facilitation is a broad undertaking, involving laws, regulations, procedures, equipment, infrastructure, and human resources of a country's key public and private organizations and services that impact international trade. Successful customs modernization efforts are dependent on a combination of factors, the absence of which can make any reform program incomplete, or in extreme cases, a failure. All customs modernization efforts are dependent upon a commitment to reform and clear direction from top management. This is an essential foundation for success. Customs modernization and reform may involve many policy, program, and procedural areas, and these areas tend to support each other as they begin to be implemented. For example, an honest workforce and transparent regulations are essential to the attainment of a modern, efficient, and effective organization. But organizational integrity may be significantly enhanced by certain procedural reforms such as clear and consistent methods for classification and valuation of goods based upon international standards; and risk-based selective screening of people, conveyances, and goods.

Trade facilitation is a dynamic process—not a one-time effort after which the job is complete. Countries that are at the forefront of developing and maintaining their comparative and competitive advantage recognize that ongoing trade facilitation initiatives serve as an important component of their international competitiveness. As USAID continues its economic growth efforts with developing countries around the world, trade facilitation should continue to be an integral part of its activities.

### III. PROGRAM OBJECTIVES, STRATEGIES, IMPLEMENTATION AND RESULTS

#### A. INTRODUCTION

In the aftermath of the Uruguay Round trade negotiations and the creation of the WTO, there has been an increasing appreciation for the fact that trade liberalization, alone, is insufficient to increase the extent of participation by countries—particularly developing nations—in the international trading system. Increased attention has focused on those areas which support trade, characterized under the umbrella term, trade facilitation.

Trade facilitation can succinctly be defined as *the assurance of efficient and effective levels of trade security and control by the government, resulting in a reduction of the transaction cost and complexity of international trade and improvement of the country's business environment*. It calls for the establishment of a trading system that encompasses efficient and secure operation of all parts of the supply chain, resulting in minimal distribution, clearance and processing times and cost; along with honest, predictable and transparent trade administration that ascribes to international trade norms and standards.

USAID's Trade Facilitation and Capacity Building Project "FASTrade" was established in 2003 as a means of focusing attention on trade facilitation issues. The project was championed by USAID's Bureau for Economic Growth Agriculture and Trade (EGAT) and implemented by Booz Allen Hamilton. FASTrade was designed to support a broad range of activities, and to work with USAID field missions, other U.S. agencies, the U.S. private sector, other donors, and a range of developing country government agencies and private sector stakeholders to address trade facilitation issues.

During its existence FASTrade has built and strengthened developing countries' institutional foundations to ensure that training, technology transfer, and new infrastructure have a strong and sustainable long-term impact on economic development.

FASTrade was designed to implement a wide range of activities in support of trade facilitation. Throughout the life of the program, FASTrade has carried out the following types of activities:

- Short-term advisory services to USAID missions, supporting efforts to design assistance strategies, activities and projects in trade facilitation issues
- Pilot projects, including assistance in design and implementation of benchmarked action plans, to address institutional or procedural trade facilitation needs
- Short-term training and advisory services to developing country partners, supporting ongoing efforts to improve border processing systems
- Technical workshops and training courses, focused on institutional development
- Technical research, analytical reports and other informational materials that may help USAID missions and their clients improve the efficiency and effectiveness of other projects addressing trade facilitation objectives

- Methodologies for conducting diagnostic field audits of customs clearance and other border processing institutions and systems.

There are many benefits that come from trade facilitation initiatives. For governments, successful trade facilitation efforts result in increased integration into the global trading system and bring with it the imperative to reduce duties and other fees on the import, export, and transport of goods and services. The benefits of significant procedural reform and process improvement produce additional revenue to the government that far outweighs any losses due to fee reductions. Less complicated and more transparent trade rules tend to improve business compliance. The resulting expansion of economic development that accompanies the growth in international trade produces increased government revenues. A virtuous circle of reforms result when a portion of those increased revenues are reinvested in public communications and transportation networks and facilities. Enhanced levels of interagency and international cooperation and communication enable the practice of risk management procedures that increase the effectiveness of control methods and improve the government's ability to provide overall security and protection to society.

Trade facilitation also benefits the business community. Foreign investors are attracted to efficient, transparent, predictable business and trade environments. Local businesses, as well, benefit from a supportive and facilitative trade environment in order to compete internationally. This is especially true of small and medium enterprises, whose cost of complying with inefficient procedures tends to be proportionately higher. Trade facilitation measures significantly increase the competitiveness of a country's businesses—small, medium and large—in international markets and further contribute to the economic prosperity of the nation.

## **B. FASTRADE INTERVENTIONS**

Throughout its existence, FASTrade activities have been demand driven, responding to the needs expressed by USAID Missions, regional bureaus, and recipient countries and more specifically identified through assessments, customarily conducted by FASTrade experts.

Some of the trade facilitation needs that FASTrade has addressed include:

- Promoting public and private sector dialogue and cooperation to identify national trade facilitation objectives
- Improving coordination of the policies and practices of the many different public and private organizations involved in border processing and clearance systems
- Modernizing laws and regulations, and improving legal and regulatory transparency, predictability, and performance
- Introducing and implementing border clearance processes and systems that comply with international standards
- Implementing payment and audit systems that allow for quick release of shipments

- Providing training and workshops in technical areas, such as tariff classification, customs valuation, rules of origin, risk management, and supply chain security
- Developing knowledge and skills of private sector trade organizations and associations
- Improving governance and promoting integrity in border control organizations.

