



***INTERNATIONAL TRADE
ADMINISTRATION***

***Greater Interagency Involvement and
More Effective Strategic Planning Would
Enhance the National Export Strategy***

***Final Inspection Report
No. IPE-18589/September 2007***

Public Release

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UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

MEMORANDUM FOR: Michelle O'Neill
Acting Under Secretary for International Trade

Israel Hernandez
Assistant Secretary for Trade Promotion and Director General of
the U.S. and Foreign Commercial Service

FROM: Elizabeth T. Barlow
Acting Inspector General

SUBJECT: Final Inspection Report: *Greater Interagency Involvement and More Effective Strategic Planning Would Enhance the National Export Strategy (IPE-18589)*

We thank you for the detailed response to our draft report and are pleased that ITA has agreed to take actions to address our recommendations. However, as noted, we do not agree with ITA's statement that our report contains "several fundamental misunderstandings about the mandate, processes, and unique role of the Trade Promotion Coordinating Committee (TPCC)." Accordingly, we have not changed our basic conclusions or recommendations, but we do address your comments and have made revisions to clarify the language in the final report and to better recognize the ongoing efforts of the TPCC Secretariat. A copy of your complete response is attached as an appendix to this report.

The interagency TPCC, chaired by the Secretary of Commerce, is required by the Export Enhancement Act of 1992 "to develop a government-wide strategic plan for carrying out Federal export promotion and export financing programs" and to develop and submit to Congress annual reports describing this plan, its implementation, and revisions.¹ Commerce has created a TPCC Secretariat that has three International Trade Administration (ITA) employees to provide support for the TPCC. That staff maintains regular liaison with officials from the 18 other TPCC member agencies, and is generally well informed about trade promotion activities at those agencies. Each year the TPCC Secretariat and other senior Commerce officials prepare and publish an annual *National Export Strategy* report with input from the TPCC agencies outside of Commerce. Inspectors General from several TPCC agencies, as well as the Government Accountability Office (GAO), have raised some concerns about this process, in particular, Commerce's need to (1) better include other agencies in the development of the strategy, and (2) incorporate relevant agency trade promotion goals, performance measures, and progress reports into the annual *National Export Strategy* report.

In reviewing the *National Export Strategy* reports for 2002 to 2006, we found that the annual reports often outline useful strategies and initiatives—such as the promotion of public-private partnerships—within the context of discussing ongoing federal trade promotion efforts. These reports do not, however, articulate a strategy, establish consistent goals for promoting exports, align agency-specific strategic objectives with government-wide export promotion strategic

¹ Sec. 2312 (a) (2) of the Export Enhancement Act of 1992, 15 U.S.C. § 4727 (a)(2).



goals, or measure progress toward meeting those goals. As such, the plan described in the annual *National Export Strategy* reports does not incorporate many typical strategic planning elements and is not a coordinated government-wide strategy, as envisioned by the 1992 Act. We also found that the roster of TPCC members—which is established by the President—may not include all federal agencies with a role in trade promotion activities.

The 2007 *National Export Strategy* report, released in June, contains several improvements that are responsive to the recommendations in our draft report. Notably, the 2007 report contains an appendix listing the trade promotion strategic objectives for the primary TPCC agencies and provides specific information on the agencies' efforts to implement these objectives. It also more clearly articulates the government's core export promotion priorities. While these changes enhance the report's value as a strategic planning document, we believe that the strategic planning elements of the report could be further refined for 2008. (See page 7.)

INTRODUCTION

The Export Enhancement Act of 1992 mandated that the President establish the TPCC. This mandate was implemented by Executive Order 12870, signed on September 30, 1993. In response to requirements of the Act and the Executive Order, the TPCC develops an annual report describing the current national export strategy and progress towards its implementation. According to the Act, this strategy should establish government-wide priorities for federal export promotion and financing activities and provide a plan to bring those activities of the TPCC agencies into line with the priorities (see Figure 1). The Act also anticipates that the strategy will help to eliminate overlap and duplication among federal export promotion activities, propose an annual unified federal trade promotion budget to the President, through the Office of Management and Budget (OMB), and promote cooperation between state and federal export promotion activities. The annual report is to be sent by the TPCC Chairman to the Congress, with the approval of the President.

During the course of our recent review of Commerce's trade promotion efforts and the coordination of those efforts with other stakeholders, we identified some ways in which the Department could enhance both the process used to develop the annual *National Export Strategy* reports and the strategic planning value of the reports. Our original review, which was requested by three members of Congress, including the then-Chairman of the House Small Business Committee, was coordinated with the OIGs from six other U.S.

**Figure 1: Trade Promotion Coordinating Committee
Active Member Agencies**

U.S. Department of Commerce
Export-Import Bank of the United States
Overseas Private Investment Corporation
U.S. Trade and Development Agency
U.S. Small Business Administration
U.S. Department of Agriculture
U.S. Department of State
U.S. Department of Treasury
Office of the U.S. Trade Representative
U.S. Agency for International Development
U.S. Environmental Protection Agency
U.S. Department of Defense
U.S. Department of Energy
U.S. Department of Interior
U.S. Department of Labor
U.S. Department of Transportation
Office of Management and Budget
National Security Council/National Economic Council
Council of Economic Advisers

Source: *The 2006 National Export Strategy*

government organizations that had received a similar Congressional request. These include the Departments of State, Agriculture, and the Treasury, the U.S. Agency for International Development, the Small Business Administration, and the Millennium Challenge Corporation; all but the last organization is a member of the TPCC. While the original scope of our review did not anticipate the need for comments on the annual *National Export Strategy*, we agreed to address this issue in a separate memorandum report at the request of some of the other OIGs involved in the interagency review, which had raised several concerns about Commerce's development of the annual strategy.

