DEPARTMENT OF COMMERCE

International Trade Administration

RIN 0625–ZA05

Market Development Cooperator Program

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of Funding Availability.

SUMMARY: The International Trade Administration (ITA) of the U.S. Department of Commerce (the Department) requests that eligible organizations submit proposals (applications) for the fiscal year (FY) 2003 competition for Market Development Cooperator Program (MDCP) awards. ITA creates economic opportunity for U.S. workers and firms by promoting international trade, opening foreign markets, ensuring compliance with U.S. trade laws and agreements, and supporting U.S. commercial interests at home and abroad.

Through MDCP cooperative agreements the Department works with export multiplier organizations providing technical and financial assistance which these organizations match. Export multiplier organizations compete for a limited number of MDCP awards.

Eligible export multipliers include trade associations, state economic development/trade departments, small business development centers, World Trade Centers, chambers of commerce, and other non-profit industry organizations. These export multipliers are particularly effective in reaching small- and medium-size enterprises (SMEs). MDCP awards help to underwrite the start-up costs of new export ventures which export multipliers are often reluctant to undertake without Federal Government support. MDCP aims to develop, maintain and expand foreign markets for non-agricultural goods and services produced in the United States and serves to:

- Challenge the private sector to think strategically about foreign markets;
- Spur private-sector innovation and investment in exporting; and
- Increase the number of U.S. companies, particularly SMEs, taking decisive export actions.

As an active partner, ITA will, as appropriate, guide and assist export multipliers in achieving project objectives. ITA encourages export multipliers to propose projects that (1) best meet their industry's market development needs; and (2) leverage the partnership between the export multiplier and ITA.

DATES: *Public Meeting:* The Department will hold a public meeting to discuss MDCP proposal preparation, procedures, and selection process on Friday, April 4, 2003. The two-hour meeting will begin at 10 a.m. in Room 6059, at the Herbert Clark Hoover Building, 14th and Constitution Avenue, NW., Washington, DC. The Department will not discuss specific proposals at this meeting. Attendance is not required.

Applications: The Department must receive completed applications by 5 p.m. Eastern Daylight Time, Tuesday, May 15, 2003. Late applications will not be accepted. They will be returned to the sender. Applicants must ensure that the service they use to deliver their application can do so by the deadline. Due to recent security concerns, packages and envelopes sent to the Department via U.S. mail have been delayed several days or even weeks. The delays have affected all forms of the U.S. mail, including first-class, priority, and express.

As set forth under *IV.B.2. Number of Copies,* ITA requests one original application, plus seven (7) copies. Applicants for whom this is a financial hardship should submit an original and two copies. Applications should be submitted to the contact below.

FOR FURTHER INFORMATION CONTACT: Mr. Brad Hess, Manager, Market Development Cooperator Program, Trade Development, ITA, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Room 3215, Washington, DC 20230.

Email: *Brad_Hess@ita.doc.gov.*

Phone/Fax: (202) 482–2969/ –4462.

Internet: *http://www.export.gov/mdcp.*

Application Kit: A kit which includes required application forms is available at *http://www.export.gov/mdcp.* A "hard-copy" version is available upon request.

Pre-Application Counseling: Applicants with questions should contact the Department as soon as possible, while continuing to prepare their proposals. The Department will not extend the deadline for submitting applications.

From March 19, 2003 through May 15, 2003, the Department does not counsel potential applicants regarding the merits of projects they may propose in their applications. During this competition period, the Department may respond to potential applicants' questions regarding eligibility, technical issues, procedures, general information, and referral.[1] For example, during the competition period the Department may refer a potential applicant to sources for market research on a foreign market identified by the potential applicant. However, to continue the example, the Department may not comment on the merits of including that market in a proposal, or suggest an alternative market.

SUPPLEMENTARY INFORMATION: *Authority:* The Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100–418, Title II, sec. 2303, 102

[1] Outside of the competition period, the Department is free to counsel potential applicants on the merits of their proposed projects.

Stat. 1342, 15 U.S.C. 4723 and Pub. L. No. 107–38.[2]

Catalog of Federal Domestic Assistance (CFDA): No. 11.112, Market Development Cooperator Program.

I. Definitions of Terms

Several definitions are provided below to assist readers in preparing MDCP applications. These definitions do not supplant or supercede definitions provided in the Department's Grants and Cooperative Agreements Interim Manual (February 2002).

A. Definition of Frequently Used Terms

Several terms used throughout this request for applications have specific meanings that may not be evident. These are defined below.

1. Award Period: The time-span established in the award document during which Federal sponsorship begins and ends. The term "award period" is also referred to as "project period" in 15 CFR part 14.2. Each applicant proposes an award period of up to three years in their application. The award period may be extended. Extensions usually do not exceed 12 months. All extensions must be approved in writing by the Grants Officer.

2. Commercial Service: Formally known as the U.S. and Foreign Commercial Service (US&FCS), the Commercial Service, one of ITA's major program areas, is statutorily mandated to promote exports of goods and services from the United States, particularly by SMEs, and to protect U.S. business interests abroad. It is composed of three main units. Two of these encompass entities whose staff work with or on practically every MDCP project team, namely, the domestic U.S. Export Assistance Centers (USEACs) and the overseas Commercial Service offices.