Following is a more detailed discussion of some of the core activities that have characterized work done under FASTrade.

## **1. Trade Facilitation, Customs, and Security Diagnostic Assessment**

FASTrade has been predicated on the recognition that developing countries typically need a wide range of assistance to build a well-functioning trade facilitation system. The success of individual projects, however, often depends on the institutions responsible for implementing different public and private sector functions, and on the sequencing of capacity building activities. When the complex technical and institutional relationships are not carefully considered, the results of customs and trade facilitation projects are often disappointing.

FASTrade's approach has been to conduct a comprehensive and structured diagnostic that provides a strong basis for developing customs and trade facilitation assistance strategies, establishing project benchmarks, and measuring progress. This methodology has relied on a comprehensive set of indicators about a country's ability to move goods, services, people and money with efficiency and security. The final results are both quantitative and qualitative, offering an accessible tool for problem identification and prioritization, as well as a thorough expert analysis of security and facilitation within a country's trade environment. With this information, a matrix of interventions would be developed and technical assistance implemented.

## **2. Mapping Stakeholder Interests and Incentive Structures**

FASTrade has conducted stakeholder mapping exercises, an analytical tool for the identification and understanding of the constituencies interested in a given public policy issue. The "map" created by the analysis provides a catalog of the economic and political actors within the community, and therefore an informed insight into the feasibility of reform. The stakeholder map has been an efficient way to assess whether reforms can be pursued or whether parts of the reform environment require preparation prior to reform. Typically, such exercises include recommendations for successful mobilization of the various constituencies in support of a customs reform process.

In the trade arena, stakeholders have typically included groups and organizations such as manufacturing concerns, shippers and freight forwarders, customs brokers, transportation companies, chambers of commerce, financial institutions, international and regional development assistance groups, and government agencies having a significant role in international trade. Over the course of such activities, FASTrade has often recommended

capacity building assistance for both private and public sector entities as well as proposals for coalition and institution building.

### **3. PRO Committee Development—Building Coalitions for Reform**

A normal outcome of a stakeholder mapping exercise, in addition to the determination of important stakeholders, has been the identification of potential coalitions for change. FASTrade patterned some of its efforts on a successful approach that began in the early 1990s under the sponsorship of UNCTAD, and later promoted by the UN Economic Commission for Europe and the World Bank, which has been the creation of National Trade Facilitation Committees (or PRO Committees, as many such committees are now known). Successful PRO Committees comprising high-level, influential representatives of key government trade ministries, as well as providers and users of trade and transportation services, were established and supported by FASTrade in several developed and developing regions and countries.

The FASTrade Project has worked with these key constituencies in developing countries to help establish and implement the successful formation and operation of PRO Committees. These organizations have provided a forum to discuss trade and transport problems and systemic issues and, through consultation and consensus, arrive at mutually agreeable solutions. When reform or modernization has been required within the constituencies that they represent, these committee members have typically had the influence to foster needed change.

### **4. Sustainable Customs and Trade Facilitation Training Programs**

Repeatedly over the course of FASTrade's efforts around the world, it has been apparent that customs and other border control agencies too often do not have formal training programs for their officials to provide instruction on the practical procedures and skills that they need to perform their day-to-day jobs in an effective manner. Because of resource and human constraints, these authorities and agencies often lack proper technical training to enable them to properly operate modern surveillance, communications, non-intrusive inspection, and other law enforcement technology.

In response to this need, FASTrade has offered technical assistance toward the development of sustainable training programs, tailored to the needs of the individual agencies. In some countries agencies have had a training facility and full- or part-time trainers on staff. But the course curricula has needed to be updated and expanded to provide for world-standard instruction in such critical areas as customs classification, customs valuation, rules of origin, intellectual property rights enforcement, and risk management. In these countries, local instructors have benefited from train-the-trainer courses that have taught modern instruction methods and technologies.

In other countries, border agencies have had minimal facilities to provide academic-type training on legal and regulatory issues and have relied on on-the-job training for teaching practical operational procedures and skills. In these cases, FASTrade has helped by

providing core training on important customs clearance matters and has also provided guidance in the establishment of a customs or other border agency school, by providing course development and training for administrators as well as for trainers.

## **5. Reinforcing Integrity in Trade Clearance Systems**

Most countries, whether developed or developing, face lesser or greater problems with corruption among customs officers which seriously hampers a country's ability to facilitate trade. Furthermore, such behavior poses extreme risks to the security of the trade supply chain and of the nation. The most conducive environment for collecting irregular payments at the border is one where delays are routing and formalities are unnecessarily complicated. Once corruption has entered the system, border control agencies increasingly relinquish their right to legitimate inspection and control, with any type of illegality becoming increasingly condoned. At the same time, acceptance of false declarations, and undervaluation or misclassification of goods reduces duty receipts by 50 percent or more, a significant hardship for those developing countries that rely, sometimes exclusively, on customs collections for their national revenue.

FASTrade has combated such circumstance by offering a variety of interventions that have had meaningful impacts on improving the integrity of customs organizations and officials. These activities have included helping customs authorities with the development of an ethics policy and code of conduct and discipline, recruitment system reform, and various avenues of automation and procedural reform to remove the opportunities for corruption. FASTrade assistance has also provided authorities with the establishment of independent Internal Affairs units to monitor high-risk activities and investigate allegations of corruption and respond appropriately when uncovered.