Commerce OIG program evaluations are conducted to encourage effective, efficient, and economical operations and to detect and prevent fraud, waste, and abuse. This evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency in 2005, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13 dated August 31, 2006, as amended. We have discussed our findings and recommendations with the Deputy Under Secretary for International Trade and the Director of the TPCC Secretariat. The Deputy Under Secretary provided a response to our draft report on May 25, 2007, which we have considered in preparing the final report. During our preparation of the final report, the TPCC issued the 2007 *National Export Strategy*. Our final report acknowledges some improvements made in that report.

OBSERVATIONS AND CONCLUSIONS

We found that Commerce, as the lead TPCC agency, could enhance both the process of developing the annual National Export Strategy reports and the strategic planning value of those reports. The TPCC Secretariat, part of Commerce's International Trade Administration (ITA), develops the basic themes and strategic priorities discussed in the annual *National Export Strategy* in consultation with senior ITA officials and with knowledge of the activities of other TPCC agencies, but without specifically consulting other TPCC agencies on these priorities. While Commerce's leadership of the TPCC can provide an effective means of focusing interagency attention on the changing priorities of U.S. business and the Administration, we found that the annual reports do not (1) articulate a strategy that has clear and measurable export-related goals, (2) align export promotion goals with the strategic planning processes of its member agencies, and (3) track agencies' actual progress towards those goals. Our specific findings and recommendations are as follows:

Commerce Should Establish a More Inclusive Process for Developing the *National Export Strategy* Reports. The process used to develop the *National Export Strategy* reports does not promote the active involvement of the TPCC member agencies in defining the strategy's core themes and strategic objectives. Currently, the TPCC Secretariat and ITA management outline the basic themes and priorities for the strategy without direct consultation with the other TPCC agencies (see Figure 2). In 2007, TPCC agencies were given two weeks to comment on the report's outline, and the Secretariat received formal comments from only one member agency. The TPCC Secretariat did maintain regular contact with the member agencies on various trade related issues throughout the year and did solicit agency comments on the draft annual report prepared by TPCC and ITA staff. However, Commerce could do more to engage these agencies

**Figure 2:
The Current Process for Developing the *National Export Strategy***

1. The TPCC Secretariat develops an outline for the upcoming *National Export Strategy*, based on its knowledge of the current activities of Commerce and other TPCC-member agencies. The outline lays out the basic themes and priorities for the year's strategy.
2. Both Commerce's Under Secretary for International Trade and the Assistant Secretary for Trade Promotion and Director General of the U.S. and Foreign Commercial Service provide input to the outline.
3. The outline is provided to the other TPCC agencies for their comments.
4. The TPCC Secretariat drafts the report, incorporating short sections of text drafted by other agencies at the request of the Secretariat and coordinating with other agencies as necessary.
5. The draft report is sent to the member agencies for review and concurrence.
6. The Office of Management and Budget reviews the report as part of its process for Presidential clearance.
7. The approved report is submitted to Congress.

Source: OIG synopsis of information from the TPCC Secretariat

in developing the basic strategic goals and objectives of the *National Export Strategy* by establishing a more inclusive process for developing the annual report to Congress.

The OIGs from the Department of Agriculture, the U.S. Agency for International Development, and the Small Business Administration reported that their agencies are only minimally involved in developing the objectives of the *National Export Strategy*.² For example, the Department of Agriculture OIG report on trade coordination notes that the TPCC Secretariat develops the outline of the *National Export Strategy* reports and determines what information submitted by Agriculture will be included in the final document. While the Secretary of Commerce serves as the Chairman of the TPCC, the Executive Order establishing the TPCC clearly assigns the responsibility of developing the *National Export Strategy* to the interagency

committee, not to its Secretariat, which is organizationally part of the Department of Commerce. Other agencies' involvement in developing the annual reports would help to ensure that the national strategy fully considers their key export promotion initiatives while also encouraging them to evaluate how their export promotion efforts can support government-wide priorities.

The Deputy Under Secretary for International Trade noted in her response to our draft report that one role of the TPCC is to clearly articulate the administration's export promotion priorities and enlist the TPCC member agencies to support those priorities. This function of the TPCC is certainly important and would not be inherently weakened by additional interagency involvement in developing the strategic priorities to be outlined by the *National Export Strategy*. Rather, engaging the member agencies in articulating these priorities both leverages the expertise of agency officials and provides an opportunity for those officials to become invested in the priorities that they have helped to define. Commerce should take steps to ensure that TPCC members are provided adequate opportunities to participate in developing the *National Export Strategy* reports before the strategy's basic strategic objectives have been decided.

² *Foreign Agricultural Service Trade Promotion Operations*, USDA OIG Audit Report (07601-1-Hy), February, 2007; *Survey of USAID's Trade Capacity Building Programs to Support Implementation of Free Trade Agreements*, USAID OIG Survey Report No. 9-000-07-002-S, November 30, 2006; *Efforts to Assist Small Businesses Compete In International Trade*, Small Business Administration OIG, Audit Report No. 7-12, January 29, 2007.

