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What Is the U.S. Trade and Development Agency?

Daniel F. Runde, Romina Bandura, and Brunilda Kosta

The U.S. Trade and Development Agency (USTDA) is a small independent federal agency whose mission is to help American “companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies.” USTDA links American businesses to export opportunities in emerging markets by funding activities such as project preparation and partnership building in sectors including transportation, energy, and telecommunications.¹ Since it was established 25 years ago, the agency has generated a total of \$61 billion in U.S. exports and supported over 500,000 American jobs.² In connecting American business to such opportunities, USTDA also links American technology’s best practices, and ingenuity with U.S. trade and development policy priorities.

USTDA is an instrument to enable American-led infrastructure development in emerging economies, and therefore frequently sees increasing competition from government-backed Chinese firms and the challenge they can pose to American commercial engagement under the flag of One Belt One Road (OBOR). OBOR is paving the way for Chinese engineering, procurement, and construction companies (EPCs) to prepare and develop infrastructure projects in OBOR countries in a way that favors Chinese standards, thereby exerting significant pressure to select Chinese suppliers. This creates a potentially vicious cycle—the more China builds, the faster their standards become the international norm; and, ultimately, this cycle could foreclose export opportunities for U.S. businesses and harm American competitiveness in global infrastructure development.

U.S. exporters are increasingly requesting USTDA intervention at the pivotal, early stages of a project’s development, to compete in markets, such as the OBOR countries, where they frequently face Chinese competition.³ Of note, 40 percent of USTDA’s activities in 2016 were in OBOR countries across South and Southeast Asia, Central Asia, the Middle East, and Africa.⁴

¹ USTDA, “Mission,” <https://www.ustda.gov/about/mission>.

² Interview with a former high-level representative of USTDA.

³ The list of OBOR countries, <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative-Country-Profiles/obor/en/1/1X000000/1X0A3610.htm>.

⁴ Author calculations based on the USTDA’s “2016 Annual Report,” https://www.ustda.gov/sites/default/files/USTDA%202016%20Annual%20Report_lowres.pdf.

Origin and Evolution of USTDA

USTDA's roots date back to the 1970s, when the U.S. Agency for International Development (USAID) established an office to provide foreign countries access to U.S. assistance and technology. In 1980, Congress created the "Trade and Development Program" (TDP) as a *distinct component* of the International Development Cooperation Agency (IDCA)—an umbrella development assistance agency that included USAID and the Overseas Private Investment Corporation (OPIC).⁵

In 1988, Congress made the TDP a *separate component agency* within IDCA, headed by a presidential appointee. Through this action, Congress sought to separate the TDP from the U.S. government's development assistance programs so that it could focus on linking the U.S. private sector to export opportunities related to bilateral development projects. Moreover, the agency needed flexibility, and its mission was "buried" in unrelated humanitarian and development goals within USAID or OPIC.⁶ Acknowledging the effectiveness of this model, the U.S. Congress established the U.S. Trade and Development Agency through *The Jobs Through Exports Act of 1992*. This legislation marked a paradigm shift in foreign assistance that placed American exports and jobs on par with development priorities in emerging markets.

USTDA works with foreign project "sponsors," which include governments and firms, to help them define their priorities and discuss specific project concepts for potential USTDA grant funding. After a sponsor submits a project description to the agency, USTDA can provide funding in the form of grants to foreign project sponsors, who in turn hire American companies to perform project preparation work. USTDA has a unique toolset that involves providing technical assistance that offers assessments, policy and regulatory recommendations, and technical support to meet industry requirements and to seek implementation financing, funding feasibility studies, and pilot projects for priority infrastructure projects in host countries, and training sponsors on U.S. procurement systems, among others (see box).⁷

Current USTDA Activities

With a staff of around 105, USTDA targets the transportation, energy, and telecommunications sectors and covers activities in middle-income and low-income countries.⁸ Staff is organized by geographic region and they prioritize investments in markets and sectors presenting the highest U.S. export potential. The largest destination of funding over the past 10 years has been *feasibility studies* (39 percent), *technical assistance* (34 percent), and *reverse trade missions* (16 percent) while the priority sectors in terms of funding's share are the *energy sector* (33 percent) and *transportation sector* (22 percent).⁹ In 2017, USTDA channeled 36 percent of its funds in sub-Saharan Africa where Kenya and South Africa received 36 percent of the region's share.¹⁰

⁵ Carnegie Commission on Science, Technology, and Government, "The United States and Development Assistance, Background papers for the task force on development organizations," June 1992, http://pdf.usaid.gov/pdf_docs/PCAA520.pdf.