## **C. REGIONAL AND COUNTRY ACTIVITIES**

During the Project's period of performance, it has been active in 23 countries. The countries of performance have included: Algeria, Armenia, Costa Rica, El Salvador, Guatemala, Honduras, Jamaica (with financial support from the Doha WTO contract), Kazakhstan, Kenya, Kyrgyzstan, Mozambique, Nepal, Nicaragua, Nigeria, Oman, Philippines, Rwanda, South Africa, Tajikistan, Tanzania, Uganda, USA, and Yemen. Following are some of the highlights of field activities undertaken by FASTrade.

### **1. Nepal**

From the earliest days of the project, Nepal has been a country in which FASTrade has been very active. In 2005, a first round of technical assistance was undertaken, which included risk management/cargo selectivity training, program management staff establishment and training, the initiation of a Customs Integrity Program, and the establishment and training of an Internal Investigations staff.

In addition to these efforts, an assessment was carried out of the Nepal Customs Authority and a matrix of additional assistance needs was developed, some to be carried out by FASTrade in future efforts and others to be addressed by a number of international donor organizations.

In October of 2006, four FASTrade advisors were mobilized to Kathmandu to provide training to Nepal Customs in risk management, valuation and classification, and integrity and internal investigations. More activities were envisioned for Nepal, but security concerns in 2006 led to a temporary halt of activities in the country.

With an improved political environment in 2007, Nepal's Customs Authority submitted an additional request through the Nepal USAID mission for further technical assistance in a number of areas, including a request for some procurement of equipment to facilitate their internal training activities. In response, FASTrade provided additional technical assistance focusing on valuation training, classification training, post clearance audit training, along with the procurement of audio/visual equipment to facilitate ongoing customs officers training in Katmandu.

Despite the significant amount of support provided to Nepal, FASTrade's activities there were subject to the vagaries of periods of political instability. On more than one occasion, the continuation of activities was delayed or cancelled because of security concerns. Thus, what had been envisioned from the earliest days of FASTrade—a series of technical assistance interventions supportive of Nepal's desire for meaningful reform—became a number of stop and start interventions, still of value, but less successful in constructing a linked and comprehensive reform effort.

## **2. Central Asia**

FASTrade has worked in cooperation with USAID's regional mission based in Almaty to support customs reform efforts, focusing primarily on Kazakhstan, Kyrgyzstan, and Tajikistan.

In 2006, a team of FASTrade customs experts conducted a broad assessment of customs operations in the target countries. The findings, focusing extensively on integrity related issues, were presented at a regional workshop held in Almaty later in the year. The workshop outlined a series of interventions that could lay the basis for meaningful customs reform in the region. Workshop participants included customs officials from Kazakhstan, Kyrgyzstan, Tajikistan, and Afghanistan, representatives from USAID and the U.S. State Department and international donor organizations with significant activities in Central Asia, including the Asian Development Bank, Eurocustoms, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Economic Commission for Europe (UNECE). In addition to extensive discussion of FASTrade's assessment, workshop participants agreed to the "Almaty Integrity Resolution" in which the region's customs authorities expressed their commitment to integrity and expressed their desire for additional technical assistance with respect to customs integrity issues.

The success of the Almaty workshop led to ongoing consultations between USAID and regional customs stakeholders. In particular, exchanges with the WCO, which, under the auspices of its Columbus Programme was also active in the region, led to an agreement to undertake a joint USAID/WCO initiative to work cooperatively in organizing a workshop in Astana focusing on integrity issues for Central Asian customs officials. Senior management from each of the region's customs authorities were invited to a workshop held in Astana, Kazakhstan from June 6-8, 2007. The workshop focused on the issues and decisions necessary for management reform that promote customs integrity.

## **3. Central America**

The countries of Central America have constituted a significant focus for FASTrade's activities. Working closely with USAID's Seldon Project<sup>1</sup>, FASTrade has supported numerous legal and commercial assessments in the CAFTA countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

In April 2004, USAID conducted Trade and Commercial Law Assessments in the CAFTA nations supported through a coordinated effort between the Seldon Project and FASTrade. These assessments were designed to help these countries take advantage of the

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<sup>1</sup> In September 2002, USAID launched the Seldon Project to help nations meet their WTO obligations and to assure that compliance measures also provided lasting improvements in their social and economic welfare. The primary objective of Seldon was to develop and apply an inexpensive and easy to use assessment tool concerning trade and commercial law that could be used in the context of trade capacity building efforts.

benefits of free trade and enhance regional trade and harmonization. As the culmination of the assessments, a Central American regional report was prepared, *Strategies for Improving the Efficiency of Trade Flows and Strengthening the Business Climate in the CAFTA Countries*, synthesizes the findings of the individual country reports and makes recommendations for regional, coordinated reform.

FASTrade's expertise in trade facilitation issues directly contributed to these assessments and in some instances lead to a broad range of USAID's trade capacity-building (TCB) efforts in the region. These TCB efforts were all focused on supporting more open trade and investment policies and regional economic integration. A key part of TCB efforts involved assisting countries in the region prepare for and implement the Central America Free Trade Agreement (CAFTA).