The *National Export Strategy* Does Not Establish Specific Export Promotion Goals or Use Performance Measures To Track Program Success. In its 2002 report, GAO reported that the *National Export Strategy* was too broad and did not discuss specific goals or assess progress toward meeting those goals.³ Our review of subsequent *National Export Strategy* reports shows that little has changed. Absent the specific export promotion goals that GAO recommended, the strategies do not provide an effective framework for focusing the activities of the TPCC agencies to meet core export promotion priorities. Moreover, the TPCC cannot evaluate or report on the agencies' progress towards federal export promotion priorities without useable performance measures.

In order for the *National Export Strategy* to guide federal export promotion efforts, as intended by the legislation and Executive Order establishing the TPCC, it is critical that the TPCC establish links between agency-specific strategic objectives and the government-wide export promotion strategic goals that should be defined by the strategy. If the TPCC member agencies' strategic objectives do not complement the priorities outlined by the *National Export Strategy*, the agencies' efforts are unlikely to further the government-wide export promotion strategic goals. In order to achieve agency-specific goals that truly complement the government-wide export promotion priorities, the TPCC should consider existing agency-specific export promotion goals when establishing government-wide goals while TPCC agencies should consider these government-wide goals when developing their own strategic planning objectives. If agency-specific strategic objectives do not align with the government-wide strategic goals set out in the *National Export Strategy*, the agencies are much less likely to place a priority on supporting the government-wide strategic goals. This, of course, does not preclude additional agency-specific goals that go beyond government-wide trade promotion goals.

Successful strategic planning processes do not only define strategic goals, they also measure progress towards meeting those goals. While some recent *National Export Strategy* reports have discussed continued efforts by TPCC agencies that are relevant to the priorities articulated in past reports, the TPCC does not have a systematic process to assess progress made by its member agencies towards government-wide export promotion goals. In the late 1990s, the TPCC did use its own performance measures to track the success of TPCC export promotion activities. However, according to the TPCC Secretariat, it became impractical to maintain these measures after agencies began focusing on the agency-specific performance measures reported to the Office of Management and Budget (OMB) as part of the Performance and Accountability Report (PAR) process.

One source of information on the agencies' progress towards meeting government-wide goals could be the agencies' own performance measures, particularly if the TPCC is successful in linking agency goals more closely with government-wide export promotion priorities. Most TPCC agencies are required to develop strategic goals and relevant performance measures as part of the Performance and Accountability Reports they submit to OMB (see Figure 3). Those TPCC agencies that do not participate in the PAR process do, however, develop strategic goals and performance measures as part of their internal planning process.⁴ In 2002, GAO

³ *Export Promotion: Mixed Progress in Achieving a Government-wide Strategy*, GAO-02-850, September 4, 2002.

⁴ USTDA, USTR, OPIC, Export-Import Bank, the National Economic Council, and the Council of Economic Advisors do not submit performance reports to the Office of Management and Budget (OMB).

recommended that the TPCC Secretariat review the agencies' PAR reports and identify relevant performance measures to track trade promotion program success. But in 2006 GAO found that the Secretariat had never implemented this recommendation,⁵ even though the TPCC's response to GAO's draft report stated that the report had "hit the mark in calling on the TPCC to provide clear and consistent strategic guidance from year-to-year, identify agency-specific goals and responsibilities, and regularly report on progress towards achieving recommendations." The TPCC should reevaluate existing agency performance measures to determine whether they could assist in tracking progress towards meeting government-wide goals.

The current process used to develop the *National Export Strategy* does not meet the strategic planning criteria used by OMB in its Program Assessment Rating Tool (PART) evaluations. OMB evaluates the strategic planning practices for a program based on the following criteria:

- Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program?
- Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals?
- Does the program have baselines and ambitious targets for its annual measures?
- Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?
- Has the program taken meaningful steps to correct its strategic planning deficiencies?

Figure 3: Federal Agency Planning and Measurement of Program Performance

In accordance with the 1993 Government Performance and Results Act (GPRA) and the 2001 President's Management Agenda (PMA), OMB has developed mechanisms to assess program effectiveness and facilitate strategic planning across the federal government.

Performance and Accountability Reports (PARs): The annual PAR submission to OMB requires agency management to assess the state of the agency's finances and performance. The PAR provides Congress and the President with key information on agency performance, including performance results for specific agency strategic goals and audited financial statements.

Program Assessment Rating Tool (PART): A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions. Among other things, the PART assesses agencies' strategic plans and program results, as reported in the PAR. The PART looks at factors that affect and reflect program performance, including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. Because the PART includes a consistent series of analytical questions, it allows programs to show improvements over time and allows comparisons between similar programs.

While the multi-agency structure of the TPCC creates a much more challenging strategic planning environment than that experienced at individual agencies, OMB's criteria suggest that the *National Export Strategy* process does not have the attributes that OMB expects in federal strategic planning processes.

⁵ *Export Promotion: Trade Promotion Coordinating Committee's Role Remains Limited*, GAO-06-660T, April 26, 2006.

To carry out its role to provide a unifying framework to coordinate federal trade promotion efforts and promote interagency coordination, the TPCC should institute a meaningful interagency strategic planning process that: (1) identifies the core strategic goals and objectives of federal export promotion efforts; (2) aligns agency-specific strategic objectives with government-wide export promotion goals; (3) identifies agency-specific performance measures relevant to government-wide export promotion goals; and (4) uses these measures or other appropriate measures to evaluate the progress of agencies towards meeting government-wide goals. At a minimum, the TPCC should address these issues at an annual planning meeting that includes officials with the authority to make policy-level decisions at their respective agencies.

