INCREASING U.S. PARTICIPATION AND WINS IN MULTILATERAL DEVELOPMENT BANK PROCUREMENT

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On my honor as a student, I have neither given nor received unauthorized aid on this assignment.
Brandon T. Goldstein

Executive Summary

Since Fiscal Year 2000, U.S. private business has consistently struggled to win a meaningful amount of Multilateral Development Bank (MDB) project procurement contracts. Over that time the U.S. consistently underperformed its share of the world economy and was outperformed by its main economic rival, China. Figure 1 in the Background Section below shows a visual representation of this underperformance.

Over the most recent ten years, the U.S. won an average of 0.87% of the dollar value of contracts offered that year. Further, U.S. participation has declined. In Fiscal Year 2017, the most recent year of available data, U.S. businesses won only 0.59% of the dollar value of contracts offered. This stands in stark contrast with the U.S. share of global GDP. The U.S. produced nearly one-quarter of world GDP in Fiscal Year 2017. In this way, participation in the MDB procurement market represents a significant opportunity for economic growth over the long-term. In comparison, China earned 38.8% of the dollar value of contracts in Fiscal Year 2017.

There are two hypothesized rationales for the U.S.'s current underperformance – lack of information about these opportunities and less competitive bids. The first of these asserts that U.S. private business lacks the proper information about what these opportunities are, their potential benefits, and how to bid, while the second posits that U.S. companies' bids are less competitive largely due to the cost estimates they submit in the bids they do make.

Using criteria of cost, effectiveness, political and administrative feasibility, I examined four policy alternatives: a program of corporate income tax incentives for income earned through MDB contracts, a grant program to cover 20% of bid costs on successful bids, a national scale-up of the current regional events program with MDB procurement officers and liaisons, and letting present trends continue.

Ultimately, I found that the most feasible alternative to pursue is a national scale-up of the events program. My estimates show that U.S. participation would appreciably grow through the implementation of this alternative, while maintaining political and administrative feasibility over the short and long term periods I measured.

In conjunction with the events program, I recommend a partnership with United Nations Development Business (UNDB) to get the most relevant procurement documents to interested companies. Including this, the proposed solution should address both of the hypothesized reasons for U.S. underperformance.

Background

Participation in the procurement processes of Multilateral Development Banks (MDBs) can be highly lucrative for companies whose bids win contracts. In their annual procurement guide, the World Bank lists several clear benefits to contracting through them. Figure 1 below shows what factors the World Bank considers strong incentives to bid on contracts. Despite these seemingly strong reasons to bid on contracts, U.S. business participation remains very low, in both number of contracts won and total dollar value won both in comparison to annual U.S. Gross Domestic Product (GDP) and relative to other countries.

Figure 1. Benefits of World Bank Contracting.