CAFTA compliance activities were undertaken in 2004-2005 focusing extensively on CAFTA commitments under the chapters dealing with Customs matters. Assistance was provided toward the establishment of public-private trade facilitation organizations (so-called pro-committees). More technical assistance was provided to regional customs authorities, focusing on issues such as advance rulings procedures, express consignment facilitation, transparency of regulations and procedures that impact the private sector, and risk management/cargo selectivity.

#### **4. El Salvador**

El Salvador has been one of the country's which has benefited from further direct assistance in the aftermath of the regional CAFTA assessments. In May 2006, the FASTrade project commenced work with El Salvador Customs on an integrity initiative. The initiative's objective was to support and assist El Salvador's Customs with the design and implementation of a comprehensive integrity program that would serve as a model for other countries in the region. In March 2007, a team of FASTrade advisors provided extensive technical assistance on the design and implementation of a series of professionalization efforts, including the drafting of a code of conduct for customs officers. In June of 2007, the initiative continued with training for Customs managers who would subsequently train the entire Customs workforce on the new code of conduct and discipline and the new employee responsibility directive that were designed earlier with FASTrade's support. Additional IT support was also provided by the project to help El Salvador Customs integrate a new human resource tracking software with other systems already in use by the agency and the Ministry.

#### **5. Yemen**

In conjunction with funding from the USAID Mission in Yemen and additional support from the Middle East Partnership Initiative (MEPI), FASTrade has been active in supporting a number of customs reform efforts, working primarily with the Yemen Customs Authority (YCA). In 2005, a comprehensive initiative to assist YCA with the implementation of the WTO Valuation Agreement and related reforms was initiated. Over several months time, legal assistance was provided to prepare and recommend a

valuation law that would be fully compliant with the WTO Agreement on Customs Valuation. In addition, training on WTO valuation procedures was provided to Customs officials at each of three principal field offices and in the Headquarters in Yemen's capital, Sana'a.

Yemen's periodic security situation resulted in numerous delays with the provision of further technical assistance. However, by 2007, with the situation having improved, a team of FASTrade advisors were mobilized to Yemen to carry out extensive training for YCA officials on risk management issues. Extensive preparatory work of appropriate training materials was carried out in the United States after which the team traveled to Yemen to provide both classroom and field training on risk management techniques to enable Yemen to meet best international practices for applying risk management principles in a customs administration. These best practices are consistent with the WCO SAFE Standards and also utilize the application of the ASYCUDA Selectivity Module to target shipments at risk for high revenue loss or otherwise incorrect declarations.

Later in 2007, a FASTrade advisor was asked to conduct a review of customs law amendments in Yemen to determine whether the proposed valuation components were compatible with the WTO's Customs Valuation Agreement (Article VII of GATT 1994).

## **6. Algeria**

Algeria was another country in which FASTrade worked cooperatively with MEPI. A joint FASTrade/MEP team conducted an assessment of Algeria's needs with respect to trade facilitation and the promotion of public-private dialogue. A team of specialists traveled to Algeria for a series of meetings with Government and Private sector representatives to identify national trade facilitation objectives. Topics of discussion focused on Algeria's WTO accession status and the country's needs with respect to legal and regulatory reform. The team also conducted an assessment of the potential implications for Algeria of an improved trade environment. The results of this assessment were subsequently to be utilized to inform further technical assistance activities to be conducted under the MEPI initiative.

## **7. Oman**

FASTrade and MEPI have also coordinated on an initiative in Oman focusing on improved coordination and export facilitation for SMEs in Oman. To this end, the MEPI Oman SME team worked with the Omani Ministry of Commerce and Industry's General Directorate of SME to review proposals under consideration for formalizing the Government of Oman's coordination with SMEs. Specific areas of focus included the extent to which the institutional framework of the General Directorate of SMEs meets trade facilitation objectives, the extent to which it improves coordination of the policies and practices of the Government of Oman entities engaged in export processing, and the degree to which it advances the dialogue between the public and private sectors and meets overarching objectives of trade facilitation.

## **8. Mozambique**

In 2004, FASTrade carried out the customs evaluation component of the Diagnostic Trade Integrations Study (DTIS) that was being completed for Mozambique under the WTO's Integrated Framework process. The Customs diagnostic was a comprehensive review of trade facilitation issues in Mozambique and included an assessment of the legal framework and legal implementing institution (Customs) in the country. The study also evaluated related issues such as support from public institutions (i.e., Ministries of Agriculture, Health) and private institutions (i.e., exporters, importers, customs brokers, freight-forwarders, free-zone operators). The diagnostic also reviewed and suggested reforms in areas such as management, personnel, integrity, procedures, enforcement, ICT, risk assessment, rules of origin, cargo security, intellectual property rights, statistics, public-private sector cooperation, and regional cooperation/ integration.

### **D. WTO TRADE FACILITATION SELF-ASSESSMENTS**

In October 2007, FASTrade commenced a collaborative effort with the WTO on trade facilitation issues. As part of the Doha Round of trade negotiations, WTO members have been negotiating new disciplines on trade facilitation issues, working under the auspices of the Negotiation Group on Trade Facilitation (NGTF).

The NGTF, in order to provide technical assistance to developing country members on trade facilitation issues, developed a Trade Facilitation National Needs Assessment Project. These self assessments have been intended to provide support to WTO members, particularly developing and least-developed countries, with respect to their trade facilitation needs and priorities, and to the cost implications of proposed measures being considered in the Trade Facilitation negotiations.

