

**Statement by Leocadia I. Zak**  
**Director, U.S. Trade and Development Agency**  
**Before the Committee on Homeland Security and Governmental Affairs**  
**Subcommittee on Financial and Contracting Oversight**  
**December 11, 2013**  
**2:00 p.m.**

Chairman McCaskill, Ranking Member Johnson and Members of the Subcommittee, thank you for the opportunity to testify about the U.S. Trade and Development Agency’s mission, operations, economic impact and oversight mechanisms. USTDA’s dual mandate uniquely positions our Agency to create jobs here at home, while promoting sustainable infrastructure in emerging markets around the world. We welcome the Subcommittee’s interest in USTDA’s work to level the playing field for U.S. companies overseas, and we look forward to describing the procedures by which the Agency ensures its continuing efficiency and effectiveness.

USTDA was created to “promote United States private sector participation in development projects in developing and middle-income countries, with special emphasis on economic sectors with significant United States export potential.”<sup>1</sup> USTDA is unique among federal agencies in that it has been mandated by Congress to engage the U.S. private sector in development projects at the critical early stages when technology options and project requirements are being defined.<sup>2</sup> By highlighting opportunities for the use of U.S. expertise and technology when they can effectively be incorporated into project planning, the Agency increases opportunities for the use of U.S. exports in project implementation.

USTDA is a streamlined, nimble agency that takes rapid and targeted action to create meaningful project-building partnerships when the need and opportunity for them are greatest. As explained by the Center for Strategic and International Studies (CSIS) in its 2011 report, *USTDA: Good Value for Development Dollars*, the Agency often acts as a bridge for countries that are transitioning from traditional aid-based relationships with the United States to mutually beneficial trade partnerships.<sup>3</sup> As such, USTDA has the authority to provide grant funding for projects that may ultimately be financed by any number of entities, including the Export-Import Bank of the United States (Ex-Im), the Overseas Private Investment Corporation (OPIC), multilateral development banks and, where resources exist, the foreign governments that will

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<sup>1</sup> 22 U.S.C. § 2421(a).

<sup>2</sup> 22 U.S.C. § 2421(b)(2).

<sup>3</sup> Daniel F. Runde and Lauren Bieniek, *USTDA: Good Value for Development Dollars*, Center for Strategic and International Studies, October 21, 2011, available at: <https://csis.org/publication/ustda-good-value-development-dollars>, last accessed December 2013.

ultimately implement the projects themselves. As an early project planning, grant-making agency, there is no U.S. private or public sector equivalent to USTDA. As noted by CSIS, USTDA has the “unique ability to leverage its assets in a multitude of ways: to strengthen the domestic economy, continue international development priorities, and serve diplomatic interests in emerging markets around the world.”<sup>4</sup>

### USTDA’s Mission and History

USTDA’s dual Congressional mandate is unique among federal agencies in requiring that the Agency both (a) provide foreign assistance for trade and economic development and (b) help to put Americans to work in the jobs that result from exports. In the Agency’s history of linking U.S. businesses to export opportunities, USTDA has generated over \$45.8 billion in U.S. exports<sup>5</sup> and has emerged as the leading U.S. government agency for early project development and planning activities in emerging economies.

The Agency accomplishes its mission by providing grants to overseas sponsors for priority infrastructure projects in their countries. The funding may be used to perform a feasibility study, provide technical assistance or launch a pilot project. USTDA also connects project developers with U.S. businesses through its reverse trade missions, which are specially tailored to bring foreign decision-makers to the United States to observe the design, manufacture and operation of U.S. products and services in order to inform their procurement decisions.

These activities have produced results for both U.S. industry and USTDA’s partners in emerging markets: U.S. companies are provided access to the lead infrastructure project developers around the world, while foreign partners gain insight into the latest, most appropriate U.S. technologies to meet their development needs. USTDA focuses its program on sectors where U.S. firms are globally competitive, such as energy, transportation and telecommunications. As a result, the Agency is able to provide targeted foreign assistance, support U.S. trade and economic development priorities, and promote U.S. job creation.

USTDA’s predecessor organization was originally established at the U.S. Agency for International Development (USAID) in the 1970s to provide foreign countries access to U.S. development advice, technical assistance, equipment and technology. Thereafter, Congress recognized that the organization’s targeted mission was lost to USAID’s broader one and steadily increased its independence through successive actions, culminating in USTDA’s creation as an independent agency in the Jobs through Exports Act of 1992.<sup>6</sup> When it created USTDA, Congress described its predecessor as “one of the most successful government export

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<sup>4</sup> Ibid.