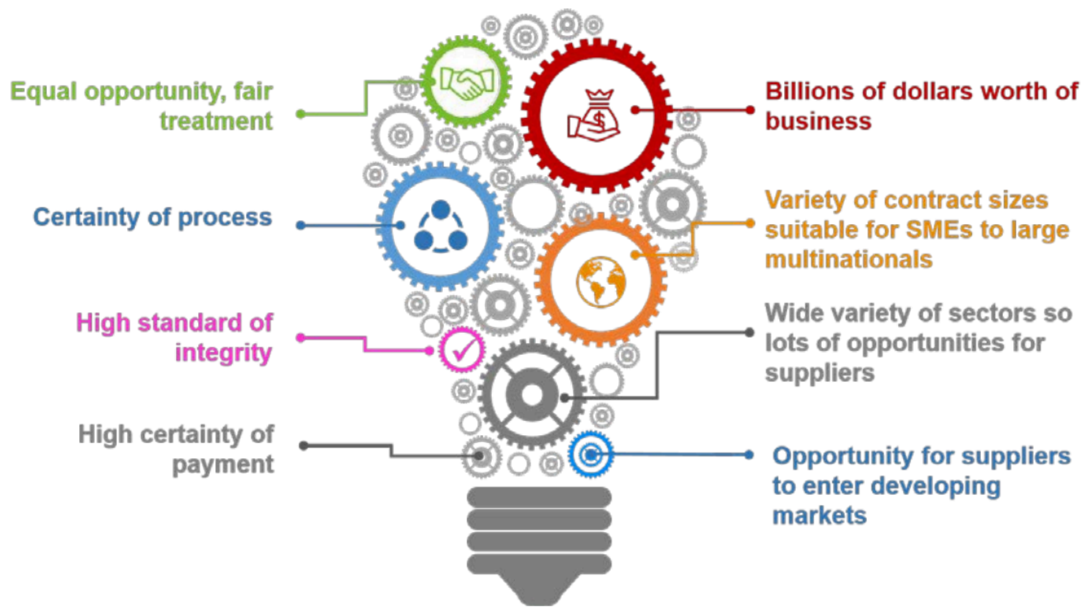


***Figure 1 reproduced from the 2018 World Bank Procurement Guidelines.*

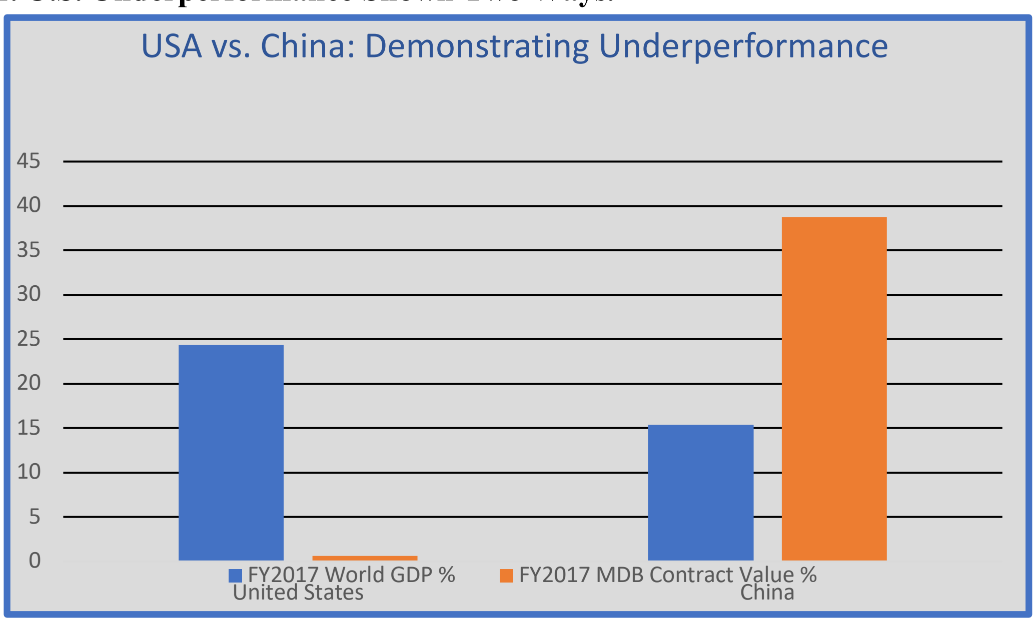
Current U.S. Participation: Defining the Problem

As of a 2011 CRS report, only 1.5% of contracts are known to have been awarded to U.S. companies. More recent CRS reports on the same subject give little more information, ranging from a figure of less than 1% to not giving a figure at all (CRS, 2018-B). The most recent World Bank annual reports give the most detailed account available of countries' participation in the multilateral development market. The report indicated that the United States was awarded about 1.9% of the bank's prior-review contracts in 2017. Looking at the dollar value of contracts won provides a much more provocative outlook at this problem with nearly $30 billion in total contracts awarded in fiscal year 2009 and nearly $11 billion in just prior-review contracts. In 2017, the U.S. only won 0.59% of the $10.58 billion awarded in prior-review contracts. By contrast, each of Turkey and Vietnam won double the dollar value on half and one-third of the number of contracts, respectively. This further shows that the contracts that U.S. businesses are currently winning are less lucrative than those of far smaller economic competitors. *2018 data pending.*

However, this is not a fully accurate measure because it only accounts for prior-review contracts, a small subset of total bank contracts that surpass a certain threshold in value. That value varies depending on contract type and risk assessments according to World Bank policies, but the types of contracts which this project will examine are valued over $5 million. However, many smaller contracts are awarded below this threshold. According to World Bank terminology, these are called ex-post review contracts and are reviewed after awarding. These contracts are not entered into their procurement systems, so no firm nationality data is available for them, clouding the true amount of U.S. participation. The World Bank data is the most consistently published and reliable though, and the percentage of U.S. prior-review contracts will be extrapolated to assess total U.S. participation for the purposes of this project.

While the financial opportunity is enormous, U.S. participation is relatively low, especially in contrast to the U.S. share of global GDP. The U.S. GDP of $19.39 trillion in 2017 was nearly one quarter of the global GDP, which totaled just over $80 trillion. In all likelihood, it would be unlikely that the U.S. receives one quarter of the number of contracts. The largest number of prior-review contracts awarded to any single country was only 5.2% of the total. These contracts were awarded to one of the main international economic competitors of the U.S. - China. However, these Chinese-won contracts amounted to 38.8% of the $10.58 billion awarded in 2017 (World Bank, 2018).

Figure 2. U.S. Underperformance Shown Two Ways.



Current Policy

The U.S. does not currently have a coherent national strategy for winning multilateral development contracts. Currently, many private businesses interested in doing international work have their own internal departments devoted to making the necessary connections and finding the relevant information to bid on projects. The U.S. Commercial Service (USCS) within the Department of Commerce's (DOC) International Trade Administration (ITA) is looking at ways to expand the U.S. presence in the multilateral development market. Primarily, they began planning a series of regional events to connect U.S. private business to MDB liaisons in an effort to increase awareness of MDB opportunities and introduce companies to the procurement process. The first of these events, planned for October 2018 in Orlando, was canceled before planning fully commenced. USCS has also begun releasing procurement information in monthly newsletters. However, there are concerns over informational accuracy and one potential method to provide the correct information to businesses is to send a very particular set of document types that contain important project information and submission dates.

Informational Accuracy Strategy

Further, many USCS newsletters point U.S. businesses to sign up for email alerts from each MDB about procurement opportunities. However, after reviewing the content of these emails, it is clear that most of these email alerts do not contain the most important and relevant documents to the bidding process, but provide details and reports about previous projects' procurements and evaluations. After further research, there are four clear types of documents needed in order to know what projects are available and how to bid on them: the Monthly Operational Summary (MOS), the Expression of Interest (EOI), the General Procurement Notice (GPN), and the Specific Procurement Notice (SPN).