In response to this initiative, numerous WTO members requested technical assistance under this self assessment program, and the demand quickly exceeding the capacity of the WTO Secretariat. The WTO sought support for this initiative from WTO developed country members and the US Government offered in-kind support. Specifically, USAID's FASTrade project was identified as the vehicle through which this assistance would be offered.

In order to support this initiative, the WTO conducted training for the facilitators who would support these national self assessments. Two of FASTrade's experts were trained in the WTO's methodology, including FASTrade's COP.

Over the course of 10 months, FASTrade assisted with six national trade facilitation self assessments. These included Tanzania and Uganda in 2007. In 2008, FASTrade supported self assessments in Rwanda, Nigeria, Kenya, and Jamaica.

## **E. FASTRADE PUBLICATIONS**

Throughout the duration of FASTrade, USAID/EGAT has commissioned a series of handbooks and issues papers written to provide detailed guidance to any customs administration wishing to reform a particular aspect of customs procedures to better facilitate trade while maintaining or improving control and protecting the revenue. These guides were written so that a developing country customs administration could institute the recommended reform measures with little or no outside technical assistance.

### **1. Country Assessments**

As discussed earlier, one of the activities undertaken by FASTrade was the conduct of diagnostic field audits and other assessments of customs clearance and other border processing institutions in specific countries. The FASTrade project worked in conjunction with USAID's Seldon Project for Global Trade Law Assessment (also implemented by Booz Allen Hamilton) to conduct a trade and commercial law assessment activity in each of the five Central American countries participating in the CAFTA trade process with the United States. The assessments were conducted in 2004. They included

- Costa Rica Country Assessment—June 2004
- El Salvador Country Assessment—July 2004
- Guatemala Country Assessment—June 2004
- Honduras Assessment—September 2004
- Nicaragua Country Assessment—August 2004

### **2. Issue Papers**

During the course of FASTrade, EGAT commissioned a series of white papers covering topics such as streamlining clearance procedures, meeting new security requirements, and reducing incoming and outgoing transaction costs at international borders. Like other FASTrade material, these papers were intended to disseminate technical knowledge on customs issues to USAID Missions, regional bureaus and recipients of technical assistance.

Following are short synopses of FASTrade issues papers:

- (a) Customs Reform and Trade Facilitation: An Entrée To The Global Marketplace—February 2005

The most critical element of trade facilitation, since it affects all trade both into and out of a country, is to streamline and secure the processing and clearance of goods as they cross international borders. This cannot be accomplished, however, without a highly motivated and productive border control workforce. An essential part of the foundation for the creation of such a workforce is a fairly administered incentive award program.

This Trade Facilitation Issue Paper provides guidelines and recommendations for program establishment.

(b) International Trade: Improving The Duty Collection/Payment Process — December 2004

Methods to collect duty payments entry by entry are inefficient and time consuming and, therefore, costly to the trading community and a hindrance to economic development. This paper recommends a sound approach for reforming a country's duty collection process in a way that is appropriate to its political and economic environment and border processing infrastructure, as well as to its dependence on international trade.

(c) Private Sector Trade Facilitation Service Opportunities—November 2004

Clearly there are trade services relating to the health and security of society that are inherently governmental, but there also are a number of services related to the transportation, security, and border processing of imported and exported goods that may be provided in a more efficient and effective way by the private sector. This paper provides an assessment of an array of trade facilitation services and recommends for consideration some of the more promising opportunities for short- or long-term delivery by the private sector.

(d) International Supply Chain Security and Its Impact on Developing Countries—September 2004

An insecure supply chain in an exporting country can drastically slow the clearance of the goods of that country as they attempt to transit or enter another country. In this era of heightened security against the threat of terrorism, goods coming from a country known to have lax control of its supply chain are routinely subjected to extra scrutiny and delay at international borders. In today's highly competitive global marketplace, such delay can spell economic failure. This Trade Facilitation Issue Paper recommends an approach that may be taken by government and industry toward the creation of secure, compliant, and efficient supply chains in developing countries.

(e) Performance Incentives for Border Control Officers—August 2004

The most critical element of trade facilitation, since it affects all trade both into and out of a country, is to streamline and secure the processing and clearance of goods as they cross international borders. This cannot be accomplished, however, without a highly motivated and productive border control workforce. An essential part of the foundation for the creation of such a workforce is a fairly administered incentive award program. This Trade Facilitation Issue Paper provides guidelines and recommendations for program establishment.

### **3. Handbooks**

During FASTrade's existence, EGAT also commissioned a series of handbooks focusing more extensively on various components of a customs reform program. These handbooks, written by subject matter specialists, were intended to be utilized to disseminate the latest thinking on various aspects of border control issues, synthesizing work done by USAID, the WCO, and other international organizations focusing on various aspects of customs and trade facilitation. The following synopses describe the material contained in these handbooks.

(a) Customs Program Management Handbook

Effective management of its programs is a fundamental building block for the establishment of modern Customs administration. This handbook discusses the means of instituting program management, including firm and consistent direction and support from top management, the establishment of a Program Management organization, and the training of staff in program management approaches and techniques.