⁶ Interview with a former high-level representative of USTDA.

⁷ An overseas sponsor is a local organization, either from government or a company, with the decisionmaking authority and ability to implement a project.

⁸ USTDA, "Sectors," <https://www.ustda.gov/program/sectors>.

⁹ Authors' calculations based on USTDA reports during 2008–2017.

¹⁰ Authors' calculations based on the USTDA, "2017 Annual Report," <https://www.ustda.gov/sites/default/files/USTDA%202017%20Annual%20Report.pdf>.

USTDA's Main Activities

- *Reverse trade missions* are organized to bring foreigners (from private and public institutions) to the United States to observe the design, manufacture and operation of U.S. products and services and meet potential suppliers. This can facilitate the implementation of infrastructure projects in their home countries. During 2017, USTDA sponsored visits that introduced 265 U.S. companies to overseas stakeholders during events in 47 U.S. cities.¹¹
- *Feasibility studies* provide comprehensive analysis at the critical early stages when a project's technology options and requirements are defined. In 2017 USTDA provided grants for conducting 30 feasibility studies and more than half were developed in sub-Saharan Africa.¹²
- *Pilot projects* are conducted to highlight the effectiveness of U.S. solutions, provide the analysis and empirical data required to move a project forward, and identify opportunities for scalability and replicability throughout a market.
- *Technical assistance* is advice provided to countries to support policy, legal, and regulatory reform in topics related to commercial activities, transaction costs and infrastructure development, the establishment of industry standards, and other market-opening and facilitation activities. These technical assistance programs aim to create more favorable business and trade environments for U.S. goods and services. In 2017 alone, USTDA funded 47 technical assistance activities, half of which were provided for East Asia and sub-Saharan Africa.¹³
- *Training activities* are given to overseas partners to help level the playing field for American exporters. Having the lowest price is no longer the only determining factor in awarding tenders. Training focuses on international best practices on value-based procurement or regulatory requirements that help public procurement officials establish practices and policies that integrate life-cycle cost analysis and best-value determinations into their procurement decisions. During 2013–2016, USTDA has trained 775 officials on public procurement practices.¹⁴

Source: USTDA website.

USTDA's Impact on the U.S. Economy

The export multiplier is an important indicator USTDA uses to evaluate performance.¹⁵ It essentially measures the amount of U.S. exports generated by each \$1 invested (Figure 1). In 2017, USTDA's export multiplier reached the highest return on investment ever for the U.S. taxpayers since its creation 25 years ago. For every dollar spent by the agency, \$95 were generated in American exports.¹⁶ Since 2006, USTDA's export multiplier has more than doubled, from \$43 to \$95. The agency has generated over \$61 billion in U.S. exports since 1992.¹⁷ This return on investment demonstrates the agency's ability to meet the needs of the American business community.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

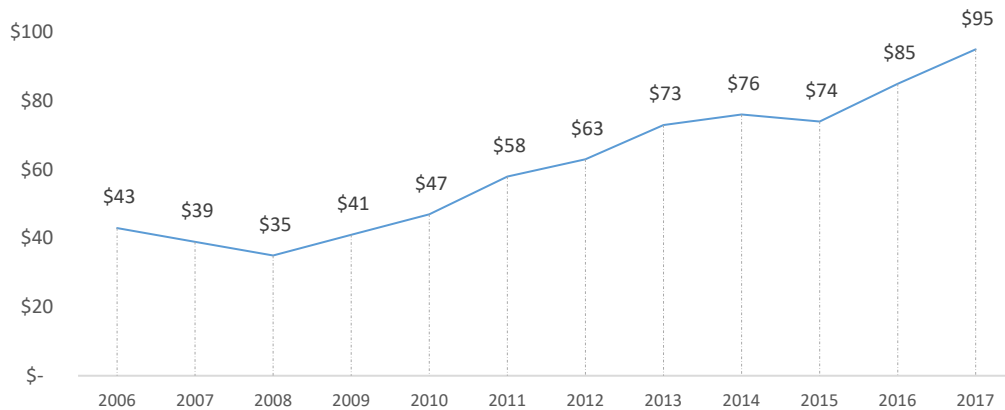
¹⁴ USTDA, "2016 Annual Report," https://www.ustda.gov/sites/default/files/USTDA%202016%20Annual%20Report_lowres.pdf.