Some Improvements Are Noted in the 2007 National Export Strategy. The 2007 *National Export Strategy*, which was released several months after our draft report, contained significant changes from the 2006 report that address, in part, issues raised by our review. Appendix A of the report details the strategic objectives of the primary TPCC agencies and summarizes the agencies' 2006 activities that are responsive to those strategies. Additionally, the 2007 report has a clearer and more complete presentation of federal export promotion priorities than did the 2002 to 2006 annual reports. The 2007 report emphasizes the importance of trade liberalization efforts, the effective use of E-commerce, the importance of strategic partnerships, and the potential of high-priority export markets.

While these changes enhance the strategic planning value of the *National Export Strategy*, further enhancements are necessary to fully implement our recommendations. Specifically, neither the agency-specific strategic objectives nor the agency-specific accomplishments listed in Appendix A of the report are explicitly linked to the major strategic themes of the report. Having identified these themes as federal export promotion priorities, the report should clearly show how agency-specific activities are consistent with these priorities and should identify opportunities for agencies to further support these priorities. The report should also (1) provide specific goals or benchmarks for individual agencies showing how their future activities can further support the priorities established by the report and (2) measure the agencies' progress towards meeting those goals in future years.

The 2007 *National Export Strategy* also reveals that the report's goals and objectives have partially evolved away from what Congress originally intended for the document. While the Act establishing the TPCC anticipated that the *National Export Strategy* would provide a strategic plan guiding federal export promotion efforts, the 2007 *National Export Strategy* report notes that:

“The goals of this report are to raise awareness in the American business community about the advantages of exporting, to convince businesses that are not exporting to consider exporting, and to get those businesses that are exporting to enter more overseas markets.”

While these public outreach goals are certainly relevant to increasing U.S. exports, such public outreach objectives should not distract the TPCC from its primary mandate of developing a strategy to guide federal export promotion efforts.

The TPCC May Not Include All Relevant Agencies. The roster of TPCC members was established by Executive Order in 1993. This roster was last updated in 2003 to include the Department of Homeland Security (DHS), although DHS was not an active TPCC member at the

time of our review.⁶ Another change in TPCC membership occurred in 1999 when the former U.S. Information Agency merged with the State Department and was thus no longer a separate TPCC member agency. Other changes in TPCC membership may be appropriate, however, as the roles and responsibilities of federal agencies evolve and new organizations are established.

At least one new agency should be considered for inclusion as a full member of the TPCC. The Millennium Challenge Corporation (MCC) is a U.S. government-owned corporation, established in January 2004, with the stated mission to help reduce worldwide poverty through economic growth, while targeting aid to reward countries with good public policies. Since 2004, MCC has received approximately \$4 billion in U.S. government appropriations. As part of its efforts to promote economic development, MCC sponsors projects to increase the trade capacity of developing countries. These trade capacity building projects can complement federal export promotion efforts by helping to improve access to foreign markets for U.S. products and MCC-funded projects can create opportunities for U.S. exporters.

Despite MCC's involvement in trade promotion activities, it is not currently a member of the TPCC, although our March 2007 report on trade coordination recommended that MCC be included in relevant TPCC working groups, including a recommended working group on trade capacity-building efforts.⁷ We recognize that MCC may be reluctant to be included as a TPCC member because it wants to avoid the perception that its development efforts are linked to U.S. export promotion priorities. We recommend, however, that Commerce continue to engage MCC to the greatest practical extent on trade promotion activities. As appropriate, Commerce should work with the White House and representatives of individual agencies to revise the list of TPCC members so that the membership roster includes all federal agencies with an important stake in trade promotion efforts.⁸ As part of this process, Commerce should also consider whether it is appropriate to cull agencies from the membership roster that no longer play an active role in trade promotion activities.

⁶ Executive Order 13286, February 28, 2003, added the Department of Homeland Security (DHS) to the TPCC.

⁷ *Commerce Can Further Assist U.S. Exporters by Enhancing Its Trade Coordination Efforts (IPE-18322)*

⁸ The Export Enhancement Act of 1992 and Executive Order 12870 provide for the inclusion of other agencies and departments in the TPCC "at the discretion of the President."

Recommendations:

We recommend that the Under Secretary for International Trade ensure that the following actions are taken:

1. When developing the *National Export Strategy*, institute a meaningful interagency strategic planning process that:
 - a. Identifies the core strategic goals and objectives of federal export promotion efforts through an interagency consultative process;
 - b. Aligns agency-specific strategic objectives with government-wide export promotion strategic goals;
 - c. Identifies any agency-specific performance measures relevant to government-wide export promotion goals; and
 - d. Uses these measures to evaluate the progress of agencies towards meeting government-wide export promotion goals.
2. Continue to engage the Millennium Challenge Corporation (MCC) on trade promotion activities. As appropriate, work with the White House and representatives of individual agencies to revise the list of TPCC members so that the membership roster includes all federal agencies with a stake in trade promotion efforts.



ITA's Response and OIG Comments

The Deputy Under Secretary for International Trade provided a thorough response to our draft report that highlighted some actions that the TPCC Secretariat plans to take to address our recommendations. We appreciate ITA's careful consideration of our report and the actions that the TPCC Secretariat plans in order to address our recommendations, and we have included ITA's response in its entirety as an appendix to this report.