(b) Establishing Risk Management/Cargo Selectivity Capability

Along with the rapid growth in international trade comes the increasingly difficult job of maintaining a proper balance between control and trade facilitation in the border clearance of imports and exports. For a developing country to be able to participate fully in the global marketplace, its customs administration must be able to apply both effective and efficient control by implementing risk management and cargo selectivity techniques in order to simultaneously fulfill the responsibility to collect revenue, implement trade policy, and protect the public welfare while at the same time offering trade facilitation to legitimate traders, travelers, and carriers. This handbook provides a generic plan for establishing a Cargo Selectivity Management Team to design appropriate responses to risks associated with cargo shipments.

## **F. PROJECT MANAGEMENT**

FASTrade has been active around the globe, working with both individual and regional missions, as well as with multilateral organizations. As a result, there often were multiple initiatives being implemented simultaneously. Because of the broad reach of the project, it has benefited from a core management team that has on the one hand, helped guide the technical aspects of the work, and on the other, made sure that the broad extent of logistical and administrative matters are handled efficiently and expeditiously.

Over the life of the project, there have been three Chiefs of Party who have guided the project. David Harrell helped launch the project and served between 2003-2006. After his departure, Lori Brock guided FASTrade's activities for a number of months in 2006. Finally, Paul Fekete directed the project during the last two years of its existence, 2007-2008.

In addition to the technical guidance carried out by the Chiefs of Party, the project has had capable Project Coordinators serving for the duration. Jeff Chaloupek served between 2003-2007 and provided much needed continuity. Josh Yau provided interim support between February-May, 2007 and was succeeded by Claire Avett until June 2008. Regina Hehir has served as Project Manager during the last one and one half years of its existence.

#### IV. LESSONS LEARNED AND RECOMMENDATIONS

Trade facilitation is a broad undertaking, involving laws, regulations, procedures, equipment, infrastructure, and human resources of a country's key public and private organizations and services that impact international trade. Successful customs modernization efforts are dependent on a combination of factors, the absence of which can make any reform program incomplete, or in extreme cases, a failure.

FASTrade's broad experience on trade facilitation issues in varied countries has yielded a clearer understanding of the elements that make for successful trade facilitation and customs reform. Many of the elements discussed below may also become part of a new agreement on trade facilitation currently under consideration as part of the package that may ultimately form the outcome of the WTO's Doha Round of trade negotiations. The necessary factors, in no particular order of importance include:

**Political Commitment.** There must be a firm commitment to trade facilitation reform goals at the highest levels of government and business. Without such a commitment, even a well-designed reform strategy is unlikely to succeed.

**Competent and Committed Management.** Leadership that is willing to be innovative must exist at the top of public and private trade organizations, as well as at middle and line management levels. Leadership at all levels must fully and actively support trade facilitation reform.

**Public/Private Sector Cooperation and Transparency.** On-going dialogue between government and private trade organizations must be maintained, and trading community views and recommendations should be given strong consideration in the drafting of new trade laws and regulations. Trade rules and regulations must be made clear to the trading community through published regulations that are readily available to the public.

**Legislative Base Reform.** The laws of a country must be framed in such a manner as to allow the establishment of trade regulations and procedures that are transparent to the private sector, provide for due process, are in conformance with international standards, and are simple in form, content and application.

**Procedural Reform.** In consonance with its legislative base and implementing regulations, a country should design systems and procedures that are only as intrusive as necessary to accomplish essential functions for the movement of goods across borders. Trained personnel must implement these procedures.

**Compliance with International Trade Norms.** Widely accepted trade facilitation norms have been promoted by the United Nations (UN), the World Trade Organization (WTO), the World Customs Organization (WCO), the International Chamber of Commerce and other international and regional organizations. But trade facilitation must be balanced with a government's duty to protect the revenue and combat commercial fraud and trafficking in prohibited or dangerous materials. Therefore, trade facilitation

reform must subscribe not only to international trade facilitation standards, but also to national and international law enforcement obligations.

**Competent Workforce.** Members of the public and private workforce in the trade area must be well trained and qualified for their positions and must carry out their public and business responsibilities with integrity. Governance structures should be in place which promote integrity.

**Information Technology.** There is a tendency to believe that automation can solve many, if not all of the challenges faced by border control agencies worldwide. In many developing countries, the implementation of IT is viewed as a panacea as opposed to consideration of other, less costly interventions. Still, when appropriate, information technology should be implemented wisely to promote the efficient handling of imports and exports. Such a system should encompass connectivity to a central database and among key national and international transportation, trade and law enforcement stakeholders. Access to the global integration of modern production and delivery systems is required, as well as the establishment of a national system that allows for the electronic submission and processing of import, export and other trade data, including advance provision of passenger and cargo data; account-based entry and export processing for high-volume traders; electronic payment of duties, taxes, and other fees; and access to and exchange of law enforcement information for look-out and risk management, and compliance measurement programs.

**Interagency, Cross-Border and International Cooperation.** Unfettered communication and close cooperation among national agencies and neighboring countries and with international sources of trade and law enforcement information is required in order to identify and detain high-risk traffic and to speed the collection of legal fees and clearance of compliant persons, conveyances and cargo at international borders as well as to assure their expeditious movement along international trade routes.

**Adequate Equipment and Infrastructure.** Non-intrusive inspection equipment must be utilized to speed entry and export clearance processes; land, sea and air border clearance facilities must be well designed to avoid traffic congestion; and the internal transportation infrastructure (rail, road and air networks and connections) must be adequate in breadth and quantity and well maintained.