3. Cooperative Agreement: This legal instrument used for MDCP awards reflects a relationship between the Department and a recipient whenever: (1) The principal purpose of the relationship is to transfer money, property, services, or anything of value to accomplish a public purpose of support or stimulation authorized by Federal statute and (2) substantial involvement (*e.g.*, collaboration, participation, or intervention by the Department in the management of the project) is anticipated between the Department and the recipient during performance of the contemplated activity. Cooperative agreements are subject to the same OMB, Treasury, and other Federal laws and policies as grants. *See* 31 U.S.C. 6305. *See II.B. Administration of Award Activity* below for additional information about the Department's involvement.

4. Cooperator: An export multiplier (see definition below) that wins an MDCP financial assistance award in ITA's annual competition. A cooperator is a "recipient" (*see* definition below) of Federal financial assistance. Cooperator status is valid only for the term of the MDCP award period.

5. Cooperator Event: An export promotion or market development activity undertaken as part of an MDCP project such as a trade mission, a trade show, a technical seminar, or opening a foreign office. Other examples include, but are not limited to, those listed below in *II.A. Examples of Project Activity.*

6. Current or Past Cooperator: An organization that currently has or in the past has had an MDCP project.

7. Domestic Commercial Service Office: A U.S. Export Assistance Center.

8. Export Multiplier: A trade association, state department of trade, and other non-profit that does not export, but helps companies to export. (*See III. Eligibility* below.)

9. Fiscal Year: The fiscal year of the Federal Government. The twelve month period from October 1 through September 30.

10. Overseas Commercial Service office: A Commercial Service unit whose employees are based in U.S. embassies, consulates, or other locations abroad.

11. Industry: The U.S. potential exporters that an applicant's project is designed to benefit. The target group can be very broad or quite specific. One applicant, for example, may define the industry as all U.S. producers of tennis equipment and services. For another applicant, "industry" might refer only to California tennis equipment producers. Another applicant might define its industry as all California companies.

12. Market Access and Compliance (MAC): One of ITA's major program areas dealing with trade negotiations, compliance with trade agreements, and trade policy. MAC professionals often serve on project teams.

13. Office of Planning, Coordination and Management (OPCM): The Trade Development (TD) office that administers the MDCP.

14. Produced in the United States: Having substantial inputs of materials and labor originating in the United States, such inputs constituting over 50 percent of the value of the good or service to be exported.[3]

15. Product: A U.S. non-agricultural good or service.

16. Project: A series of activities proposed in an MDCP application—or, after an MDCP award is made, in an amendment request—and approved by the Department which occurs during the award period.

17. Project Team Leader: A Trade Development employee who coordinates MDCP project activity with a cooperator and serves as the cooperator's primary point of contact with ITA. (*See II. B.1. Project Team* below.)

18. Recipient: A cooperator. The organization that receives an MDCP award.

19. Request for Applications (RFA): **Federal Register** notice announcing the availability of MDCP financial assistance funds.

20. Trade Development (TD): One of ITA's major program areas that looks at all aspects of exporting from an industry perspective. Most project team leaders are TD industry specialists. TD's Assistant secretary makes the final selection of MDCP award winners.

21. U.S. Export Assistance Center (USEAC): A domestic Commercial Service office. USEACs are located across the United States.

22. U.S. Product: See Product and *Produced in the United States* above.

B. Other Definitions

Some terms are best understood in the context of a more detailed discussion. For terms that do not appear above, refer to the RFA section where the term is discussed.

II. Program Description

The goal of the MDCP as set out in authorizing legislation is to develop, maintain, and expand foreign markets for non-agricultural goods and services produced in the United States. Non-agricultural goods and service means goods and services other than agricultural products as defined in 7 U.S.C. 451.[4]

A. Examples of Project Activity

Applicants should propose activities appropriate to the market development needs of the relevant U.S. industry.

[2] Unless otherwise noted, all legal authorities cited in this notice may be accessed via the Internet at *http://www.access.gpo.gov/* or at *http://www.secure.law.cornell.edu/federal/.*

[3] "Trade Mission Application Form" ITA Form 4008P–1 (Rev. 8/97), available from *http://www.ita.doc.gov/ooms/forms.htm.*

[4] This definition includes "agricultural, horticultural, viticultural, and dairy products, livestock and the products thereof, the products of poultry and bee raising, the edible products of forestry, and any and all products raised or produced on farms and processed manufactured products thereof * * *"

Examples from prior years are set forth below.[5] These are provided only for illustration. Applicants are not required to propose any of these activities:

1. Foreign trade show/trade mission participation;

2. Demonstration of U.S. products abroad;

3. Export seminars;

4. Establishment of technical servicing abroad;

5. Joint promotion of U.S. products with foreign partners;

6. Establishment of an overseas office[6];

7. Detail of a representative to a Commercial Service office in accordance with 15 U.S.C. 4723(c);

8. After-sale service training of foreign nationals;

9. Promotion of standards that ensure market access for U.S. products; and

10. Publication of product brochures or a company directory.

B. Administration of Award Activity

As noted above in *I.A.3. Cooperative Agreement,* the Department will have substantial involvement with the cooperator. This involvement results primarily from the activities of the project team.

