



## U.S. Trade and Development Agency (TDA)

### Background

The U.S. Trade and Development Agency (TDA), an independent U.S. government export promotion and foreign assistance agency, aims to support U.S. jobs by linking U.S. firms to export opportunities for development projects in developing and middle-income countries through funding “pre-export” assistance. It is permanently authorized under the Foreign Assistance Act of 1961 (FAA), as amended (22 U.S.C. §2421), and operates under the Secretary of State’s policy guidance. In 1992, Congress established TDA as an independent agency (P.L. 102-549), but its predecessor dates to the 1980s. The TDA Director is appointed by the President, by and with the Senate’s advice and consent. TDA presents legislative, oversight, and appropriations issues. President Trump’s FY2018 budget request to eliminate TDA may intensify congressional interest.

**Funding.** TDA is small relative to other export promotion and foreign assistance agencies. Congress appropriated \$75 million for TDA in FY2017 (\$15 million above FY2016). TDA has an estimated 57 full-time equivalent staff in FY2017. The President’s FY2018 budget requests \$12.1 million for an “orderly closeout” of TDA starting that year.

**Programs.** TDA provides grants to foreign project sponsors (public or private entities that can make decisions and implement projects), who select U.S. firms (primarily smaller firms) to perform TDA-funded project preparation activities. These and other TDA activities include:

- **Feasibility studies** that assess technical, financial, legal, environmental, and other aspects of infrastructure development projects that may lead to follow-on business, to assist projects in securing financing and achieving implementation.
- **Pilot projects** that provide analysis, evaluation, and empirical data to demonstrate the effectiveness of U.S. goods, services, and technologies in the foreign buyer’s setting, in order to secure project funding.
- **Technical assistance** to support legal and regulatory reform, the establishment of industry standards, and infrastructure-planning activities, to enhance the business environment for U.S. exports.
- **Training programs** for foreign decision-makers (e.g., on technology or regulatory requirements) to support the sale of U.S. goods and services.
- **Reverse trade missions** to bring foreign delegations to the United States to meet with U.S. firms and observe the design, manufacture and operation of U.S products and services, in order to foster commercial ties.
- **Conferences and workshops** to connect U.S. firms with foreign project sponsors.

### Examples of TDA Activities

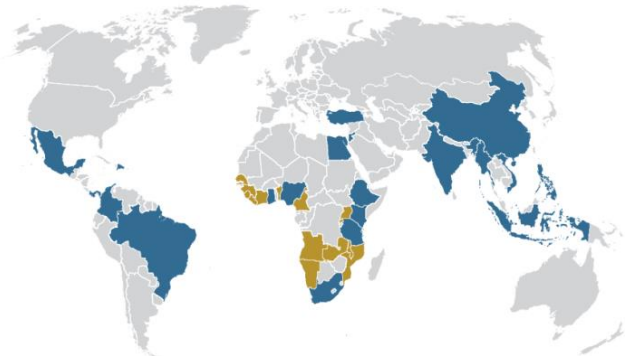
In 2014, TDA awarded a grant of \$871 thousand to a Colombian utility company for a feasibility study to determine the viability of constructing geothermal plants in Colombia. Other recent examples include TDA’s support in 2016 for India’s “Smart Cities” plan for safe, efficient, and integrated urban infrastructure through funding \$3 million in technical assistance and \$455 thousand for a reverse trade mission to showcase U.S goods and services to Indian decisionmakers.

TDA collaborates on initiatives with other agencies, such as the State Department, U.S. Agency for International Development (USAID), and Overseas Private Investment Corporation (OPIC) on clean energy financing in Latin America and the Caribbean. Some projects that use TDA-funded project preparation services also may use financing from the Export-Import Bank (Ex-Im Bank) for exporting. TDA participates in the Trade Promotion Coordination Committee (TPCC), an interagency body that coordinates U.S. export promotion efforts government-wide.

**Requirements.** The FAA directs TDA to promote U.S. private sector participation in developing and middle-income countries and to give special emphasis to economic sectors with notable U.S. export potential, e.g., energy, transportation, telecommunications, and the environment. It also instructs TDA to, as much as possible, require firms and other entities to share the costs of TDA-funded project planning and to reimburse TDA for its expenditures if project implementation is successful.

**Activity.** TDA targets its support in “priority markets” that it has determined offer solid prospects for success, U.S. export growth opportunity, and strong development benefits. It prioritizes projects where its support could sway an opportunity in favor of a U.S. firm against a foreign competitor or help a key project reach final stages.