¹⁵ USTDA evaluates how each project performs by measuring the direct outputs in terms of project implementation by host country and the resulting U.S. exports.

¹⁶ USTDA website, <https://www.ustda.gov/>.

¹⁷ USTDA, "Performance and Accountability Report," 2017, <https://www.ustda.gov/sites/default/files/USTDA%20Performance%20and%20Accountability%20Report%20-%20FY%202017.pdf>.

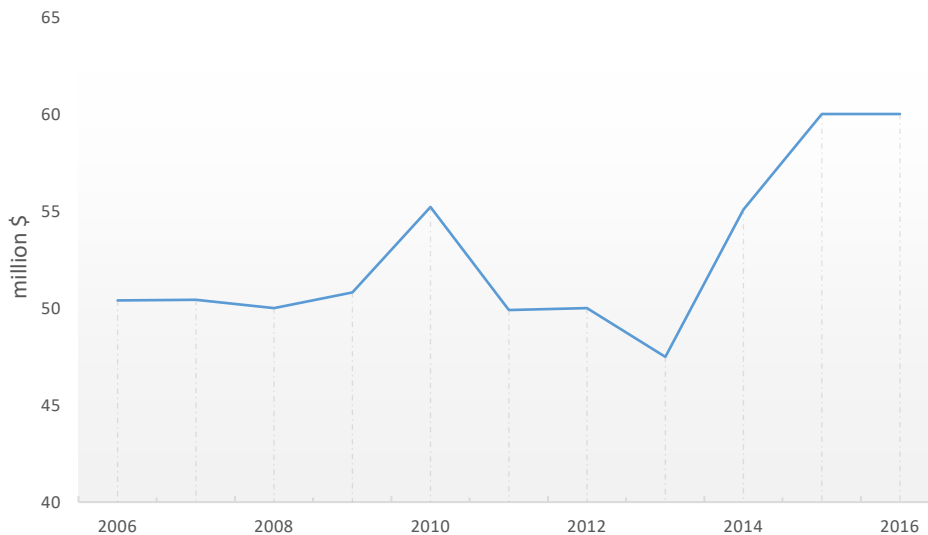
Figure 1: USTDA Export Multiplier, 2006–2017



Source: Annual reports of USTDA.

Moreover, as part of the agency’s comprehensive effort to support job creation in the United States, USTDA programs have generated over 500,000 American jobs over the past 25 years and the agency has been able to achieve its mission with a small budget and without a substantial increase in resources.¹⁸ In fact, the budget has remained for the most part steady throughout the past decade (Figure 2). USTDA’s budget is the smallest of other development agencies and represents less than 1 percent of USAID’s budget for 2016.¹⁹

Figure 2: USTDA Approved Budget, 2006–2016



Source: Annual reports of USTDA.

¹⁸ Interview with a former high-level representative of USTDA.

¹⁹ Compared with budgets of USAID, OPIC, and Ex-Im Bank. In 2017, USTDA’s appropriation was \$75 million.

Collaboration across U.S. Agencies

There are other agencies within the U.S. government that may seem to do similar work as USTDA, such as the Department of Commerce, OPIC, the Export-Import Bank (Exim Bank), and USAID. These agencies advance U.S. foreign policy and national security priorities. Some have an export mandate while others have a development mandate. The type of instruments they use (Table 1), sectors they target, and activities they support differ. However, none of these agencies provide critical early-stage project preparation assistance that links American exporters to priority infrastructure projects in emerging economies. USTDA has both a development and export mandate. It is an export promotion agency and its work impacts international development. Although it is not a traditional foreign aid agency, it takes into account U.S. trade and development objectives.