Getting these documents out to interested businesses would ensure that the most relevant information is reaching the potential U.S. participants in the bidding process. Currently, each bank publishes their own procurement documents and guidelines on their website. However, many have also partnered with outside multinational organizations to more widely disseminate the information. Perhaps the best example is United Nations Development Business (UNDB), which has partnered with the five major development banks (See Appendix C below) as well as ten other large regional development banks, the Millennium Challenge Corporation, and several additional national governments and publishes the above documents to their annual subscription service.

Coherent Policy in Action

China, one of the most successful countries at winning MDB funding for overseas projects, currently has a very coherent national strategy. The Chinese government provides huge loans and subsidies to their companies, allowing them to out-bid the rest of the market, and win the contract. This is part of President Xi Jinping's larger Belt and Road Initiative, designed to increase Chinese influence worldwide and open further trading connections with the developing world. The U.S. has accused China of predatory business practice in this regard, intentionally trapping those developing countries in debt to seize important assets like ports and canals. The Trump administration has announced an initiative to try to compete, but this initiative only consists of "streamlining international development and finance programs, giving foreign nations a just and transparent alternative to China's debt-trap diplomacy," according to an October speech given by Vice President Mike Pence. (Wong, 2019)

Since the speech, Congress has passed the BUILD Act of 2018 as an effort to consolidate separate government entities each working towards increasing the U.S. development finance presence. (Saldinger, 2018) The Act merges the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA), forming the new International Development Finance Corporation (IDFC). (CRS, 2019) The Act also doubles the budget for the new organization from OPIC's $30 billion to $60 billion. (Johnson, 2018) This consolidation should take place over the coming year, with several other organizations taking budget cuts in order to further streamline development finance capacities into the IDFC. However, this legislation is designed to make the U.S. more competitive for development finance opportunities around the world.

This could make U.S. participation in the MDB procurement process more difficult as the administration shows more commitment to this type of bilateral effort rather than multilateral ones such as the World Bank. This also has the potential to affect informational accuracy, as the USCS website's trade lead search function directs users to U.S. Trade and Development Agency (USTDA) information. The USTDA, according to their annual executive budget request for FY2019, has requested "wind-down funds" in order to begin cutting operations according to the President's vision. As USTDA begins executing this directive, it could have a significant negative impact on the information that makes it into the USCS trade lead search.

Despite this effort, more can still be done to enhance the U.S. presence in the multilateral development market. Doing so would promote U.S. commercial interests by emphasizing new opportunities for U.S. businesses, decreasing the trade deficit, and helping us compete with China in a rapidly growing world economy.

Evaluative Criteria

Each alternative that I propose below will undergo a rigorous evaluation against a predetermined set of evaluative criteria in order to decide which alternative shows the most promise toward alleviating the problem. These criteria include:

- Cost,
- Effectiveness,
- Political Feasibility, and
- Administrative feasibility

Cost and Effectiveness

These criteria will be measured in U.S. dollars over five, ten, fifteen, and twenty year terms. Absent a strong base of causal research from other countries showing what results similar alternatives reached, I have estimated low and high projections of won contract value for each alternative. These projections will be discounted over the time frames at both the three and seven percent levels in order to estimate true cost over time.

Each alternative's projections are based partly on their ability to gather publicity as an opportunity. Higher publicity is assumed to generate more participation and higher participation is assumed to generate more won contract value. Publicity will be rated on a high/medium/low scale.

Total cost and effectiveness will therefore be evaluated over shorter and longer term intervals. Evaluative preference will be given to alternatives that demonstrate sustainability through lower longer term cost and higher longer term effectiveness. At the end of evaluation, alternatives' cost and effectiveness will be compared to each other.

Political Feasibility

This criterion will estimate the ability of the alternative to gather support from the political branches of government. Differences of opinion could exist between Congress and the President on the same alternative. Even each House of Congress may have a differing opinion on an alternative given the nature of divided government at this time. This criterion will be estimated on a high/medium/low scale and will be graded relative to each other on conclusion of the evaluation.

Administrative Feasibility

This criterion will estimate the ability of USCS and, to a lesser extent, the federal government as a whole to manage the policy created by the alternative. Staffing and contracting requirements, interdepartmental communication, and cooperation with external organizations will all factor into each alternative's overall score on a high/medium/low scale. The alternatives will be graded against each other at the conclusion of the evaluation.

Alternative Policy Solutions

I review four policy alternatives to address the problem of U.S. participation and wins in MDB procurement processes:

- **Phased corporate tax incentive working with a Congressperson or Congressional Committee to have a bill proposed on your behalf**
- **Grants to pursue contracts**
- **Scale-up events with MDB liaisons to the national level**
- **Let present trends continue with the BUILD Act and IDFC integration**

Each alternative should be considered alongside a cooperative strategy with UNDB in order to get the most accurate and relevant information to interested U.S. businesses. While unclear to what extent, informational inaccuracy is likely contributing to the low level of participation right now and needs to be addressed regardless of the final alternative chosen. Ideally, this cooperation would be some kind of partnership that either provides USCS with information to disseminate, like MOSs and EOIs, or some type of annual payment that would make the UNDB service free to access as a U.S. business. This broad recommendation will be analyzed more thoroughly in the *Let Present Trends Continue* section.