While ITA's response highlighted some useful initiatives that ITA and the TPCC will take to address our recommendations, the agency also disagreed with many of our conclusions and claimed that our draft report contained "several fundamental misunderstandings of the TPCC's mandate, processes, and unique role." We believe our report accurately describes the TPCC's responsibilities with respect to the development and implementation of the annual strategic plan. Nonetheless, we have made changes to our draft report to clarify some of the language that appears to have been misunderstood by ITA and have added language to better articulate the ongoing efforts of the TPCC Secretariat. We also amended the report to include a discussion of changes made in the 2007 *National Export Strategy* that were partially responsive to the recommendations in our draft report.

We recognize that the TPCC plays a unique and constructive role in coordinating interagency trade promotion activities. We found, however, that the current process of developing the *National Export Strategy* does not adequately meet the TPCC's mandate to coordinate federal export promotion efforts through an effective interagency strategic planning process. While

recent *National Export Strategy* reports may establish broad export promotion strategies, they do not define specific goals for the various TPCC agencies that are tied to these strategies and track progress towards meeting those goals. Thus, the recent *National Export Strategy* reports do not contain two of the three core elements of a strategic planning document and do not meet all the requirements of the 1992 Export Enhancement Act. As noted in our report, the Act calls on the TPCC to develop government-wide priorities for federal export promotion and financing activities and provide a plan to bring the activities of the TPCC agencies into line with the government-wide priorities.

ITA's response contains a detailed discussion of the TPCC's historical evolution and suggests that our report should include such a discussion. We recognize that, over the past 15 years, TPCC initiatives have substantially contributed to federal export promotion efforts, but do not agree that this history is directly relevant to our discussion of the TPCC's current strategic planning process. ITA's discussion of the TPCC's "Historic Record Promoting Change" is included in our final report, however, as part of the appendix containing ITA's response to our draft report.

ITA's response identifies the TPCC's unique contribution to federal trade promotion efforts as "ensuring that the federal government is pursuing the right set of priorities (based on Administration trade policies and the realities of the global marketplace)." The response further notes that federal export promotion priorities should change to reflect changes in U.S. and foreign economic activity. We fully agree with ITA on these points. We recognize that export promotion priorities should evolve to remain relevant with changing economic conditions, and never stated or implied that export promotion priorities should be static.

The response further states that "tethering the TPCC to measuring the performance of existing programs would be a duplication of agencies' own management responsibility, OMB oversight, and a distraction from the TPCC's more strategic and productive role in developing new priorities and promoting change." Our draft report never stated or implied that the TPCC should duplicate existing performance assessment processes or restrict federal trade promotion priorities to those already identified in agency-specific strategic planning objectives. Rather, we noted that the various agency-specific strategic planning processes are not well connected to the TPCC's government-wide strategic planning efforts for trade promotion activities. We therefore recommend that the TPCC seek to align agency-specific strategic objectives with government-wide export promotion strategic goals. If the TPCC is to serve a useful role in articulating and promoting government-wide export promotion priorities, these priorities should be reflected in the strategic objectives and performance measures of its member agencies. We have revised the report's discussion of the TPCC strategic planning process and performance measures in order to clarify this misunderstanding of the language in our draft report.

Despite its stated reservations about our draft report, ITA's response outlined several useful steps that the TPCC would take to enhance its strategic planning process and address our recommendations in that area. ITA indicated that the TPCC Secretariat will undertake a survey of the TPCC agencies' strategic plans and Performance and Accountability Reports "to strengthen the TPCC's ongoing efforts to encourage agencies to coordinate efforts and avoid duplication and overlap whenever possible." The TPCC also plans to "more systematically

report on progress implementing select programmatic initiatives from one year to the next.” In its response, ITA indicated that it would continue to use the annual NES to report agencies’ progress on programmatic performance and programmatic initiatives that address the TPCC priorities. ITA noted in its response that the TPCC plans to return to a tracking model used in the 2002-2004 *National Export Strategy* reports to monitor the TPCC’s progress implementing programmatic change. ITA’s response makes a “distinction between measuring progress implementing programmatic change and measuring ongoing program performance,” the latter of which it states is the responsibility of individual agencies and OMB.

We appreciate ITA’s commitment to create and sustain processes through the TPCC that would facilitate interagency collaboration on a more participatory *National Export Strategy*. As part of its action plan, we request that ITA outline in more detail its proposals to (1) incorporate TPCC agencies’ strategic plans and performance reports into the TPCC strategic planning process and (2) report more systematically in the *National Export Strategy* on progress towards implementing “programmatic initiatives from one year to the next.” We also ask that ITA address more fully our recommendations on identifying core export promotion strategic goals and objectives through the interagency consultative process and coordinating agency-specific strategic goals with government-wide export promotion priorities. Additionally, we ask that ITA provide us with copies of any relevant guidance that the TPCC Secretariat has provided or will provide to its member agencies regarding the *National Export Strategy* process.