By comparison, OPIC has a development mandate but not an export mandate: it helps American businesses invest in emerging markets by providing them loans, guarantees, and political risk insurance. Through its private-sector work, OPIC fosters economic development in emerging market countries. Like OPIC, USAID also has a development mandate but it does so mainly via grants and technical assistance.²⁰ Like OPIC it does substantial work to foster the private sector in emerging economies via grants and technical assistance (not loans and guarantees) and apart from OPIC, USAID also focuses on social sectors (education, health, women's empowerment). Exim Bank is another agency that, like USTDA, aims to support U.S. exports; however, unlike USTDA, Exim Bank does this by providing different instruments: export credit insurance, working capital guarantees, and guarantees of commercial loans. Unlike USTDA, Exim Bank doesn't provide early-stage project preparation assistance.

Table 1: Financing Instruments of Select U.S. Government Agencies

Instruments	OPIC	EXIM	USTDA	USAID
Guarantees	X	X		
Loans	X	X		
Assistance, including via grants, that promotes U.S. exports			X	
Assistance for local private-sector development	X			X
Export credit insurance		X		

Source: Agencies' websites.

Although each agency has its own mandate, there is some collaboration among the various agencies. Specifically, USTDA coordinates with technical agencies such as the U.S. Department of Energy (DOE) and the U.S. Department of Transportation (DOT) and development finance agencies such as OPIC and Exim. USTDA coordinates with the U.S. Department of Commerce on advocacy issues and with the Departments of State, Treasury, and Office of the United States Trade Representative (USTR) on policy issues. USTDA also participates in National Security Council Policy Coordination Committee meetings to ensure that its activities are aligned with White House priorities.²¹ It also works with OPIC and the International Finance Corporation (IFC) (the private-sector lending arm of the World Bank) during its business development and program monitoring and evaluation processes. Half of USTDA's portfolio targets public-sector institutions in emerging economies, which limits the number of

²⁰ USAID website, <https://www.usaid.gov/who-we-are/mission-vision-values>.

²¹ USTDA, "Amended Strategic Plan Fiscal Years 2016–2018," <https://www.ustda.gov/sites/default/files/USTDAstrategicPlan.pdf>.

opportunities for cooperation with these agencies as they do not finance public-sector projects.²² However, it also indicates an effort to align these public-sector institutions with best business practices as well as broader U.S. policy objectives.

The Unique Nature of USTDA

There are various aspects of USTDA's work that make it a unique agency. In the first place, USTDA is the only U.S. government agency with a mandate to create American jobs through the export of U.S. goods and services for priority development projects in emerging economies. Its critical early-stage project preparation assistance sets the model for how infrastructure projects will ultimately be designed, financed, and implemented. USTDA's funding brings in American industry experts to perform feasibility studies, launch pilot projects, or provide a diverse array of technical assistance on behalf of overseas project sponsors. As a result, the U.S. companies gain access to infrastructure projects around the world, while overseas partners gain insight into the latest U.S. technologies to meet their needs.

Given the inherent risk of project preparation work in emerging economies, the private sector at times is not able or willing to take on the high up-front costs. USTDA helps U.S. exporters mitigate emerging-market risks such as unclear legal and regulatory requirements, local standards, lack of in-country project development and public procurement expertise, requirement for U.S. government endorsement of their project or bid, and relatively high project preparation costs for small businesses to incur.

Adequate project preparation is one of the key constraints to infrastructure development in emerging markets, so numerous bilateral and multilateral project preparation facilities (PPFs) have been established to address this concern.²³ For example, in the context of the energy sector in Africa, there are at least a dozen other bilateral and multilateral agencies that provide some form of project preparation assistance.²⁴ However, many bilateral donors do not have the same level of transparency as USTDA, so it is not always clear how much its "competitors" are investing in project preparation assistance, especially for the most promising emerging-market development projects that will need to source their goods and services from overseas.²⁵

The Chinese are especially assertive in this area. In April 2017, China Overseas Infrastructure Development and Investment Corporation (COIDIC) opened its first African headquarters in Johannesburg, South Africa. COIDIC is intended to implement China's One Belt One Road strategy by

²² Interview with a former high-level representative of USTDA.