<sup>5</sup> This historic cumulative export total includes data collected by the Agency’s predecessor organization, prior to USTDA’s formation as an independent agency in 1992.

<sup>6</sup> P.L. 102-549, Title II, § 201, 106 Stat. 3655.

promotion programs,” increased its budget authorization and highlighted the increased need for its services.<sup>7</sup>

### USTDA’s Economic Impact

Consistent with its mission, USTDA’s primary strategic goal is to create U.S. jobs by increasing exports of U.S. goods and services for projects that promote sustainable development and economic growth in its partner countries. In FY 2013 alone, the Agency identified \$2.95 billion of new exports generated from USTDA-funded activities, which has helped support approximately 14,000 jobs in the United States.<sup>8</sup> These results are consistent with the Agency’s track record of generating over \$2 billion in exports each fiscal year, which is a tremendous return on investment given the Agency’s annual appropriation of approximately \$50 million per fiscal year.

The Agency’s programs provide opportunities for all levels of U.S. businesses through grants and contracts. USTDA supports efforts by companies of any size to enter or expand into emerging markets through its grants to foreign project sponsors, and has broadened its outreach efforts to increase the involvement of small- and medium-sized enterprises in Agency-funded activities. The Agency particularly relies on small businesses, as defined by the Small Business Administration (SBA), drawing extensively on the expertise of consulting and engineering firms to provide independent technical and financial analysis during the critical early stages of a project’s definition. In fact, in FY 2013, 64% of the Agency’s direct contracts were awarded to small businesses – surpassing the SBA’s goal for federal agencies to award at least 23% of their procurements to small businesses.<sup>9</sup>

Under its foreign grant program, USTDA creates opportunities for small businesses to succeed by showcasing their technical expertise in the global marketplace. For example, USTDA helped Roeslein & Associates, Inc. (St. Louis, MO) take advantage of a business opportunity to produce aluminum cans in Nigeria. When Roeslein first learned of the business opportunity, they were not willing to pursue it because of the perceived risk. However, its team brought the project to USTDA, who agreed to share the cost of a feasibility study with the company. The results of the study were positive and, consequently, project financing was arranged for Roeslein with the help

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<sup>7</sup> House Report No. 102-551, reprinted in [1992] U.S. Code Cong. and Ad. News at 3255, 3263. Congress underscored USTDA’s independence and special character when it explained that it expected that “the increase in [USTDA’s] authorization will discourage attempts by other agencies and departments within the executive branch to duplicate [USTDA’s] work.” *Id.* at 3264.

<sup>8</sup> Martin Johnson and Chris Rasmussen, *Jobs Supported by Exports 2012: An Update*, Office of Competition and Economic Analysis, International Trade Administration, Department of Commerce, February 26, 2013, available at [http://www.trade.gov/mas/ian/build/groups/public/@tg\\_ian/documents/webcontent/tg\\_ian\\_004021.pdf](http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_004021.pdf), last accessed December 2013.

<sup>9</sup> U.S. Small Business Administration, *Strategic Plan Fiscal Years 2011–2016*, [http://www.sba.gov/sites/default/files/serv\\_strategic\\_plan\\_2010-2016.pdf](http://www.sba.gov/sites/default/files/serv_strategic_plan_2010-2016.pdf), last accessed December 2013.

of a guarantee from Ex-Im. The project resulted in the export of approximately \$30 million in U.S.-manufactured goods and services. Since the USTDA-funded feasibility study, Roeslein has gone on to build three more canning facilities in Africa, two in Nigeria and one in Angola. Roeslein sources steel from numerous states and purchases components from up to 10 states to build their can-making facilities before they are shipped overseas.

### USTDA's Collaborative Partnerships

USTDA is distinct among the U.S. government's foreign assistance agencies because, as required by its mandate, it partners with the U.S. private sector at the very early stages of project development to jointly craft solutions to developmental challenges around the world. In the course of providing these solutions, USTDA collaborates with a wide variety of U.S. government agencies and multilateral institutions in a manner that ensures success. USTDA has been recognized by its key government partners, including the Office of the U.S. Trade Representative and the Departments of State and Transportation, among others, for the flexibility of its program, the range of tools at its disposal and the speed with which it can deploy results-oriented assistance.

USTDA is well-positioned to mobilize the resources of multiple financing organizations, including Ex-Im, OPIC, multilateral development banks like the International Finance Corporation, and commercial banks. Beyond that, however, the Agency can uniquely leverage financing from foreign governments in developing and middle-income countries. These public sector entities are able to commit their own resources – or the resources of their infrastructure banks – to develop power, transportation and communications projects.