With regard to our recommendation about expanding TPCC membership, ITA’s response discusses the potential difficulties of including the Millennium Challenge Corporation (MCC) as a full member of the TPCC, which ITA had previously discussed with OIG staff. We recognize that MCC’s primary mission is to reduce global poverty through economic development, and that MCC may want to avoid having its assistance projects perceived as being trade promotion efforts. As noted in our report, however, MCC’s mission and activities make the agency a prime candidate for inclusion in the TPCC. Close collaboration between MCC and the federal trade promotion agencies could improve the effectiveness of MCC’s economic development efforts as well as the trade promotion activities of the TPCC agencies. ITA’s response indicates a continued commitment to working with MCC whenever practical to coordinate these activities, noting that it would work with MCC staff and with OMB to determine ways “to increase the visibility of MCC opportunities with the U.S. exporting community,” whether or not MCC agrees to full membership in the TPCC. The TPCC Secretariat should continue to include MCC in relevant activities, as permitted by practical constraints and, as appropriate, should seek to update the TPCC membership roster to ensure that it includes all federal agencies with a stake in trade promotion efforts.

We request that ITA submit its action plan within 60 days of this final report to address the status of our recommendations.


Appendix: ITA Response to OIG Draft Report



UNITED STATES DEPARTMENT OF COMMERCE
The Deputy Under Secretary for
International Trade
Washington, D.C. 20230

MAY 25 2007

MEMORANDUM FOR: Jill Gross

FROM: Michelle O'Neill 

SUBJECT: Response to Draft Inspection Report: *Greater Interagency Involvement and More Effective Strategic Planning Would Enhance the National Export Strategy (IPE-18589)*

I would like to thank the Office of the Inspector General for your analysis of ways to enhance the National Export Strategy and for the opportunity to comment on your draft report. Below are our comments which respond to the three broad conclusions that your analysis draws: (1) Trade Promotion Coordinating Committee (TPCC) members a limited role in developing the National Export Strategy (NES); (2) the Strategy does not establish specific goals or use performance measures to track success; and (3) that the TPCC may not include all relevant agencies.

We believe these conclusions indicate several fundamental misunderstandings of the TPCC's mandate, processes, and unique role. As laid out in the Export Enhancement Act of 1992, the TPCC's mandate is to develop new federal policies and programs, serve as a central source of information for businesses, and ensure better delivery of federal services to businesses. The strategic plan of the TPCC -- as mandated by Congress -- is to (1) set U.S. export promotion priorities and provide the rationale for priorities; (2) review U.S. Government agencies' current programs in light of these priorities, and develop a plan to bring such activities into line with these priorities; (3) identify and propose elimination of overlapping programs, (4) propose an annual trade promotion budget, including proposals to eliminate funding, and (5) find ways to work more closely with states. NES reports are largely laid out according to these points, including clearly identifying priorities and highlighting what agencies are doing in support of each priority. In addition staff of the TPCC Secretariat spend much of their time between reports working with the partner agencies to implement the priorities.

The comments below are aimed at providing more information on (a) the TPCC's priority-setting mandate, (b) its historic record promoting change, (c) the TPCC today, (d) its leadership responsibility, and (e) the issue of including additional agencies. Included throughout the discussion are reactions to the alternative roles for the TPCC envisioned by the draft OIG report and reflected in its conclusions. We then provide our response to the specific recommendations outlined in your report, which includes constructive proposals that the TPCC will pursue.



A – The TPCC’s Priority-Setting Mandate

Development of NES priorities are achieved through close consultation between agencies, particularly between those agencies that have a direct trade promotion mandate, but including all agencies with activities or policy responsibilities that could bolster the Administration’s trade agenda. The TPCC Secretariat has met with the TPCC agencies on numerous occasions to refine and implement the strategic partnership initiative, a major focus of the last two years. In addition, while agencies were asked this past year to comment on an initial outline within two weeks, this was by no means the end of discussions with the agencies on report content and organization. The final draft of the 2007 NES incorporates extensive comments from the agencies including two rounds of formal review, over 100 email exchanges between agencies and the TPCC Secretariat on draft language, and innumerable phone conversations. It should be noted that the TPCC regularly devotes considerable time and attention to coordination activities that do not necessarily figure prominently in the annual report as a current priority. Nevertheless, these activities are an important function and service of the TPCC. Thus we believe it is inaccurate for the draft OIG report to indicate that agencies have not been engaged in the development of the NES.

B – An Historic Record Promoting Change

To give you a better understanding of the role the TPCC has played in setting priorities and as a much-needed agent of change within the Federal Government, we encourage you to include in your draft report a section on how the NES has evolved over the past 15 years.

In the early years, the TPCC focused on establishing much of the basic framework of interagency coordination. The U.S. Export Assistance Center (USEAC) network of one-stop-shops was established. Feasibility study work was consolidated with U.S. Trade and Development Agency. The Trade Information Center (1-800-USA-TRADE) was established. Embassy reporting on commercial, economic, and financial matters was combined. The TPCC Advocacy Center network was established, managed by the International Trade Administration’s (ITA) Advocacy Center. Export-Import Bank (Ex-Im Bank) and Small Business Administration (SBA) working capital programs were streamlined.

In a second phase, the TPCC turned its attention to the rise of major foreign competitive practices that distorted trade. The tied aid war chest was instituted at Ex-Im Bank. The TPCC successfully supported conclusion of the Organization for Economic Cooperation and Development (OECD) Anti-bribery Convention, and U.S. advocacy efforts leveled the playing field for U.S. industry. The TPCC also pursued a strategy of identifying Big Emerging Markets (BEMs) for which the federal trade promotion agencies would make a long-term commitment. While this seemed prudent and effective at the time, the TPCC later abandoned this approach, as one after another of the BEMs suffered long-term economic downturns – a good example of why the TPCC must continually appraise current priorities.