Phased Corporate Tax Incentives

This alternative takes the current federal 20% corporate income tax rate and adjusts it after five, ten, and twenty year periods in order to create an incentive to enter the MDB procurement market. The alternative would be put together like this:

- Years 1-5: Federal Corporate Income Tax Rate for income earned on MDB contracts drops to 0%.
- Years 6-10: Federal Corporate Income Tax Rate for income earned on MDB contracts increases to 5%.
- Years 10-15: Federal Corporate Income Tax Rate for income earned on MDB contracts increases to 10%.
- Perpetuity: Federal Corporate Income Tax Rate for income earned on MDB contracts increases to 15%.

The goal of this program is to use free market incentives to encourage businesses to bid on MDB contracts. Five years of tax free MDB contract income is a high-publicity way to show companies the bottom-line benefit of participation in this market, while incremental increases thereafter allow the government to regulate market growth and ensure that tax dollars do eventually result from the increased market presence U.S. businesses have.

Costs:

The most complete estimation of the costs incurred by this tax program is represented by the opportunity costs associated with foregone tax revenues. USCS has established relationships with members of Congress and the Presidential administration that should allow them to work towards its enactment without incurring any direct costs for lobbying and the program's management would not require any additional staff or funding. Costs of the informational partnership with UNDB were not added to the total cost in order to make meaningfully clearer comparisons between the other programs.

The total opportunity costs were calculated over a twenty year period by adding the first five years to the next five, those ten to the next five, and the fifteen year period added to the last five years. This fully accounts for the phase-in of taxes in those benchmark years. Each benchmark was cumulatively discounted at a 0%, 3%, and 7% rate.

Over the shorter term, these costs can range between $969.6 million and $5.44 billion over five years. Over the longer term, these costs can range between $1.89 billion and $10.6 billion over ten years, $2.76 billion and $15.5 billion over fifteen years, and $3.59 billion and $20.13 billion over twenty years, depending on the discount rate chosen.

Effectiveness:

Tax incentives have strong visibility and any tax changes generate a lot of publicity. An incentive program of this magnitude should thus be able to spur a significant amount of new participation in the MDB procurement market. It is assumed that effectiveness will remain constant over the time period of the analysis, only falling into one of the two estimations year over year. This means that it is calculated such that all twenty years of the calculation will follow either the high or the low estimate, and not change from one to the other in year seven, for instance. Effectiveness is measured using static scoring at a 2% share of won contract value and an 8% share of won contract value, discounted at the benchmark years at 0%, 3%, and 7% rates.

Over the shorter term, effectiveness can range between $969.6 million and $5.44 billion over the first five years, fully overlapping the estimated opportunity costs at a 0% corporate income tax rate. Over the longer term however, the phase-in of taxes at the benchmark years generates some revenues, so the effectiveness begins to fully exceed the costs over the longer term. It can range between $1.38 billion and $10.88 billion over ten years, $1.48 billion and $16.32 billion over fifteen years, and $1.41 billion and $21.76 billion over twenty years.

Political Feasibility:

The passage of the BUILD Act in October 2018 demonstrates a commitment to bilateral development finance. Political will to enact major multilateral-focused tax legislation will therefore likely be low. However, there is a small chance that this represents a window of opportunity to act on development finance broadly. Multilateral legislation could now fill a crucial gap in our development finance programs as a key policy change to combat China's recent dominance of development finance.

The Trump administration has also demonstrated consistent hostility towards U.S. multilateral commitments. Trying to get President Trump to approve of further U.S. involvement in multilateral institutions will not be an easy task. There is a chance he could approve if this program were framed as a tax cut to promote economic growth. Overall, however, it remains unlikely that this program will pass through the necessary political channels to be viable right now.

Administrative Feasibility:

Administratively, this alternative is easy to implement for USCS. Once decided upon, this alternative would only require some initial lobbying of members of Congress to sponsor the legislation. Tax receipts would be collected by the Internal Revenue Service (IRS).

Grants to Pursue Contracts

This alternative would create a program within USCS whereby U.S. companies can competitively bid for grants to make their bids for MDB contracts more competitive. The grants could come in varying sizes, covering 20% of any contract size, allowing companies to reduce their bids and make them more competitive for the bank to choose.

If successful, some of the money will be returned to the government through corporate income taxes. If unsuccessful, the grant will be treated more like a bank loan, expected to be paid back in full, according to inflation rates, over five years.

Cost:

Costs of the grants program, much like the costs of the tax program, are based in large part on the effectiveness of the program. With 20% of won contract value covered by the grants, these estimates of cost depend on the estimates of effectiveness. Costs of failed bids are excluded because they will be paid back, making the program neutral in that respect over the coming five years. Costs of the informational partnership with UNDB were not added to the total cost in order to make meaningfully clearer comparisons between the other programs.

Using the same five year benchmarks and projecting out to twenty years, estimates are discounted at 0%, 3%, and 7% levels.

Short term costs can range from $104.6 million to $652.8 million over the first five years. Longer term costs can range from $166.6 million to $1.46 billion over ten years, $181.1 million to $2.28 billion over fifteen years, and $170.1 million to $3.1 billion over $20 years, depending on discount rates.