²³ Daniel F. Runde and Conor M. Savoy, *Global Infrastructure Development: A Strategic Approach to U.S. Leadership* (Washington, DC: CSIS, March 2016), https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160324_Runde_GlobalInfrastructureDevel_Web.pdf.

²⁴ Taz Chaponda, Mitali Nikore, and Matthew Chennells, "Effective Project Preparation for Africa's Infrastructure Development," November 2014, https://www.icafrica.org/fileadmin/documents/Publications/Effective_project_preparation_in_Africa_ICA_Report_31_October_2014.pdf.

²⁵ Mark T. Buntaine, *Giving Aid Effectively: The Politics of Environmental Performance and Selectivity of Multilateral Development Bank* (New York: Oxford University Press, 2016). USTDA publishes on its website its annual reports (indicating all project preparation funds in respective year), final reports, strategic and performance plans, and everything else that creates fundamentals of a transparent agency.

developing projects from concept to bankability. COIDIC, with a US\$500 million capital base, focuses on overseas early-stage projects, especially those in Africa.²⁶

Second, USTDA is able to leverage substantial sources of finance beyond American taxpayers' contribution. Over 90 percent of USTDA's projects are financed using host-country resources, private banks, and multilateral development banks.²⁷ By using mostly non-U.S. government sources of financing, USTDA is helping to decrease reliance on U.S. taxpayer-backed financing to generate exports.

Third, USTDA provides tools that may not be deployed as effectively by the U.S. private sector. USTDA funds *reverse trade missions* that bring overseas decisionmakers to the United States to introduce them to the design, manufacturing, and operation of U.S. goods and services. Reverse trade missions are targeted toward specific opportunities and are timed for the critical point when foreign procurements are imminent or being structured. U.S. law, such as the Foreign Corrupt Practices Act, constrains U.S. companies from deploying reverse trade missions in the same manner that USTDA can. Similarly, procurement practices overseas often preclude public officials from receiving a benefit from private companies. As such, relying on the private sector to support reverse trade missions would likely result in the loss of an extremely effective tool in leveling the playing field for U.S. exporters.

Finally, USTDA helps improve competition and transparency in international procurement. USTDA provides unique support to American exporters that are bidding on competitive international tenders. In 2013, the agency launched the *Global Procurement Initiative (GPI): Understanding Best Value*. Through this initiative, USTDA works with partner countries (they sign a memorandum of understanding to partner under the GPI) to strengthen their procurement systems. USTDA provides training to partners and shares with them the best practices on how to establish procurement systems that integrate "best-value" determination and "life-cycle cost" analysis, as well as how to promote objective evaluation through a trained, professionalized procurement workforce. During 2013–2016, through this initiative, USTDA trained 775 officials in emerging markets.²⁸

GPI enables more transparent, value-based procurements processes, which allows American exporters the chance to compete—and win—international tenders that would otherwise go to the lowest-cost, and generally foreign bid.²⁹ U.S. exporters often face foreign competitors that are subsidized and receive advocacy from their governments in order to tilt the playing field in their direction. Working in concert with the U.S. Department of Commerce's Advocacy Center, USTDA levels the playing field for U.S. companies in a competitive bidding environment by funding training on the U.S. equipment procured, when foreign buyers commit to purchasing the U.S. solution over its foreign competition.

Generally, the procurement officers in developing and middle-income countries often rely on least-cost analysis in evaluating bids. This mostly happens because of the lack of professional training or capacity to perform more sophisticated procurement mechanisms.³⁰ So, for American firms to

²⁶ Philipa Larkin, "China opens Investment Corporation," *Cape Times*, April 28, 2017, <https://www.pressreader.com/south-africa/cape-times/20170428>.

²⁷ Interview with a former high-level representative of USTDA.

²⁸ USTDA, "2016 Annual Report."

²⁹ USTDA, "Promoting Value-Based Procurement as a Tool for Economic Growth," https://www.ustda.gov/sites/default/files/pdf/program/gpi/GPIOverviewBrief_BusinessDevelopment.pdf.