For example, USTDA supported a technical assistance program to help the government of Romania plan its next generation network (NGN) infrastructure for emergency management. At the time the assistance was requested, Romania's telecommunications infrastructure was limited in its functionality, bandwidth capacity, geographical reach and transmission/storage security. Romania's goal of establishing an NGN infrastructure for emergency management would address these shortcomings via a comprehensive system upgrade. The Romanian government has financed substantial implementation of its NGN network, which has generated almost \$39 million in U.S. exports of equipment and technology.

### USTDA's Operations and Services

The Agency's effectiveness is demonstrated by the fact that its programs are now generating more U.S. exports per program dollar than at any other time in the Agency's history: \$73 of exports for every dollar programmed, up from \$41 just four years ago. The Agency's success is

a result of its rigorous evidence-based decision-making processes. USTDA evaluates its program tools on a continuous basis to determine their overall effectiveness and responsiveness to U.S. industry, U.S. government policy priorities and emerging market needs.

### *Program Evaluations*

USTDA's Program Evaluations Office monitors project development once USTDA-funded activities are completed to document the linkage between the activities and the project outcomes. The Program Evaluations Office measures the U.S. content, defined in terms of the U.S.-manufactured goods or services of commercial sales when projects are implemented. USTDA then uses the data to calculate its *export multiplier*, the dollar amount of exports generated per USTDA program dollar obligated, as well as its *total cumulative exports*, the amount of exports associated with USTDA funding in any given time period.

During its annual strategic planning, USTDA combines its evaluations data with additional comparative factors – including Gross Domestic Product (GDP) per capita, World Bank income rankings, total population, the International Monetary Fund's GDP growth projections, total U.S. exports, and the top five industry sectors for exports for each country – in order to prioritize countries and sectors for Agency funding. This strategic planning process, which engages the full participation of the Agency's staff, has helped foster a results-oriented culture at USTDA. This is evidenced by the fact that USTDA was ranked the top small/independent agency performer in the category of "Results-Oriented Performance Culture" in the Office of Personnel Management's 2013 Federal Employee Viewpoint Survey results.<sup>10</sup>

USTDA has continued to refine its strategy to ensure that it is dedicating its resources effectively. For example, USTDA decreased its number of priority countries from 26 to 18 between FYs 2011 and 2013. Based upon its most recent evaluation, USTDA is again targeting 18 key markets in FY 2014. Notably, while the total number of countries remains unchanged, the composition of the list does not. USTDA has adjusted its priority country list to match the interests and expertise of U.S. industry, replacing markets where its program was not producing the anticipated results with countries that offer significant growth opportunities in key infrastructure sectors, as appropriate.

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<sup>10</sup> U.S. Office of Personnel Management, *2013 Federal Employee Viewpoint Survey Results: Employees Influencing Change*, available at: [http://www.fedview.opm.gov/2013FILES/2013\\_Governmentwide\\_Management\\_Report.pdf](http://www.fedview.opm.gov/2013FILES/2013_Governmentwide_Management_Report.pdf), last accessed December 2013.

## *Project Preparation and Approval*

The Agency's senior managers,<sup>11</sup> including the Director, also employ evaluation information when they review funding requests for specific activities. Each program funding request, which must include an analysis of potential export sales, is evaluated in light of financing options, foreign competition and past Agency results in a particular country or sector. USTDA funding is prioritized for those projects for which the Agency's historical performance data suggests the strongest potential for success. Approval from a senior manager is required for every obligation of program funds, regardless of the dollar amount.

USTDA evaluates projects based on the following criteria: (a) developmental priority in the host country, (b) likelihood of success receiving implementation financing and (c) mutual benefit for the United States and partner country, including U.S. export potential.

USTDA develops early project planning activities by (a) working with a host-country partner (potential grantee) or (b) working directly with a U.S. company that is pursuing a business opportunity in a USTDA-eligible country. These projects are developed, reviewed and recommended to senior management for funding (typically by grant to the foreign grantee) by USTDA's program staff.

- USTDA program staff identifies early project planning activities through meetings with U.S. industry and travel to priority markets.
- USTDA program staff recommends that funds be obligated to contract with a technical expert for a Desk Study/Definitional Mission to review the proposed project's scope of work and corresponding budget.
- Once a project has been reviewed by the technical expert, USTDA undertakes an extensive due diligence review of the proposed grantee, as further described below.
- If the project meets USTDA's funding criteria and the proposed parties clear due diligence review, the program staff provides an action memorandum requesting approval from senior management to enter into a grant agreement with the proposed grantee.