Effectiveness:

A grant program on this scale would be able to gather a lot of publicity, which would act to generate a lot of new participation in the MDB procurement market. However, reflecting that the publicity would likely be slightly lower than that of the tax incentives, the low effectiveness estimate is a 1.5% share of won contract value and the high effectiveness estimate is a 6% share of won contract value. These are calculated cumulatively over twenty years at 0%, 3%, and 7% discount rates and benchmarked at five year intervals.

Short term effectiveness can range from $727.2 million to $4.08 billion over five years. Longer term effectiveness can range from $1.03 billion to $8.16 billion over ten years, $1.11 billion to $12.24 billion over fifteen years, and $1.05 billion to $16.32 billion over twenty years.

Political Feasibility:

Similar to the tax incentive program, a grant program would likely not succeed with either the Trump administration or Congress. Not only would political will be lacking due to the recent passage of the BUILD Act, but the current Republican-dominated Senate would likely see this program as government unreasonably stepping into a private market, making it even more unlikely to pass.

Administrative Feasibility:

The grant program would be very challenging to run internally at USCS. Recent budget and personnel cuts would leave remaining staff with the tasks of managing the size and scope of the grants issued, monitoring the status of bids, and collecting returns on failed bids.

National Scale-Up of Events with MDB Liaisons

Another promising tactic involves hosting an annual series of nationwide events with MDB liaisons to allow them to speak about procurement processes and current opportunities. USCS could host a series of six national-scale events at the Convention Center in Washington, D.C. The first event would be dedicated to the World Bank and each of the next five would be dedicated to one of the five major regional development banks.

These events would be two days long, covering Friday and Saturday. This would allow companies to be introduced to the procurement processes of the banks and build rapport with the liaisons. Companies would be able to register for these events free of charge.

Cost:

Costs of the events program are based on the $5,000 listed price for a Friday-Saturday buyout of the D.C. Convention Center, with events held six times per year. Costs of the informational partnership with UNDB were not added to the total cost in order to make meaningfully clearer comparisons between the other programs. Event costs were projected out to twenty years at 0%, 3%, and 7% discount rates and benchmarked every five years.

Short term costs range between $76.9 thousand and $120 thousand over five years. Longer term costs range from $122.5 thousand to $270 thousand over ten years, $133.1 thousand to $420 thousand over fifteen years, and $125 thousand to $570 thousand over twenty years.

Effectiveness:

Publicity for an events program of this nature would depend in large part on the ability to advertise for it. Therefore, its effectiveness is hindered by that ability. The low estimate of effectiveness is a 0.8% share of won contract value and the high estimate is a 4% share of won contract value. Effectiveness is calculated cumulatively over the twenty year period discounted at 0%, 3%, and 7% rates and benchmarked at five year intervals.

Short term effectiveness estimates range between $387.8 million and $2.72 billion over five years. Longer term estimates of effectiveness range between $553.1 million and $5.44 billion over ten years, $591.5 million and $8.16 billion over fifteen years, and $562.3 million and $10.88 billion over twenty years.

Political Feasibility:

Since a smaller-scale version of this program has been planned, a demonstration of its success could justify a request for a budget increase to expand it and scale-up to national events.

Administrative Feasibility:

These events would require some logistical legwork such as planning the itineraries, advertising the events and inviting companies, and coordinating with MDB liaisons for availability. Planning is aided by the fact that the events will be held ins D.C., just blocks from USCS headquarters.

Let Present Trends Continue with the BUILD Act

The BUILD Act is relatively new and its integration of OPIC and USAID's DCA remains incomplete. However, the new organization will merge their functions and will act as the U.S.'s own development finance authority, taking bids from U.S. companies and offering contracts to perform overseas development projects, much like an MDB. Perhaps if present trends continue, this initiative could promote economic growth in much the same way as an increase in MDB contracts.

Cost:

Costs for letting present trends continue are based upon the costs of informational partnership with UNDB, which are estimated to be $10,000 annually, due to UNDB's subscription model. Discounting at 0%, 3%, and 7% rates at five year benchmarks over twenty years yields the cost estimates for this policy.

Short term costs are estimated to range between $35.6 thousand and $50 thousand over five years. Longer term costs are estimated to range between $50.8 thousand and $100 thousand over ten years, $54.3 thousand and $150 thousand over fifteen years, and $51.7 thousand and $200 thousand over twenty years.

Effectiveness:

Without significant advertising action, simply dispersing more accurate information would generate little publicity, which is reflected in effectiveness estimates for this policy. The low estimate is a 0.6% share of won contract value and the high estimate is a 3% share of won contract value.

Short term estimates of effectiveness range between $290.8 million and $2.04 billion over five years. Longer term estimates range between $414.8 million and $4.08 billion over ten years, $443.6 million and $6.12 billion over fifteen years, and $421.7 million and $8.16 billion over twenty years.

Political Feasibility:

Given the current political climate with the passage of the BUILD Act, this policy would have high political feasibility as it would not require significant action from the political branches of government.

Administrative Feasibility:

This policy would have high administrative feasibility as well, only requiring USCS to pay for the UNDB information and disseminate it through pre-existing nationwide offices to interested client companies.

Outcomes Comparison Table

Figure 3. Outcomes Matrix.