Trade facilitation is a dynamic process—not a one-time effort after which the job is complete. Countries that are at the forefront of developing and maintaining their comparative and competitive advantage recognize that ongoing trade facilitation initiatives serve as an important component of their international competitiveness. As USAID continues its economic growth efforts with developing countries around the world, trade facilitation should continue to be an integral part of its activities.

## V. APPENDIX

### Review of Status of Project Deliverables, October 2008

The task order's Statement of Work describes a broad range of advisory and technical assistance services on which the project is to focus and it identifies a particular number of activities that are expected to be completed in each of the deliverable areas. However, no specific activities were detailed at the start of the project and initiatives have been identified and defined through a consultative process in which the project staff works closely with the USAID CTO and with USAID missions abroad to identify needed technical assistance and to prepare technical approaches that will successfully address the identified needs. The consultative process requires a great deal of discussion between the parties and it can take several months for an activity to move from concept to implementation. The project also requires, in most cases, the obligation of funds by the client mission and the administrative issues involved in this process can also take significant time to address.

The range of work carried out by FASTrade over the course of the project to meet the task order deliverables, is shown below. Note: the "original" numbers below are from the original September 2003 task order. The "revised" numbers refer to changes made during a significant task order modification made in September 2004 which increased the budget ceiling, budget obligation, and the number of expected deliverables in several areas.

#### **Deliverable 1 - Short Term Advisory Services (definition of assistance priorities)**

Original number: 10

Revised number: 22

- 1) Trade and Commercial Law Assessment – Costa Rica, 2004
- 2) Trade and Commercial Law Assessment – El Salvador, 2004
- 3) Trade and Commercial Law Assessment – Guatemala, 2004
- 4) Trade and Commercial Law Assessment – Honduras, 2004
- 5) Trade and Commercial Law Assessment – Nicaragua, 2004
- 6) Development of CAFTA Action Plan, 2004
- 7) Identification of donor activities in Central America, 2004
- 8) Summaries of country status on CAFTA issues (three areas), 2004
- 9) Initial mission to Nepal to identify needs and priorities for customs reform, 2004
- 10) DTIS assessment work in Mozambique and identification of needs and priorities, 2004
- 11) Initial trip to Yemen to finalize plans for valuation assistance and plan development, 2005
- 12) Work with El Salvador Customs DG re regional IT harmonization ideas, 2005
- 13) Armenia assessment to identify needs and priorities for customs reform, 2005
- 14) Review of customs/trade technical assistance initiatives in Central Asia, 2005
- 15) Trade facilitation and customs assessments in Central Asia (KAZ, KYR, TAJ), 2006
- 16) Customs integrity assessment in El Salvador, 2006

- 17) Customs integrity assessment in Honduras, 2006
- 18) Trade and Commercial Law Assessment – Philippines, 2007

### **Deliverable 2 - Pilot Projects**

Original number: 8  
Revised number: 14

- 1) Development of trade facilitation “pro-committee” concept and set-up in Guatemala, 2004
- 2) Customs integrity benchmarking work in Nepal, 2005
- 3) FastPath software pilot/review

### **Deliverable 3 - Methodology Identification**

Original number: No specific number  
Revised number: No specific number

- 1) Development of performance measurement concept for seaports, 2005
- 2) Development of performance measurement concept for airports/land border crossings, 2005

### **Deliverable 4 - Training Materials**

Original number: 10  
Revised number: 15

- 1) Training materials for risk management training in Central America, 2004
- 2) Training materials for program management training in Nepal, 2005
- 3) Training materials for internal investigations training in Nepal, 2005
- 4) Training materials for valuation training in Yemen, 2005
- 5) Training materials for Harmonized System classification training in Yemen, 2005
- 6) Preparation of materials and agenda for TF workshops for USAID, 2006
- 7) Training materials for risk management training in Nepal, 2006
- 8) Training materials for valuation/classification training in Nepal, 2006
- 9) Training materials for customs integrity training in Nepal, 2006
- 10) Training materials for training of trainers training in Nepal, 2006
- 11) Training materials for risk management /IT training in Yemen, 2007
- 12) Training materials for WTO Valuation and HS Classification Training in Nepal 2007
- 13) Training material for integrity initiative in El Salvador 2007
- 14) Training material for integrity workshop in Astana, Kazakhstan 2007

**Deliverable 5 – Short Term Advisory Services (implementation of technical assistance)**

Original number: 18

Revised number: 24

- 1) Pro-committee support in El Salvador, 2004-2006
- 2) Pro-committee implementation/support in Guatemala, 2004-2006
- 3) Pro-committee implementation/support in Honduras, 2004-2006
- 4) Pro-committee implementation/support in Nicaragua, 2004-2006
- 5) Pro-committee implementation/support in Costa Rica, 2004-2006
- 6) Pro-committee implementation/support in Central America region, 2005-2006
- 7) Mediation work between CIMA and El Salvador Customs DG, 2005
- 8) CAFTA advance rulings work in Central America, 2005
- 9) CAFTA publication/transparency work in Central America, 2005
- 10) CAFTA express shipment work in Central America, 2005
- 11) Program management work in Nepal, 2005
- 12) Customs legal review in Yemen, 2005
- 13) Risk management TA in Yemen
- 14) Customs integrity assistance in El Salvador
- 15) Integrity initiative in Central Asia, 2007