Figure 1. TDA FY2017 Priority Markets

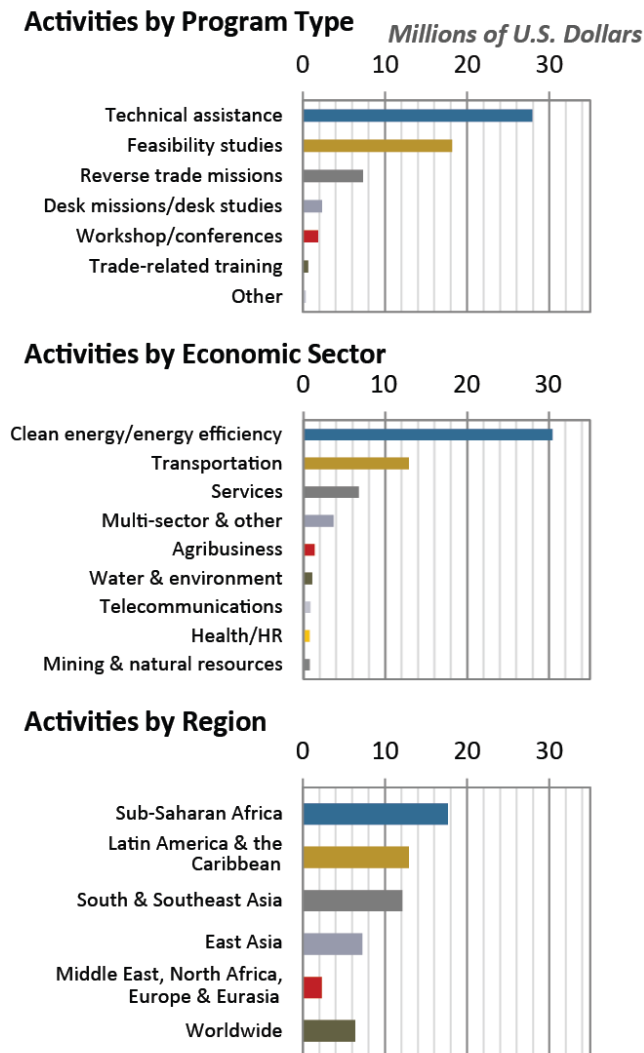


Source: TDA FY2017 congressional budget justification.

Notes: TDA funding is available in Power Africa countries (in yellow), pending finalization of transfer funding.

In FY2016, TDA committed about \$59 million in program funding, up from \$51 million in FY2015 and \$49 million in FY2014. TDA-funded activities span a range of program activities, economic sectors, and geographic regions.

**Figure 2. TDA FY2016 Program Activity**



**Source:** CRS, based on TDA FY2016 annual report.

**Impact, monitoring and evaluation.** According to TDA, in FY2016, it supported \$3 billion in new U.S. exports and an estimated 18,000 U.S. jobs. As a gauge of its effectiveness, TDA uses an “export multiplier” to measure the impact of its program activity on supporting U.S. exports. For FY2016, TDA calculated an export multiplier of \$85 in U.S. exports for each dollar of TDA programming.

TDA monitors and evaluates its activities to determine their effectiveness, inform funding decisions, and support oversight and accountability. The TDA Office of Program Monitoring and Evaluation tracks projects after TDA-funded activities are completed to analyze the link between TDA funding and project outcomes. TDA employs outside contractors for some project evaluation.

## Issues for Congress

**Rationale for TDA.** Given President Trump’s budget request proposal to eliminate the agency, a key issue before Congress is the rationale for maintaining TDA. Supporters of TDA, including many in the business community, hold that its programs are key to U.S. export promotion efforts and help U.S. firms compete with foreign firms that have access to similar support through their national programs. TDA’s role may be particularly critical for smaller firms with insufficient resources to conduct their own project preparation analyses. Critics argue that TDA and other government-funded trade promotion programs distort market conditions by encouraging commercially unviable activities and, in turn, inefficient use of resources. Critics also contend that TDA activities may provide unnecessary assistance to corporations at the expense of taxpayers. Supporters counter that beneficiaries share the costs of TDA-funded activity and that some TDA costs are reimbursed by beneficiaries.

**Effectiveness and Efficiency.** There is ongoing debate about the effectiveness and efficiency of TDA. Such debate may become more prominent in light of the Trump Administration’s ongoing review of executive branch agencies and programs, based on an executive order issued by the President in March 2017 to develop a comprehensive reorganization plan to improve the U.S. government’s effectiveness, efficiency, and accountability. TDA supporters tout the agency’s export multiplier as an indication of its effectiveness and efficiency, and contend that TDA would be more effective with a larger budget. Critics question TDA’s impact on U.S. foreign policy and export promotion goals, including whether exports identified by TDA would have taken place without the agency’s assistance.

**Coordination and relation to other agencies.** Current debate over TDA’s role in the U.S. government’s export promotion and foreign aid activities may intensify due to the Trump Administration’s interest in government reform. TDA supporters maintain that the agency’s dual focus on export promotion and international development sets it apart from other federal government agencies, as well as its role in assisting businesses at early stages of international transactions. Critics calling for TDA’s termination assert instead that TDA’s functions overlap with those of multiple U.S. export promotion and foreign aid agencies mentioned above. Other stakeholders call for enhanced coordination across these various agencies, such as through the TPCC. Some others call for reorganization of government functions through consolidation or the creation of a new development finance or assistance agency, such as focusing on the functions of TDA, USAID, and OPIC. Such options confront Congress with questions about the policy goals and desired outcomes driving any potential change to TDA’s organizational structure.

**Shayerah Ilias Akhtar**, Specialist in International Trade and Finance

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