	Publicity	Short-Term Costs (5yr)	Long-Term Costs (15yr)	Short-Term Effectiveness (5yr)	Long-Term Effectiveness (15yr)	Political Feasibility	Administrative Feasibility	Overall Rank
Option 1: Phased Corporate Tax Incentives	HIGH	**$969.6 M - $5.44 B in foregone revenues - $0 in direct cost	**$2.67 B - $15.5 B in foregone revenues - $0 in direct cost	$969.6 M - $5.44 B	$1.4 B - $16.32 B	LOW	HIGH	**3**
Option 2: Grant Program	HIGH	$104.6 M - $652.8 M in direct costs	$181 M - $2.28 B in direct costs	$727.2 M - $4.08 B	$1.11 B - $12.24 B	LOW	LOW	**4**
Option 3: Scale-up Events	MEDIUM	$76.9k - $120k in direct costs	$133.1k - $420k in direct costs	$387.8 M - $2.72 B	$591.5 M - $8.16 B	MEDIUM	MEDIUM	**1**
Option 4: Let Present Trends Continue + UNDB	LOW	$35.6k - $50k in direct costs (from UNDB)	$54.3k - $150k in direct costs (from UNDB)	$290.8 M - $2.04 B	$443.6 M - $6.12 B	HIGH	HIGH	**2**

**The cost figures for the Tax Incentives are represented by foregone tax revenues. There is zero direct cost to USCS, as indicated.

Recommendation and Implementation

Given the current political and administrative environment, I recommend a national scale-up of the events program. Based off of my estimates, U.S. participation in the MDB procurement market would appreciably grow through the implementation of this alternative at both the high and low effectiveness estimates. Additionally, coordinating these national events in D.C. just blocks from the USCS headquarters would be at least as administratively feasible and more politically feasible than both the tax incentives and the grant program.

Implementation

Since a smaller scale program already has a foothold in the Departmental budget, a demonstration of success would help to justify the increase in the next fiscal year's budget. Once this is done, the events should be planned with input from MDB liaisons for a Friday and Saturday in each of January, February, April, September, October, and November. These months have the least amount of conflict with business cycles for holidays. The Convention Center can be quoted online after a simple google search for "D.C. Convention Center rental." After dates are set and the convention center is rented, USCS should advertise the event and invite companies to attend.

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Appendix A

America's Role in a Changing World

After the fall of the Soviet Union in the late 1980s and into the early 1990s, the United States had no enemy or political rival for the first time since the beginning of World War II. However, the United States adopted an interventionist foreign policy strategy, believing that it was in the United States' and the world's best interest if the U.S. acted as a global force for good. At the dawn of the 21st century, Washington has adopted a rather incoherent foreign policy strategy. The U.S. invaded Afghanistan and Iraq, but was slow to act regarding the Syrian Civil War. Current Secretary of State Mike Pompeo gave a speech in which he suggested that the U.S. should step back from multilateralism that does not serve its interests. Such a strategy cuts at the heart of the current international state of affairs with its man treaties, alliances, institutions (Pompeo, 2018). However, as the 2000s continue, many Americans find themselves questioning whether such a haphazard strategy is wise to keep going forward. Author and foreign affairs strategist Ian Bremmer's book, *Superpower: Three Choices for America's Role in the World* thoroughly describes the most prominent ideological foreign policy strategies of today.

The first he calls "Independent America" and it is characterized by relative isolationism compared to prior years. He describes it as "leading by example" rather than taking responsibility for others' problems.

The second he calls "Moneyball America," which is characterized by being more selective about interventions than the U.S. has been in the past. He delineates a line of thinking that says Washington cannot meet every international challenge, but "can and should focus on opportunities to defend U.S. interests."

The third he calls "Indispensable America," whereby the U.S. asserts itself internationally. He says that proponents argue that America is the only power capable of "defending the values on which global stability increasingly depends."

Ultimately, he presents arguments for and against each of these strategies, but finishes with a call to action for our foreign policymakers. "Washington can no longer improvise a foreign policy without a lasting commitment to a coherent strategy." (Bremmer, 2015)

Appendix B

The Inception of International Development – The Marshall Plan

After the end of World War II, war torn Europe was in dire conditions and needed reconstruction. In a speech to the 1947 graduating class of Harvard University, Secretary of State George C. Marshall called for a comprehensive strategy to rebuild Europe. (U.S. Dept. of State, 2018) Passed into law as the European Recovery Program (ERP), the Marshall Plan was Title I of the Economic Cooperation Act and codified U.S. investment into international development. U.S. funding eventually exceeded $12 billion for reconstruction efforts in Western Europe, or about $100 billion in 2016 dollars. According to United Nations Development Business (UNDB), international development is a multi-billion dollar per year industry. (UNDB, 2000)

Appendix C

Founding the World Bank and Other MDBs

World Bank
The Congressional Research Service writes, "The World Bank is the oldest and largest of the MDBs." After the Bretton Woods Conference in 1944, the World Bank's first component, the International Bank for Reconstruction and Development (IBRD) was formed and its articles of agreement were signed in 1945. With 186 member countries, its membership is near universal. It lends mostly to middle income countries. The later components, International Finance Corporation (IFC) and International Development Association (IDA) were formed in 1955 and 1960 respectively to finance private business in developing countries and provide concessional loans to the poorest countries, respectively.

Inter-American Development Bank (IDB)
The IDB was created to respond to Latin American needs and help prevent the spread of communism in the Latin American countries. As a result of these goals, and in particular the second being a strong U.S. interest, this bank has tended to focus on social projects over large infrastructure ones since its creation in 1959, although infrastructure lending does occur.