**Deliverable 5 - Technical Workshops/Training Courses**

Original number: 18

Revised number: 24

- 1) Trade & commercial law assessment conference/simulation event in Central America, 2005
- 2) Risk management training/TA in Guatemala, 2005
- 3) Risk management training/TA in El Salvador, 2005
- 4) Risk management training/TA in Honduras, 2005
- 5) Risk management training/TA in Nicaragua, 2005
- 6) Risk management training/TA in Costa Rica, 2005
- 7) Internal investigations training in Nepal, 2005
- 8) Valuation training/TA in Yemen, 2005
- 9) Harmonized System classification training in Yemen, 2005
- 10) Risk management training/TA in Guatemala (Phase II), 2005
- 11) Risk management training/TA in El Salvador (Phase II), 2005
- 12) Risk management training/TA in Nicaragua (Phase II), 2006
- 13) Risk management training/TA in Costa Rica (Phase II), 2006
- 14) Participation in/funding of regional trade facilitation workshop in South Africa, 2006
- 15) Risk Management, Valuation/Classification, Integrity, Training of Trainers in Nepal, 2006
- 16) Regional trade facilitation workshop in Central Asia, 2006
- 17) Risk management training in Yemen, 2007
- 18) WTO Valuation and HS Classification training in Nepal 2007
- 19) Integrity workshop in Central Asia, 2007

20) Integrity training in El Salvador 2007

#### **Deliverable 6 - Website Design and Maintenance**

Website was operational in December 2003 and was continually updated

#### **Deliverable 7 - Technical Research Papers**

Original number: 15

Revised number: 20

- 1) International Supply Chain Security (issue paper), 2004
- 2) Performance Incentives for Border Control Officers (issue paper), 2004
- 3) Private Sector Trade Facilitation Service Opportunities (issue paper), 2004
- 4) Improving Duty Collection/Payment Process (issue paper), 2004
- 5) Establishing Risk Management/Cargo Selectivity Capability (handbook), 2004
- 6) Customs Reform and Trade Facilitation (issue paper), 2005
- 7) Establishing and Implementing A Customs Program Management Process (handbook), 2005
- 8) Establishing and Implementing A Customs Integrity Program (handbook), 2005
- 9) C-TPAT and Its Implications for Developing Countries (analytical bulletin), 2005
- 10) Establishing and Implementing A Customs Integrity Program (handbook) (Spanish), 2006
- 11) Customs Data and Systems Comparison (ASYCUDA and Ghana GCNet) (analytical bulletin), 2006
- 12) Bangladesh Textile Sector case study (issue paper) (completed but not approved for publication)

#### **Deliverable 8 – Management Support**

Original number: 1 full-time Chief of Party and 1 full-time project coordinator

COP: D. Harrell (2003-2006); L. Brock (2006-2007); P. Fekete (2007-present)

PC: J. Chaloupek (2003-2007); J. Yau (2007); C. Avett (2007-2008)

#### **Deliverable 9 - Additional Advisory Services and Technical Assistance**

Original number: No specific number

Revised number : No specific number

- 1) Assistance To CTO In Preparation Of Project Informational Sheet (Flyer)
- 2) Assistance To CTO In Preparation Of Project Materials To Be Sent To USAID Missions (50)
- 3) Tracking Of Developments Related To WCO Framework To Secure And Facilitate Global Trade And Preparation Of Summary Of Materials
- 4) Tracking Of Developments Related To WTO Negotiations On Trade Facilitation Agreement
- 5) Research On Relationship Between State Revenue And Reduction In Tariffs

**Countries of performance (23):** Algeria, Armenia, Costa Rica, El Salvador, Guatemala, Honduras, Kazakhstan, Kyrgyzstan, Mozambique, Nepal, Nicaragua, Oman, Philippines, South Africa, Tajikistan, USA, Yemen, Tanzania, Uganda, Rwanda, Nigeria, Kenya, and Jamaica

### **Unimplemented Efforts**

Over the years, various initiatives were proposed, studied, considered, developed, or acted on in some way but were cancelled or never implemented due to various issues, such as: duplication of existing effort, political issues, tsunamis, change in priorities, among others. These unimplemented initiatives are shown below.

#### **Deliverable 1 - Short Term Advisory Services (definition of assistance priorities)**

- x) Indonesia customs and trade assessment
- x) Dominican Republic customs and trade assessment
- x) Egypt stakeholder survey
- x) Egypt port review
- x) Customs harmonization case study in Central America

#### **Deliverable 5 - Short Term Advisory Services (implementation of technical assistance)**

- x) Risk management training/TA in Honduras (Phase II)
- x) CAFTA release of goods work in Central America
- x) CAFTA confidentiality work in Central America
- x) Implementation of priority reform activities in Armenia (assessment follow-up)
- x) Implementation of priority reform activities in Mozambique (assessment follow-up)
- x) Pro-committee development in Panama
- x) Pro-committee development in Nepal
- x) Pro-committee development in Mozambique

#### **Deliverable 5 - Technical Workshops/Training Courses**

- x) El Salvador rules of origin workshop for business sector

#### **Deliverable 7 - Technical Research Papers**

- x) List of several potential new topics was prepared and submitted