## *Due Diligence*

In order to ensure that USTDA complies with legislative and executive branch restrictions and that its funds support the work and projects of reputable, solvent entities and individuals, the Agency conducts due diligence on all its program activities before its funds are put to use. Using a variety of private and public databases, U.S. government, internal and external sources, USTDA thoroughly yet expeditiously vets its prospective foreign grantees and delegates, as well

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<sup>11</sup> The Agency's senior managers include the Director, Deputy Director, General Counsel, Chief of Staff, Director of Policy and Program, and Director of Congressional and Public Affairs.

as the U.S. firms and subcontractors that are proposed to perform USTDA-funded work. Specifically, USTDA conducts due diligence on both private and public prospective foreign grantees, foreign entities and individuals that may participate in its reverse trade missions, and U.S. contractors and their subcontractors including, as applicable, the entities' parent corporations, principal officers, directors and shareholders.

### *Transparency*

Due to the nature of USTDA's work, the Agency is committed to increasing transparency and ensuring that accurate, relevant information about its activities is available to and easily accessible by the public. USTDA's website, for instance, contains a virtual library where any person can search for and request reports on USTDA's grant-funded feasibility studies and technical assistance projects. USTDA also gathers a wealth of valuable business data, such as data on market conditions in particular countries and sectors, in the normal course of its project development efforts. Because this information could be of significant use to U.S. companies looking to expand their businesses in overseas markets, USTDA is currently in the process of making more of it publicly available on its website.

### USTDA's Oversight Mechanisms

Effective oversight, which is crucial to USTDA's success, is accomplished through a robust system of internal and external controls designed to prevent waste, fraud and abuse, as well as to maximize the value of every U.S. taxpayer dollar the Agency spends. Beyond its evidence-based decision-making processes, USTDA closely monitors the use of both its program and operating funds, and engages independent third-party companies to audit its financial statements, as well as its programs and processes. Since 1993, the first full year USTDA was operational as an independent agency, the Agency has received only unqualified audit opinions. Furthermore, because USTDA uses the Interior Business Center (IBC) of the U.S. Department of Interior as its paying agent, there is a check on every payment made by the Agency, as described below.

### *Internal Processes*

After senior managers approve funding decisions and funds are obligated, various internal processes are in place to ensure the funds are put to proper use. The majority of USTDA's program budget is used to provide grant funding to foreign project sponsors for early planning infrastructure project activities in developing and middle-income countries; the average amount of these grants in FY 2013 was \$558,355. Regardless of the amount of a particular grant, USTDA monitors the activity closely throughout – and after – the project's duration. At the outset, payment schedules are based on the completion of project milestones rather than time periods; all invoices, which are reviewed and approved by program staff, must contain specified

certifications regarding the work performed. USTDA's Office of Grants Administration reviews final invoices and work products before they are transmitted to the Agency's Finance Department. Once the Finance Department authorizes payment of a particular invoice, it forwards the invoice to IBC. For each invoice, IBC reviews the relevant grant agreement and contract to validate that payment from the U.S. Treasury is proper. After all of the foregoing steps have been successfully completed, IBC disburses USTDA's grant funds directly to the U.S. contractor in the United States; thus, USTDA funds never leave the United States.

USTDA contract actions, which averaged less than \$191,000 per program-related acquisition and less than \$23,000 per operations acquisition in FY 2013, are also subject to rigorous internal and external controls. Contract invoices are reviewed and approved at multiple levels, including by a Contracting Officer's Representative, before they are transmitted to the Agency's Finance Department. After reviewing and authorizing the payment, the Finance Department transmits the invoice to IBC for verification of relevant information and validation that payment from the U.S. Treasury is proper, prior to the disbursement of funds.

USTDA has received assurance of the operating effectiveness of IBC's accounting operations through an unqualified audit opinion of IBC's independent public accounting firm.

In addition to the processes described above, USTDA's Finance Department reviews every transaction processed by the Agency in the course of its annual reporting, under the Improper Payments Elimination and Recovery Act (IPERA). To date, the Agency has not found any significant improper payments as defined by IPERA. In order to enhance its policies and procedures for the prevention and detection of improper payments, the Agency has entered into an agreement with IBC to utilize the Do Not Pay Business Center to check all invoices prior to payment.

#### *External Audits*

In compliance with the Office of Management and Budget's Circular A-136, USTDA contracts with an independent auditor annually to review and provide an opinion on the Agency's financial statements. In FY 2013, the Agency's independent auditor, KPMG, LLP, expressed an unqualified opinion of USTDA's financial statements – marking the 21<sup>st</sup> year in a row that the Agency has received an unqualified opinion.