1. Project Team: To administer each cooperative agreement, a project team is established including key personnel from the cooperator and ITA officials who can help the cooperator achieve MDCP project objectives.[7] Each project team acts as the project's "board of directors" establishing direction, recommending changes when necessary, and working on project activities.

2. Annual Operating Plan: Each year during the award period, the project team formulates an operating plan based on the work plan submitted in the application. The plan identifies project events, projected dates, team responsibilities, and a rough cost estimate for each event and ongoing activity scheduled during the fiscal year (October through September).[8] Applicants do *not* submit annual operating plans in their applications. They are developed only after receipt of an award and designation of the project team.[9]

3. Regular Team Meetings: Project teams normally meet in-person at least every three months. In between the quarterly meetings, project teams usually hold regular telephone or video conferences. Cooperators based in the Washington, DC area usually meet in-person more often than quarterly.[10]

4. Team Participation in Project Activities: Project team members, including the project team leader and other ITA team members, participate as appropriate in project activities. For example, in the past, ITA members of the project team have participated in trade missions, recruited for trade shows, delivered presentations at seminars, and assisted with numerous other aspects of project activity. As noted above in *II.B.2. Annual Operating Plan,* ITA members of the project team pay their own costs associated with their participation.

C. Funding

1. Funding Availability: For FY 2003, the total funds expected to be available for this program are $1.5 million. The Department expects to conclude a minimum of five (5) cooperative agreements. No award will exceed $400,000, regardless of the duration of the award period.

2. Match Requirement: A cooperator must contribute at least two dollars for each Federal dollar received.

a. Cash Contribution: A cash contribution is a new outlay of cooperator funds for project activity. The cooperator can only use its funds—not the funds of a partner or any other entity—as cash contribution.[11] An in-kind contribution is not part of the cash contribution.

(1) One Dollar of Match Must Be Cash: One dollar of a cooperator's minimum two-dollar match must be cash contribution. The other dollar of match may be either in-kind contribution or cash contribution.

(2) Program Income: Project fees generated under the award, like any other source of program income, must be used for project-related purposes during the award period. Applicants should explain any such fees.

(a) Project Benefits and Reasonable Fees: Benefits from the project must be made available to all companies in the industry whether or not a company is a member or constituent of the cooperator or its partner(s). In some situations, a cooperator may charge lower fees to one class of companies than to another. For example, a trade association could charge a lower participation fee to a member company than it does to a nonmember. This is permitted as long as the difference in fees is reasonable.

(b) Cash Match If Value Added: Program income expended on project activity may be counted as cash match, if it represents value added by the cooperator for project activity. This can be illustrated in the example of a company that attends a trade show as part of a cooperator's project. If the company negotiates amounts for its own arrangements with vendors, pays the total amount to the cooperator, then has the cooperator pay the amount to the vendors, the cooperator has added no value. The cooperator cannot claim the fees as cash match.

The same cooperator could claim fees paid by the company for trade show participation, if the cooperator adds value and the fees represent something of value that furthers project goals. For example, the cooperator could create its own trade-show participation package. This might include finding optimal hotel accommodations, securing group airfare, meeting with trade show organizers before the show, and organizing a reception to take place during the show. Such a cooperator package would help determine project success. When companies pay the fees for such a package, they are doing more than getting themselves to a trade show, they are agreeing that the project itself has value. Because the cooperator's package adds value and furthers project goals, the cooperator could charge fees, use the fees to pay project expenses, and claim them as cash match.

(3) Third Party Contributions: In order for a cooperator to outlay cash contributed by a third party, the third party must transfer the funds to the

[5] Visit *http://www.export.gov/mdcp* for a description of each of the MDCP projects funded to date.

[6] Such an office should not duplicate the programs or services of the Commercial Service Office(s) in the region, but could include co-location with a Commercial Center of the Commercial Service.

[7] If needed, representatives from other federal agencies may be invited to participate on the project team.

[8] Some of the planning by ITA team members is affected by the Federal fiscal year. Cooperators should anticipate finalizing their annual operating plans well before October 1.

[9] The annual operating plan is a blueprint for team activity worked out between the cooperator and the project team leader. For example, one activity listed could be a trade mission. In addition to dates and responsibility, the cooperator would list a rough estimate of costs based on the project budget submitted in the application, as amended. (The annual operating plan does not include detailed breakdowns of cost.) In a separate column, ITA's project team leader estimates the amount of ITA administrative funds needed to pay for ITA travel and certain other expenses incurred supporting the mission. (Funding of ITA team members' participation is subject to availability of funds.)

[10] Project team leaders usually request and receive sufficient ITA administrative funds to pay for travel to the cooperator's location for team meetings. Most cooperators make provision in their project budgets to travel to Washington, DC for some of the team meetings in order to familiarize themselves with all of the federal resources available to them.