Over the years, priorities have changed as agencies have internalized a long-term priority and the ongoing management of a program (e.g., the Advocacy Center) or as changes in the world have reduced or eliminated the need for special attention to an issue (e.g., the streamlining of export controls). While processes implementing the President's Management Agenda and Government Performance and Results Act, including the Program Assessment Rating Tool (PART), have equipped each agency with the tools they need to manage ongoing program performance, the TPCC's unique contribution is ensuring that the federal government is pursuing the right set of priorities (based on Administration trade policies and the realities of the global marketplace). U.S. industry, technology, and foreign market access and growth trends are constantly changing from year-to-year. The strategy and the priorities of the federal trade promotion agencies must reflect these changes. We believe that tethering the TPCC to measuring the performance of existing programs would be a duplication of agencies' own management responsibility, OMB oversight, and a distraction from the TPCC's more strategic and productive role in developing new priorities and promoting change.

C - The TPCC Today

Beginning with the Chairmanship of Secretary Evans, the TPCC focused on supporting the Administration's trade policy agenda (numerous FTAs and China WTO accession) and benchmarked on a deeper understanding of what types of programs and services exporters need to be successful overseas. Under the leadership of Secretary Gutierrez, the TPCC is ensuring that federal trade promotion efforts are focused on, and coordinated in, key emerging markets and in new free trade agreement (FTA) partner countries. The TPCC has also begun to look well beyond the potential direct impact of government programs, toward unleashing the export potential of the United States through strategic partnerships with states, associations, and U.S. corporations. Given their omission from the draft OIG report, some of the unique and critical roles the TPCC plays today are described in more detail below.

- The TPCC is the Federal Government's chief advocate of customer-driven solutions for exporters. Especially since 2001, the TPCC has focused on its mandate of ensuring better delivery of services to businesses. Rather than statically measuring the performance of existing trade promotion services, Secretary Evans called for a complete stocktaking of current programs, including a scientific survey of customer needs and a benchmarking of best practices. The result was a set of 60 customer-driven programmatic initiatives reported on over three consecutive NES reports (2002 to 2004). These recommendations led to ongoing programs including joint marketing, joint training, a joint market segmentation study, and improvements in export.gov. It is noteworthy that TPCC agencies not only endorsed these programs, but are contributing budget resources toward their implementation. Agencies now intuitively put the customer first and are motivated by external client-facing performance measures. Because this effort exemplified TPCC efforts to measure success and measure success on

recommendations we were disappointed to see that the draft OIG report made no mention of it.

- Another important function of the TPCC not acknowledged by the draft OIG report is its role as coordinator of trade promotion strategies responding to new external factors, such as fundamental shifts in U.S. industry and foreign market conditions. Secretary Gutierrez has led efforts to encourage the trade promotion agencies to take timely and coordinated action in response to new market conditions (e.g. implementation of new FTA agreements), foreign market trends (e.g. the rise of new emerging markets like China and India), and the Administration's priority sectoral initiatives (e.g. the Asia-Pacific Partnership for Clean Energy and the Environment). We believe that rather than monitor agencies' program performance based on past priority markets, the correct role of the TPCC is to be forward leaning and encourage agencies to shift resources to new priority markets based on market trends and to make regular assessments of where government programs can have the greatest impact for U.S. exporters.
- Perhaps the greatest potential impact of the TPCC is its growing role in leading the government to think beyond its own programs and services. Especially in the past two years, the TPCC has been focusing on transformational initiatives that, initially at least, require time to fully unfold. Yet it is obvious that leading such initiatives is the proper role of the TPCC. Secretary Gutierrez and Under Secretary Lavin have led the TPCC to focus on (a) strategic partnerships to reach more U.S. companies that either could export for the first time or could export more, and (b) greater strategic use of the Internet. In the case of partnerships, the government is reaching out to states, trade associations, and U.S. corporations that have extensive day-to-day contact with businesses and whose cutting-edge business solutions can make exporting easier. In the case of the Internet, initial assessments that government should set up e-marketplaces were wrong, and are being replaced by government promotion of private sector e-solutions, along with a commitment to a single government export promotion portal on the Web (export.gov). Within the TPCC, these issues have been challenging to advance, but agencies are cooperating on partnership initiatives and developing their own internal performance measures to gauge success in leveraging partners.

Such forward thinking roles for the TPCC are critical to ensuring that the Federal Government remains responsive to whatever challenges are presented by the global competitive environment -- challenges which may include the rise of aggressive new foreign competitors, new technologies, and private-sector export solutions -- requiring member agencies to creatively collaborate and leverage expertise and resources.

D - Leadership Responsibility

As noted above, leadership plays an important role in the setting of priorities. The TPCC was created to provide interagency leadership and to encourage consensus on forward-looking trade promotion priorities. As such, the NES defines a coordinated U.S.

Government response to changes in both the global trade environment and the needs of exporters. The TPCC was not created to monitor the ongoing performance of individual agencies' programs -- the purview of each member agency's own leadership and that of the Office of Management and Budget (OMB). Nor was the NES intended to serve as a catalogue of all member agencies' trade-related programs, activities, and performance -- a usage that would detract from attention to priorities and diminish the report's usefulness to stakeholders.