³⁰ USTDA website, <https://www.ustda.gov/program/gpi/key-issues>.

compete, government procurement buyers in developing countries need to understand complex concepts such as “life-cycle costs” and the value of modern technologies associated with cutting-edge American products and services.³¹ By helping host countries understand how to use value-based procurement methods, this initiative levels the playing field for U.S. industry to compete in future tenders released by developing countries.

USTDA is working to reform government procurement practices that favor lowest-cost bids and impede American exports through the GPI, which helps public procurement officials establish practices and policies that integrate life-cycle cost analysis and best-value determinations into their procurement decisions. Moreover, USTDA has been working with the World Bank’s Governance Global Practice to help emerging markets implement sound procurement practices and policies.³² These common efforts helped the World Bank to review its procurement manual taking into consideration the project cycle cost instead of simply least cost.³³

Looking Ahead: Recommendations for USTDA Operations

Twenty-one members of the Asia-Pacific Economic Cooperation (APEC) group constitute around 60 percent of global gross domestic product (GDP).³⁴ Moreover, in 2015 the APEC region accounted nearly 48 percent of global trade, with around \$20 trillion of goods and services distributed in the Pacific.³⁵ As an estimation, Asia is expected to boost 3.2 billion middle-class consumers, more than eight times the projected U.S. population, by 2030.³⁶ As the middle class in Asia grows and its interest in U.S. goods and services increases, this means more U.S. exports, in turn encouraging income growth and job creation at home.

The growing infrastructure market in African countries (especially power and transport) represents an enormous potential for U.S. businesses.³⁷ In this context, USTDA needs to do more reverse trade missions in Africa so that buyers in Africa get to know U.S. products and services, and U.S. businesses can expand their opportunities in the continent.³⁸

USTDA has already laid the foundation for further partnerships with Asia-Pacific due to the previous experience in deploying U.S. solutions in that region (during 2016 and 2017, USTDA funded 75

³¹ Life-cycle costs consist of “first costs” of a project (design and construction expenses) but also long-term costs, including utilities, operations, and maintenance. Through the life-cycle cost analysis, the lowest-cost bid might not be the best option. Another bid can come at a higher initial purchase price but it could offer lower overall costs when considering the entire useful life of the technology or equipment.

³² World Bank, “World Bank, USTDA Formalize Procurement Partnership,” August 2, 2016, <http://www.worldbank.org/en/news/feature/2016/08/02/world-bank-ustda-formalize-procurement-partnership>.

³³ World Bank, “New Procurement Framework and Regulations for Projects after July 1, 2016,” <http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework>.

³⁴ Asia-Pacific Economic Cooperation, “Achievements and Benefits,” <https://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits>.

³⁵ Asia-Pacific Economic Cooperation, “Key Indicators Database,” 2016, http://statistics.apec.org/index.php/key_indicator/kid_result/66.

³⁶ Homi Kharas, *The Unprecedented Expansion of the Global Middle Class: An Update*, Working Paper (Washington, DC: Brookings, February 2017), https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf.

³⁷ World Bank, “Rapid Urbanization in Africa: Investing in the Development of Africa’s Cities,” May 2, 2017, <http://www.worldbank.org/en/news/feature/2017/05/02/rapid-urbanization-in-africa-investing-in-the-development-of-africas-cities>.

³⁸ The 2017 report indicates that USTDA developed 30 reverse trade missions and only six of them were developed in African countries.

program activities in East Asia, and South and South-East Asia). USTDA should deploy more funding in critical early-stage project preparation in Asian-Pacific countries so that its intervention can play a significant role in helping them to structure the infrastructure investments and advance U.S. business engagement in the region.³⁹

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About the Authors

Daniel F. Runde holds the Schreyer Chair in Global Analysis and is director of the Project on Prosperity and Development at the Center for Strategic and International Studies (CSIS) in Washington, D.C.

Romina Bandura is a senior fellow with the CSIS Project on Prosperity and Development.

Brunilda Kosta is a researcher with the CSIS Project on Prosperity and Development.

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³⁹ Now, with the Trump administration withdrawing from the Trans-Pacific Partnership (this partnership brings together nations that account for over 40 percent of global GDP), the presence of USTDA in Asia-Pacific becomes even more important.