[11] Recipient cash contributions are defined in 15 CFR part 14, § 14.2(g) as the award "recipient's cash outlay, including the outlay of money contributed to the recipient by third parties."

cooperator. Otherwise, expenditures for goods and services contributed by a third party are considered to be in-kind contributions.

b. In-Kind Contribution: An in-kind contribution is a match other than a cash contribution. Examples include the value of staff time of a partner organization, airfare donated by a U.S. airline, and cash paid by partner organizations for project expenses.

Applicants can claim only the fair market value of the in-kind contribution.[12] In proposed budgets, applicants should list all in-kind contributions separately from cash contributions. Applicants must describe these in-kind contributions in sufficient detail to determine that the requirements of 15 CFR part 14.23(a), or 15 CFR part 24.24 (a) and (b) are met.

Applicants should structure their budgets carefully when expenditures by companies that benefit from project activity are involved. An expenditure by such a company that primarily benefits only that company cannot be claimed as in-kind match.

For example, a company may have made and paid for its own arrangements to attend a trade show that a cooperator has included in its project. The cooperator could not claim the amount paid by the company as in-kind match. The company incurs airfare and other expenses for its own benefit, but not necessarily to accomplish project objectives. Such expenditures are more self-serving than are true in-kind contributions to project success.

This policy should not deter applicants from proposing in-kind match. For example, a cooperator can claim the value of airfare donated by a U.S. airline. Although the airline benefits from goodwill associated with donating the service, it is the cooperator's project that benefits directly when the airfare is used to achieve project objectives. Unlike the company in the example above, the airline does not use the donated airfare itself and thereby benefit directly from it.

c. Minimum Match: An example of the minimum match is set forth below. An applicant requesting $200,000 of Federal funds must supply, at a minimum, $200,000 of cash contribution. As illustrated below, the remaining $200,000 of the required match can be made up of additional cash or in-kind contributions.

Item	Federal share	Cooperator match
Cash	200,000	200,000
Cash or In-kind	.....	200,000
Total	200,000	400,000

d. Cost Share Ratio: The example above establishes a cost-share ratio of two-to-one: two cooperator dollars for each Federal dollar. The cooperator assumes 2/3 of the total cost. In other words, 67 percent of the funding is provided by the cooperator and 33 percent by the Federal Government. This means that the cooperator will receive one dollar for every three dollars in project expenditures.

e. Additional Match: Cooperators may contribute more than two dollars for each Federal dollar; however, as set forth below, this will increase the cost-share ratio.

Item	Federal share	Cooperator match
Cash	200,000	200,000
Cash or In-kind	.....	400,000
Total	200,000	600,000

This example establishes a cost-share ratio of three-to-one: three cooperator dollars for each dollar of Federal funds. The cooperator assumes 3/4 of the total cost. In other words, 75 percent of the funding is provided by the recipient and 25 percent by the Federal Government. This means that the cooperator will receive one dollar for every four dollars in project expenditures.

f. Direct and Indirect Costs: Applicants may claim indirect costs in their project budgets.[13] Generally, direct costs result directly from project activity and usually include expenses such as personnel, fringe benefits, travel, equipment, supplies and contractual obligations. By contrast, indirect costs are generally those costs that are incurred regardless of whether there is an MDCP project. These are often referred to as "overhead" and usually include expenses such as rent, electricity, and gas.

The Department will determine allowable costs on the basis of the applicable cost principles and definitions in OMB Circulars A–21, A–87, and A–122; in 45 CFR part 74, appendix E; and in 48 CFR part 31.[14]

Federal funds may be used only to cover direct costs. The applicant must incur and pay direct costs that equal or exceed the amount of Federal funds. However, any portion of the balance of applicant's match that does not exceed the levels set forth below in *II.B.3. Indirect Cost Rate,* may be used to cover indirect costs.

3. Indirect Cost Rate: If a cooperator does not have a current approved indirect cost rate from another Federal agency, and the Department of Commerce will be the largest funding Federal agency, the Department will work with a cooperator to establish an indirect cost rate. This will not happen until after the applicant has been selected as an MDCP award winner.

Indirect costs are capped by the cooperator's total direct costs or the indirect cost rate, whichever is less.[15] Examples of the two caps are set forth below.

a. Capped by Indirect Cost Rate: In the example below, indirect expenses are limited by the indirect cost rate of 30 percent of direct costs (461,538 × 0.3 = 138,462). This amount is lower than the other possible cap of $261,538, the total cooperator contribution to direct expenses. Accordingly, the cap is the lower amount, $138,462.

Cost	Federal share	Cooperator match
Direct	200,000	261,538
Indirect (30%)	.....	138,462
Total	200,000	400,000

b. Capped by Cooperator Direct Costs: In the example below, indirect expenses are limited by the cooperator's level of contribution to direct expenses instead of the amount calculated with the indirect cost rate. The indirect cost rate of 60 percent of total direct costs yields $240,000 of total indirect costs (400,000 × 0.6 = 240,000). Because this amount exceeds the cooperator's contribution of direct costs of $200,000, indirect costs are capped at $200,000.

Cost	Federal share	Cooperator match
Direct	200,000	200,000
Indirect (60%) (capped)	.....	200,000

[12] For example, a consultant cannot claim $150 per hour for their donated services unless they can demonstrate that they are actually paid that rate by customers for similar work.