African Development Bank (AfDB)
Founded in 1964, the AfDB only allowed African nations to be members for nearly two decades before allowing non-regional members in 1982. One of their funds, the African Development Fund (AfDF) was opened to non-regional members earlier and the U.S. joined in 1976. The bank's main goal was to promote stronger unity and cooperation among the countries of the African region.

Asian Development Bank (AsDB)
In 1966, this bank was founded with a similar goal of regional cooperation to the AfDB. However, unlike the IDB, the AsDB had an original mandate that focused it onto large infrastructure projects over smaller social projects or direct poverty alleviation.

European Bank for Reconstruction and Development (EBRD)
The EBRD was founded in 1991, the most recent of the major MDBs. It was created in response to the collapse of the Soviet Union to "ease the transition of the former communist countries of Central and Eastern Europe (CEE) and the former Soviet Union from planned economies to market economies." (CRS, 2011) The distinguishing feature of this bank is that its mandate is to support democracy building activities, making it the only bank with an explicitly political mandate.

Evolution of Multilateral Development Strategy

Dennis Rondinelli, a Professor of International Business at the University of North Carolina at Chapel Hill, argued in a 1993 book that development project administration needed change. During that time, they struggled with project success and accountability. He emphasized a need to treat development projects as policy experiments, and use an adaptive approach to development. In other words, the multilateral institution should tie policy changes (usually regarding government accountability) into the contract that would make the project more effective by creating a positive environment in the developing country, enhancing the chances for project success. (Rondinelli, 1993)

Appendix D

Rationalizing U.S. Foreign Aid

Over the 70 years since the Marshall Plan (see Appendix B) brought foreign aid into prominence, there have been three major publicly used rationales for continued foreign assistance according to the Congressional Research Service (CRS):

- National Security
- Commercial Interests
- Humanitarian Concerns

National security interests have ranged from preventing the spread of communism in order to protect U.S. bases in Europe to middle east peace initiatives and democracy building activities after the fall of the Soviet Union to counterterrorism initiatives with global partners since the September 11, 2001 terrorist attacks. Global development as a national security strategy has bipartisan support, and both the Bush and Obama administrations used national security as one justification of foreign aid spending. Humanitarian concerns is one of the most popular rationales for the American public and politicians alike. Short-term disaster assistance and longer-term development initiatives like poverty alleviation measures are common forms of humanitarian assistance in the foreign aid budget. Commercial interests have also been used to justify foreign aid spending based on the argument that it creates new markets for U.S. goods or simply improves the international economic environment in which U.S. companies participate. This project will look for creative ways to advance U.S. commercial interests through the multilateral development market (CRS, 2018).

A 2006 State Department initiative attempted to streamline foreign aid objectives into five categories: (1) peace and security, (2) investing in people, (3) governing justly and democratically, (4) economic growth, and (5) humanitarian assistance. The State Department and USAID now use this formatting in their formal foreign operations budget request (CRS, 2018). While this project uses the “commercial interests” rationale as its basis for action, these objectives are nonetheless important to consider because they focus current U.S. intervention on specific sets of international situations.

Bilateral vs. Multilateral Aid

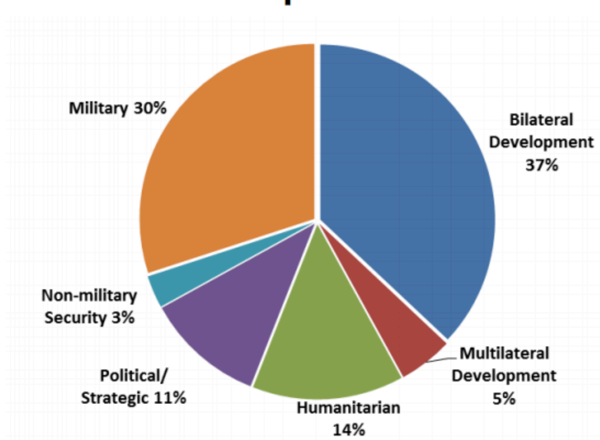
Bilateral aid is defined as aid given directly from the government of one country to the government of another while multilateral aid comes from numerous governments and is usually pooled by an organization such as the World Bank or United Nations (UN). Multilateral aid is significantly different in that aid dollars do not come from any specific country, rather the pooled money is disbursed by the multilateral institution. Bilateral aid gives donors more control over where money goes and how it gets spent. It may be able to better serve strategic partnerships by allowing for countries to give money to others that are not facing great development needs, which could create more goodwill between countries. (Kilmister, 2016) While not providing these benefits as clearly, multilateral aid comes with the added benefit that accountability for projects falls on the multilateral institution, allowing for politically sensitive initiatives favored by one country to be more freely undertaken because the funding comes from multiple sources. These institutions also contract with private companies in order to complete projects, further insulating any singular government from funding decisions. Further, usage of multilateral aid options symbolizes U.S. leadership in a global economy through active participation in multinational institutions. Too much emphasis on bilateral aid can run the risk of being perceived as imperialist in a U.S. dominant economy. This project focuses on U.S. private business participation in the multilateral development market through winning the contracting opportunities that the institutions seek.

Appendix E

U.S. Foreign Aid Budget

The most recent data available on the USAID foreign aid explorer shows total disbursements of $47 billion to 212 countries or regions in Fiscal Year (FY) 2017. (USAID, 2018) A typical breakdown of U.S. foreign aid spending is shown from FY2016 in Figure 1 below:

Figure 1. FY2016 Aid Program Composition



Source: USAID Explorer; CRS calculations.