USTDA selects a number of grant activities each year for post-award audits by independent companies based on recommendations from its Audit Working Group. Led by the Office of Grants Administration, the Working Group uses an objective tool based on a variety of standardized factors to assess which grant activities present the highest risk and recommend them for program and/or financial audit. The Working Group also solicits recommendations for



audit activities from the Agency's program staff. Depending on the results of a particular audit, further action may be taken by the Agency, such as a demand for a refund of amounts owed to it. In rare circumstances, USTDA may refer the matter to the U.S. Department of Treasury or the U.S. Department of Justice.

USTDA frequently audits its own programs and processes, contracting with third-party companies to review them. For example, in FY 2013, USTDA contracted with an independent CPA firm to review the use of USTDA's funds in four of its International Business Partnership Program activities, which directly connect U.S. industry representatives with leading decision-makers from emerging economies. Specifically, the auditor was tasked with evaluating whether USTDA funds were used in accordance with the terms of the contract, whether its invoice review procedures were consistent with generally accepted accounting principles and whether the reimbursable rates were appropriate and consistent with market rates for the tasks outlined in the underlying contract's Statement of Work. In each case, the auditor found funds were used according to the terms of the contract, the invoice process was compliant, and reimbursable rates were appropriate and consistent with market rates. The audit also found that there was a need for USTDA to better ensure evaluations feedback from all participants in the Agency-funded activities under review.

USTDA has also utilized an independent, third-party audit of its evaluation processes since the Agency's inception. In FY 2013, the Agency strengthened that process by adding a second third-party company to separately and independently review USTDA's evaluation methodology and data on an annual basis, and to recommend ways in which the methodology might be improved.

#### USTDA's Efficiency and Effectiveness

USTDA's goal of maximizing the value of every taxpayer dollar it spends also drives its ongoing efforts to be more efficient, improve its customer service and reduce unnecessary costs. In FY 2013, USTDA deployed a new Project Management Database System to standardize the management of current open obligations across the Agency. USTDA also developed a project timeline, which will permit it to track every step in an activity's life cycle, identify bottlenecks and implement changes to increase efficiency. Both of these efforts, which were implemented in-house and at minimal cost, will improve the Agency's ability to meet the needs of its customers.

USTDA has long streamlined its functions through arrangements with Shared Service Providers (SSPs) to take advantage of their specialized technical expertise while reducing the Agency's budgetary and staffing costs and minimizing redundancies across the federal government. USTDA currently has agreements with IBC for human resources management, staffing and

personnel matters, financial statements and payroll processing, as well as for travel authorization and voucher processing. These agreements have allowed the Agency to tap into IBC's knowledge base to improve efficiency in a variety of ways.

For instance, by fully adopting IBC's processing of staffing requests, USTDA has eliminated the need for time-consuming internal ranking panels – thereby filling vacant positions more quickly, which eliminates highly inefficient staffing gap periods. Additionally, USTDA had historically maintained its Oracle Federal Financials on a stand-alone server hosted by IBC. Through a migration plan developed between USTDA and IBC, the Oracle server was migrated to a shared platform, thereby reducing annual expenditures by almost 50 percent (\$1.1 million in FY 2010 as compared to \$548,040 in FY 2013). The one-time \$536,000 migration cost in FY 2010 was recouped in FY 2011 and FY 2012, allowing for the realization of significant cost savings for the Agency and the U.S. government.

USTDA's savings through shared services have helped the Agency streamline its operating expenses down to the lowest levels that still allow for the responsible management of its program. USTDA's operating expenses have remained flat since FY 2010.

### Conclusion

USTDA's unique and targeted focus on engaging the U.S. private sector in early project planning for development projects places it at the forefront of an innovative, sustainable foreign assistance model. The Agency moves quickly to build mutually beneficial partnerships between the U.S. private sector and overseas project sponsors at a critical point in project planning. Throughout its history, USTDA has made impressive use of a relatively small budget – the Agency's current export multiplier of \$73 in exports for every \$1 programmed, the highest in USTDA history, speaks for itself. USTDA's success is attributable to rigorous, evidence-based decision-making, efficiency through streamlining and shared services, and effective oversight mechanisms that are appropriate for the Agency's size and programs. In a time when results are more important than ever, USTDA is producing its best results. The Agency is committed to remaining an agile, responsive organization that supports U.S. jobs through exports while simultaneously providing important early project planning assistance to developing and middle-income countries, helping them to develop the needed infrastructure for trade.