[13] A sample calculation of indirect costs is provided in the mock application available at *http://www.export.gov/mdcp.*

[14] Access OMB circulars and forms at *http://www.whitehouse.gov/omb/grants/index.html.* Appendix E referred to on this OMB site is not listed separately. It is found at the end of 45 CFR 74.91, which may be accessed directly at *http://www.access.gpo.gov/nara/cfr/waisidx_99/45cfr74_99.html.*

[15] Information on calculating an indirect cost rate is available at *http://www2.dol.gov/oasam/programs/guide.htm.*

Cost	Federal share	Cooperator match
Total	200,000	400,000

4. Approved Pre-Award-Period Expenditure: As a general matter, cooperators can request reimbursements only for project costs incurred during the award period. However, if proposed in the application, cooperators may expend project funds to attend a cooperator orientation meeting, even if it precedes the beginning of the award period.[16] *See Summary: Dates: Public Meeting* above.[17]

5. Fees for Some Government Services: The Commercial Service participates on each MDCP project team. Applicants should understand that the Commercial Service is required to charge fees to cover costs for many of the services it provides. The policy set forth below applies to Commercial Service resources that are provided as part of MDCP cooperative agreements.

The Commercial Service will provide, as part of the cooperative agreements, a limited amount of reasonable assistance to MDCP cooperators at no charge. The policy set forth below applies to Commercial Service resources that are provided as part of the cooperative agreements.

For assistance that goes beyond the "limited amount of reasonable assistance" as defined below, applicants should make provision in their budgets. To determine the cost for services provided by the Commercial Service, applicants should contact the USEACs or overseas Commercial Service offices. These may be identified at *http://www.export.gov/commercialservice.*

There may be situations that prevent the Commercial Service from providing no-charge services to cooperators. Perhaps the most common example is another event to which the Commercial Service office has already committed its resources.

The definitions below will guide the domestic or overseas Commercial Service offices in implementing this policy.

a. Overseas Commercial Service Offices:

(1) Limited Amount: Cost-free assistance will not exceed two days' Commercial Service effort per cooperator, per country, per year. Direct costs and specially-prepared market research are not included in the cost-free assistance.

(2) No Charge: No fees are collected. The term applies only to indirect costs such as time expended by Commercial Service employees. Cooperators should always expect to pay direct costs, such as hiring an interpreter or transportation.

(3) Reasonable Assistance: This includes appointment making, temporary use of Commercial Service office space, when available, making hotel arrangements, briefing on market conditions, help organizing seminars/conferences, and other similar services worked out between the project team leader and the Commercial Service office.

b. U.S. Export Assistance Centers (USEACs):

USEACs can generally implement the policy as a no-charge extension of normal client support. Most USEAC service to cooperators is provided as part of long-term relationships developed in local exporting communities throughout the United States.

III. Eligibility

A. Definition of Eligible Entity

U.S. trade associations, non-profit industry organizations, and state departments of trade and their regional associations are eligible to apply for an MDCP award. In cases where no entity described above represents the industry, private industry firms or groups of firms, may be eligible to apply for an MDCP award. Such private industry firms or groups of firms must provide in their application, documentation demonstrating that no entity in the first three categories listed below represents their industry.

1. Trade Association: A fee-based organization consisting of member firms in the same industry, or in related industries, or which share common commercial concerns. The purpose of the trade association is to further the commercial interests of its members through the exchange of information, legislative activities, and the like.

2. Non-Profit Industry Organization:

a. A non-profit small business development center operating under agreement with the Small Business Administration; or

b. A non-profit World Trade Center chartered or recognized by the non-profit World Trade Centers Association[18]; or

c. An organization granted status as a non-profit organization under Title 26 U.S.C. Section 501(c) (3), (4), (5), or (6) which operates as one of the following:

(1) Chamber of commerce,

(2) Board of trade,

(3) Business, export or trade council/interest group,

(4) Visitors bureau or tourism promotion group,

(5) Economic development group,

(6) Small business development center, or

(7) Port authority.

3. State Departments of Trade and Their Regional Associations:

a. Department of a state government tasked with promoting trade, tourism, or other types of economic development; or

b. Associations of the departments of trade (as defined above) of two or more states; or

c. Entities within a state or within a region that are associated with a state department of trade, tourism, or other types of economic development including non-profit, non-private, non-commercial entities which are at least partially funded by, directed by, or tasked by a state government to promote trade, tourism, or other types of economic development.

4. Special Note Regarding Educational Institutions: Educational institutions, such as schools, colleges, and universities, are generally not eligible. However, organizations that are part of an educational institution for administrative, financial, legal, or logistical reasons may be eligible. Such organizations that are not independent legal entities—for example, an unincorporated organization—which otherwise may be classified above under *1. Trade Association, 2. Non-Profit Industry Association,* or *3. State Departments of Trade and Their Regional Associations,* above are eligible.

In such a case, the eligible entity will include in its application a signed letter stating that MDCP funds will be used only by the eligible entity for the purposes outlined in its application, and that no such funds will be used by or retained by the educational institution, even though the funds may need to go through the educational institution because of the eligible entity's lack of a separate accounting system or lack of status as a separate legal entity.