While interagency priorities are developed through collaboration and consensus, the TPCC agencies look to the Secretary of Commerce to take the lead in identifying overarching trade promotion priorities in the context of Administration policy. Recent examples include the focus of former Commerce Secretary Evans on customer-driven solutions and joint interagency training and marketing, and of Commerce Secretary Gutierrez on trade promotion follow-up in FTA areas and priority emerging markets, as well as outreach to strategic partners (states, associations, U.S. corporations). Secretarial leadership on defining priorities has helped to empower other TPCC agencies to take leadership roles in support of the NES. For example, Ex-Im Bank and SBA have fully committed to joint marketing and information sharing to improve customer service. Overseas Private Investment Corporation (OPIC) has played a lead role in FTA follow-up in CAFTA-DR. Additionally, USTDA, Ex-Im Bank, and Commerce continue to pursue early project development in emerging markets. TPCC leadership is most effective when the agencies are encouraged to embrace a new priority, rather than by the TPCC looking over their shoulders or attempting to micromanage their programs.

We believe that the draft OIG report should acknowledge the leadership role of the Secretary of Commerce in establishing priorities as Chair of the TPCC. TPCC leadership has been an effective means of focusing interagency attention on changing U.S. business and Administration priorities, rather than on a more accounting-like, bottom-up process driven by each agency's program performance as apparently advocated by the draft OIG report.

E - Inclusion of Additional Agencies

As we have previously raised, inclusion of trade capacity building as a direct part of TPCC strategy is problematic. The draft OIG report's discussion of formally adding Millennium Challenge Corporation (MCC) to the roster of TPCC member agencies should include language on the challenges of including the MCC as a TPCC agency. While MCC representatives have attended TPCC regional working group meetings, they declined to attend this winter TPCC Deputies' meeting and also asked that language discussing the MCC sponsored port project in central America be taken out of the NES. Both the MCC and the Office of the U.S. Trade Representative (USTR) pointed out that while the port project supports overall trade, they do not want U.S. Government trade capacity programs to be seen as trade promotion. On the other hand, MCC and the Commercial Service are discussing ways to increase awareness of potential opportunities arising from MCC grants. This issue is also at the core of why the U.S. Agency for International Development (USAID) asked the TPCC Secretariat not to include it in the

budget chapter of the NES reports. We have discussed this issue with OIG staff on a few occasions and were disappointed that there was no acknowledgement of this issue in the draft OIG report.

Addressing the OIG's Recommendations

OIG Recommendation: When developing the National Export Strategy, institute a meaningful interagency strategic planning process that:

- a. Identifies the core strategic goals and objectives of federal export promotion efforts through an interagency consultative process;*
- b. Aligns agency-specific strategic objectives with government-wide export promotion goals;*
- c. Identifies any agency-specific performance measures relevant to government-wide export promotion goals, and*
- d. Uses these measures to evaluate the progress of agencies towards meeting government-wide export promotion goals.*

In response to these recommendations, the TPCC will take the following steps in the coming year:

- Survey TPCC agencies' strategic plans, Performance and Accountability Reports (PARs), and other annual or periodic reporting to strengthen the TPCC's ongoing efforts to encourage agencies to coordinate efforts and avoid duplication and overlap whenever possible. (Note: Past efforts of the TPCC to find common trade promotion language in agencies' strategic plans have failed, given agencies' different mandates, missions, and reporting requirements. Only five TPCC agencies have undergone PARTs of part or all of their operations).
- Use the annual NES to report agencies programmatic performance. We will not make judgments on performance, but rather use the NES as a place where trade promotion stakeholders can highlight results of core TPCC agency activities.
- Report progress of new programmatic initiatives that address TPCC priorities. The TPCC will more systematically report on progress implementing select programmatic initiatives from one year to the next. The model for such a process will be the tracking of initiatives through the 2002, 2003, and 2004 NES reports. Between annual reports, agencies and the TPCC worked to implement initiatives. Occasionally, initiatives were re-cast or dropped due to changing priorities or circumstances. (Note: It is important to restate the distinction between measuring progress implementing programmatic change and measuring ongoing program performance, the latter of which is the responsibility of individual agencies and OMB.) This year's NES report has an extensive discussion on the partnership priority, including a discussion of progress since last year.

OIG Recommendation: In consultation with the Secretary of Commerce and the Millennium Challenge Corporation (MCC), use appropriate channels to request Presidential approval to update the membership of the Trade Promotion Coordinating Committee as necessary to include all relevant federal trade promotion agencies.

- The TPCC Secretariat will discuss this option with MCC staff and OMB. The TPCC will work with the MCC through the Commercial Service to determine ways increase the visibility of MCC opportunities with the U.S. exporting community, whether or not they express interest in TPCC membership.

Conclusion

The TPCC's mandate is to develop and implement priorities in support of the Administration's trade agenda -- not to monitor and report on ongoing program performance within or across agencies as recommended by the draft OIG report. The TPCC is mandated and well suited to perform the former. Congress neither mandated, nor empowered the TPCC undertake the latter, which is the responsibility of each TPCC agency's own leadership. Moreover, the draft OIG report overlooks several unique and valuable roles that the TPCC successfully undertakes to lead the development of a cohesive and coordinated export promotion strategy and the implementation of change.

At the same time, the draft OIG report raises some constructive recommendations on the process and points to information available within other agencies that should be utilized by the TPCC. We welcome your views because progress toward more effective coordination of interagency trade promotion activities owes a great deal to past General Accounting Office (GAO) and OIG reviews. We look forward to a continued productive relationship.