As shown in Figure 1, bilateral development comprises the largest share of the U.S. foreign aid program at 37% ($18.3 billion) while multilateral development only has a share of 5% ($2.6 billion). (USAID, 2018)

Impacts on Developing Countries

The effectiveness of foreign aid at achieving its goals is one of the most heavily debated subjects in politics and public policy. Most academic reviews of foreign aid examine total foreign aid provisions, including both bilateral and multilateral aid. Results of these studies are mixed, and the CRS notes that these results range from:

a) Aid is ineffective at promoting economic growth, to
b) Aid is effective at promoting economic growth, to
c) Aid is effective at promoting growth in some countries under specific circumstances (CRS, 2011)

These varying results make it difficult to reach conclusions about the efficacy of foreign aid as a whole and even more so for multilateral aid independent of bilateral aid.

Success of Development and Foreign Aid

Angus Deaton's *The Great Escape* summarizes the vast successes of development on the whole, arguing that development has greatly increased quality of life. (Deaton, 2015) On Bill Gates' personal blog, he reviews the book, corroborating the significance of the research Deaton presents. (Gates, 2014)

Further Jeffrey Sachs' book, *The End of Poverty,* argues that developing nations could be lifted out of extreme poverty by 2025 through meticulously planned international development aid assistance. He argues that this will help them reach a baseline from which upward mobility is possible. (Sachs, 2005)

Criticisms of Foreign Aid

Outside of those concerns over effectiveness, further criticism is directed broadly at multilateral aid organizations and government aid agencies. They are accused of focusing too much on spending money rather than delivering services, emphasizing short term administrative outputs like reports and frameworks at the expense of longer term activities like project evaluation, their lack of transparency about operating costs and how they spend their aid money, that they place enormous administrative demands on the governments of developing countries, and that their aid is given to corrupt leaders and spent ineffectively. (CRS, 2011)

Despite its overwhelming support for economic development, Deaton's book actually criticized foreign aid, claiming that it is not the path to sustainable development, going so far as to say that aid actually inhibits development. (Deaton, 2015) Gates, in his blog, vehemently disagrees, arguing that "in one chapter, Deaton dismisses people who think they know why countries fail to grow. In the next, he asserts that countries fail to grow because of aid." He further asserts that Deaton fails to consider differing types of aid and their various purposes. (Gates, 2014)

In a further criticism of effectiveness, economist and former World Bank employee William Easterly wrote a book titled *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good.* In it, he argues that foreign aid in both of its forms has historically failed to actually reach the poor it intended to help and that our aid agencies have a history of ineptitude. (Easterly, 2015)

A Moral Argument for Foreign Aid

Peter Singer, in his now famous article, *Famine, Affluence, and Morality,* makes a strong argument that foreign aid should not be a political question, but a moral one. He equates development of impoverished countries to helping a little boy drowning near you. In both instances, you have the ability to help, albeit in different ways, but the ability necessitates action. Since we have the ability to help develop impoverished countries through foreign aid, we must help.

Appendix F

Project Procurement as an Operational Model of MDBs

Multilateral Development Banks (MDBs) are the main vehicle through which multilateral aid is spent. These international institutions pool donor funds to use on large projects. The U.S. is a member of the World Bank and five regional development banks (see Appendix C). While each MDB may have a different explicit mission and different methods of working toward the goal they describe, they each share an international procurement process for contracting their projects. The World Bank outlines its project cycle in the following six steps:

1. **Identification –** selection of feasible projects by the bank and its borrowers that support national and sectoral development
2. **Preparation –** borrowing country or agency examines the technical, institutional, economic and financial aspects of the project; bank provides guidance or funding for preparation
3. **Appraisal –** bank staff review all aspects of the project and prepare a report to serve as the basis for negotiations with the borrower
4. **Negotiations –** discussions with borrower on measures needed to achieve success; agreements are formed in loan documents and presented to the Executive Directors of the bank for approval
5. **Implementation and Supervision –** borrower is responsible for implementation and the bank supervises the process; procurement for goods and works must follow official bank guidelines
6. **Evaluation –** independent department of the bank reviews the completion report and prepares its own audit of the project to provide lessons for future projects (World Bank, 2000)

Appendix G

Key Procurement Documents

Monthly Operational Summary (MOS)

Each bank publishes one MOS each month. It is an authoritative list of the projects that each bank is considering or has approved moving forward. These projects are at the earliest stages of the process, and getting involved in them at this point in time is known to be especially helpful in winning the contracts when they appear for procurement.

Expression of Interest (EOI)

Once in the MOS, MDBs generally request EOIs from interested companies in order to gauge the possibility of successful project completion. If enough interest is seen, the project usually will move forward into the procurement and execution stages of the project cycle. See Appendix F for more information on the project cycle.

General Procurement Notice (GPN)

The GPN is published as a first formal notice that the bidding process is beginning. It usually establishes due dates and procedures for bidding.

Specific Procurement Notice (SPN)

The SPN is the most actionable of these three documents. These are formal requests for bids on each specific component of the larger project. For instance, a bridge project would procure the raw materials from one company, the engineer consulting from another, and the actual construction supplies and workers from a third, each with their own SPN and unique requirements and goals.