[16] For successful applicants that include travel to the orientation in their application budget, the signed financial assistance award that they receive from the Department serves as official approval to expend project funds for this purpose, even if the orientation precedes the beginning of the award period.

[17] This expenditure is limited to allowable expenses (*e.g.*, air fare, ground transportation, and lodging) associated with attending the orientation.

[18] A description of the World Trade Centers Association is available on the Internet at *http://www.wtca.org.*

B. Eligibility of Current or Past Cooperators

MDCP aims to increase export market development activities by using program funds to encourage new initiatives. MDCP funds are not intended to replace funds from other sources, nor are they intended to replace MDCP funding from a previous award. Current or past cooperators may propose a new project. *See V.A.4. Creativity and Capacity* below.

C. Determination of Eligibility

1. Request for Determination: Prospective applicants are encouraged to resolve questions regarding eligibility by requesting an eligibility determination in writing accompanied by the most current version of all of the following documents that apply:

a. Articles of incorporation,
b. Charter,
c. Bylaws,
d. Information on types of members and membership fees,
e. Internal Revenue Service acknowledgment of non-profit status,
f. Annual report,
g. Audited financial statements,
h. Documentation of ties to state trade departments or their regional associations, and
i. The letter described in *III.A.4. Special Note Regarding Educational Institutions* above.

Prospective applicants should submit eligibility determination requests as soon as possible, if they wish to have determinations prior to the application deadline. This deadline will not be extended, and applicants should continue to work on applications while awaiting the Department's eligibility determination.

2. Joint Ventures: Entities may join together to submit an application as a joint venture; however, only one eligible organization can be the designated cooperator. For example, two trade associations may pool their resources and submit one application, but only one of the two will be the cooperator. Foreign businesses and private groups also may join with eligible U.S. organizations to submit applications and to share project costs. Applicants should pay special attention to *II.C.2.b. In-Kind Contribution* above, when formulating a partnership or joint venture.

IV. Applications

A. Format

The basic elements of the application are set forth below. Additional instructions and required forms are provided in the application kit available from *www.export.gov/mdcp.*

1. Executive Summary: In accordance with *V.B. Evaluation and Selection Procedures* below, the Department will distribute applicants' one-page summaries to its experts to solicit comments. This summary should communicate the essence of the application proposal including the following:

a. Applicant's name and location,
b. Name of partnership organizations joining applicant,
c. ITA entities and other Federal offices with which applicant envisions working,
d. Amount of Federal funds requested,
e. Total project budget,
f. Proposed award period,
g. Foreign markets targeted,
h. U.S. industry to be promoted, and
i. Brief description of the project activities and methods.

2. Background Research: Developing a project plan requires solid background research. Applications should reflect the findings of the applicant's study of the following:

a. Market potential of the U.S. products,
b. Competition from host-country and third-country suppliers,
c. Economic situation and the ability of a country to import the U.S. products,
d. Industry resources that can be brought to bear on developing a market,
e. Industry's ability to meet potential market demand, and
f. Industry's after-sales service capability in designated foreign market(s).

3. Project Description: After describing their completed basic research, applicants should develop marketing plans that set forth project objectives and the specific activities applicants will undertake.

a. Work Plan: The project description should include a list of specific activities planned, including: (1) The different phases of the project, identifying each milestone and activity in chronological order; (2) the location where activities will take place; and (3) the ways the applicant intends to involve ITA as a partner in project activities.

b. Performance Measures:

(1) Applicant-Designed Performance Measures: Applicants should develop and utilize performance measures which reasonably gauge project success.

(2) ITA Performance Measures: ITA reports results using the Government Performance and Results Act (GPRA) measures defined for its programs and activities.[19] All cooperators will report quarterly on the GPRA measures listed below. Because they are not defined by the cooperator, ITA recognizes that some GPRA measures may be more applicable to some projects than to others. However, cooperators should be prepared to record the effect of MDCP project activity on as many of the performance measures below as possible.

(a) How does MDCP project activity increase:

(i) Awareness and understanding of ITA products and services,
(ii) Satisfaction with the quality of ITA products and services,
(iii) Ease of use of ITA's Internet portal, and
(iv) Ease of access to ITA export and trade information and data,

(b) Number of deals[20] executed by U.S. businesses,

(c) Dollar value of exports of U.S. businesses resulting from participation in MDCP project activities,

(d) Number of U.S. businesses that are new to export,[21]

(e) Number of U.S. businesses that are new to market,[22]

(f) Brief description of each partnership[23] between ITA and a public or private entity that is established or enhanced, and

(g) Number of export activities undertaken by U.S. businesses. (*See* examples below in V.A.1. *Export Success Potential.*)

(3) Performance Measure Reporting Requirements: Each cooperator should report on both applicant-designed measures and ITA performance measures in its quarterly reports.

[19] GPRA was enacted August 3, 1993 (Pub. L. 103–62).

[20] A "deal" is an action facilitated by the cooperator or its partners, including ITA, for U.S. exporters. Deals include the following types of export transactions: shipping goods or delivering services, signing an agent/distributor, identifying an agent/distributor, signing a contract with sales expected in the future, helping a U.S. firm avoid harm or loss, and helping resolve a trade dispute.

[21] a "new-to-export" firm that transacts an actual, verfiable export shipment of goods or delivery of services for the first time in the last 24 months, and where any prior exports resulted from unsolicited orders or were received through a U.S.-based intermediary.

[22] A "new-to-market" firm is a U.S. firm that transacts an actual, verifiable export shipment of goods or delivery of services to a market for the first time in the last 24 months, and where any prior exports to the market resulted from unsolicited orders or were received through a U.S.-based intermediary.

[23] A "partnership" is a new or enhanced relationship codified in writing through a memorandum/letter of understanding/agreement, reimbursable agreement, grant, cooperative agreement, or contract. A partnership is created when an applicant is selected for an MDCP award and becomes a cooperator. However, some cooperators, in the course of pursuing their MDCP project, might create or enhance other partnerships between ITA and public or private entities. Any such created or enhanced partnerships should be described in a cooperator's quarterly reports.

(4) Performance Measure Recording and Reporting System: Each applicant should describe its recording and reporting system in its proposal. Ultimately, it is the success of individual companies that determines the project's export success. Therefore, applicants should demonstrate how they plan to ensure that participant companies, and any other sources of export success information, will report to it anecdotes and other performance measurement information.

c. Partnership: Applications should display the imagination and innovation of the private sector working in partnership with the government to obtain the maximum market development impact. As noted under *II.B.1. Project Team* above, each cooperator will work with a project team leader and other ITA team members. Team members from other federal agencies also may be invited to participate. Applicants must describe in detail all assistance expected from ITA or other federal agencies.

d. Project Funding Priorities: Project proposals must be compatible with U.S. trade and commercial policy. In addition, applicants are encouraged to address the priorities set forth below. An application does not need to focus on a specific number of these priorities to qualify for an award. It is conceivable that an applicant could do a superb job focusing on only one of the priorities and receive an award.

The international trade priorities listed below are the priorities referred to in *V.A.3. Partnership and Priorities.* The Department is interested in receiving proposals that include projects that:

(1) Promote an industry particularly well suited to foreign market development including information technology, telecommunications, energy, environmental technology, tourism, services, and healthcare;

(2) Increase trade opportunities by opening markets through the development of new trade agreements, the support of World Trade Organization negotiations, the removal of non-tariff barriers, or the development of commercial infrastructure in emerging economies;

(3) Increase overall export awareness and awareness of ITA programs and services among U.S. companies, by making SMEs export-ready or by facilitating deal-making;

(4) Ensure compliance with trade agreements;

(5) Support the Administration's broader foreign policy objectives through trade-related initiatives;

(6) Promote the use of e-commerce as a low-cost, low-risk tool to help SMEs to export;

(7) Increase "hands-on" export education designed for SMEs through:

(a) Developing educational tools such as curricula and media, and/or

(b) Providing company-specific assistance; and

(8) Develop non-traditional approaches to creating demand for the products/services developed from new U.S. technologies.

4. Credentials: Each cooperator must ensure adequate development, supervision, and execution of project activities for itself and for each non-federal partner with significant involvement in the project. Therefore, for itself and each such partner, each applicant must:

a. Address its ability to provide a competent, experienced staff and other resources;

b. Describe its structure and composition;

c. Discuss the degree to which it represents the industry in question;

d. Describe the role, if any, foreign membership plays in its affairs;

e. Summarize the recent history of its industry's international competitiveness;

f. Provide a resume for the project director and professional personnel; and

g. Project the amount of time each professional will devote to the project.

5. Finance and Budget: Applicants must provide a detailed budget for the project including the elements listed below:

a. Form 424A "Budget Information—Non-Construction Programs";

b. Budget for Project Award Period;

c. Supporting worksheets and explanations;[24]

d. A discussion of financial systems and projections of how, when, and from what sources the matching funds will be or have been raised;

e. A summary of all financial assistance awards received in excess of $20,000 over the last five years. This should include the award reference number, contact name, title, organization, email (if available), fax, and mailing address;

f. The most recent audited financial statements. If the applicant is a sub-unit of an audited entity, in addition to the financial statements of the audited entity, the applicant should provide financial statements at the most specific level available, whether or not these are audited. If the applicant's most recent financial statements are not audited, it should submit the most recent unaudited financial statements and a statement indicating whether it currently has an auditor and when it plans to issue audited financial statements; and

g. Any additional evidence of financial responsibility.

6. Forms: In addition to the budget forms identified above, each application must include the following completed forms:

a. SF–424 Application for Federal Assistance;

b. SF–424B Assurances—Non-Construction Programs;

c. CD–346 Applicant for Funding Assistance; and

d. CD–511 Certifications Regarding Debarment, Suspension, and Other Responsibility Matters.

In addition, applicants may determine that they need to complete forms CD–512 "Certifications Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions and Lobbying" and/or form SF–LLL "Disclosure of Lobbying Activities". These are available at *http://www.export.gov/mdcp* as part of the application kit, which includes explanations of the forms.

7. Appendices: Appendices should be tabbed or otherwise marked for easy reference. Applicants should include in their appendices, whatever material supports the main body of the application (*IV.A.1–4*), including the types of appendices listed below.

a. The portion of the application defined above in *IV.A.5. Finance and Budget.*

b. The forms noted above in *IV.A.6. Forms.*

c. The determination of eligibility that an applicant has received from the Department.[25] An applicant that has been found eligible in the past, but does not have a letter of eligibility, should request such a letter as soon as possible so it can receive one to include in its application.

d. Letters of support for the project are not required or expected.[26] Applicants

[24] An example of how to generate Form 424A, the Budget for Project Award Period, and supporting worksheets and explanations is included in the Mock Application at *www.export.gov/mdcp.* Applicants are welcome to copy the spreadsheet file used for the Mock Application budget and use it for their own applications.

[25] If the applicant has not received such a determination, it must include in the appendices the documents requested in *III.C.1. Determination of Eligibility* above.

[26] The fact that a public official does or does not submit a letter of support does not confer any inherent competitive advantage to an applicant. On the other hand, some letters of support can be critical to the success of an application. For example, if funds for the cash match are to be

that choose to submit letters of support should secure them soon enough to include them as application appendices.[27]

e. News media are informed by the Department when it announces awards. Applicants are invited to submit a list of news media the Department can contact when it issues its press release.[28] The most useful information is the fax number and e-mail address of the news media contacts. These would include local newspapers, trade publications, local broadcast stations, and Internet sites. Rather than including these as "hard-copy" in the application, the Department invites applicants to submit this on floppy diskette, CD, or via email. Using the lowest version of any of the following file formats will ensure transferability: database (.dbf), Excel (.xls), Lotus 123 (.wk4), Word Perfect (.wpd), or Microsoft Word (.doc).

f. Current or past cooperators must submit a comparison between the proposed project and current or past projects. *See V.A.4. Creativity and Capacity* below.

B. Submission of Applications

1. Number of Pages: The main body of the application is limited to 50 pages. There is no limit on the number of pages for appendices. The main body of the application should include the substance of the applicant's proposal as identified in *IV.A.1.* through *IV.A.4.* above. Each page of the main body should be numbered.

2. Number of Copies: Each applicant must submit a signed original application plus two copies. The Department encourages applicants to submit five additional copies as well for a total of seven (7) copies.[29] However, if submitting seven (7) copies creates a financial hardship, applicants may submit the minimum of two copies plus the original.

If an applicant submits an original and two copies or any other number of copies greater than two and less than seven (7), the Department will make additional copies to allow all reviewers to read each application. However, the Department cannot guarantee that the copies will include features that are not easily reproduced on standard photocopy machines. For example, tabs might not be inserted, color pages might be reproduced in black and white, fold-out pages might not fold out, unusually sized (not 8.5" x 11") pages might be broken up, and the copies might be bound with staples or clips instead of the binding used for applicant-submitted material.

3. Distinguish Between Copies and Original: The Department needs to distinguish between the original application and copies. In order to facilitate processing of submitted applications, the Department recommends that applicants write or stamp "original" on the cover page of the original.

C. Retention of Applications

1. Award Winners: Copies of winning applications are distributed to project team members for their use in managing projects.

2. Unsuccessful and Ineligible Applicants: For each eligible application which does not win an award, and for each ineligible application, the Department will retain the signed original of the application for seven years and will destroy the copies.

3. Late and Ineligible Applications Returned to Sender: Late applications are not accepted. Late applications and applications submitted by ineligible applicants are returned to the sender. However, the Department will retain a copy of the cover page or transmittal letter for seven years.

V. Evaluation and Selection

A. Evaluation Criteria

The Department is interested in projects that demonstrate the possibility of both significant results during the award period and lasting benefits extending beyond the award period. To that end, consideration for financial assistance under the MDCP will be based upon the following evaluation criteria:

1. Export Success Potential: Potential of the project to generate export success stories and/or export initiatives in both the short-term and medium-term. An export initiative is a significant expenditure of resources by the chief executive officer (CEO) of a company in the active pursuit of export sales. Examples of export initiatives include, but are not limited to, the following:

a. Participating in an overseas trade promotion event;

b. Hiring an export manager;

c. Establishing an export department;

d. Exploring a new market through an overseas trip by the CEO;

e. Developing an export marketing/business plan;

f. Translating product literature into a foreign language;

g. Making product modifications to comply with foreign market requirements;

h. Commissioning an in-depth market research study;

i. Entering into a strategic alliance[30] with a foreign firm;

j. Advertising in a foreign business publication;

k. Undertaking an overseas direct-mail campaign to create product awareness;

l. Signing an agent/distributor;

m. Getting introduced to a potential foreign buyer; and

n. Signing an export contract/filling an export order.

Applicants should provide detailed explanations of projected results of the project.

2. Performance Measures: Projected increase (multiplier effect) in the number of U.S. companies operating in the market(s) selected, particularly SMEs, and the degree to which the project will increase or enhance the U.S. industry's presence in the foreign market(s).

Applicants must provide quantifiable estimates of projected increases and explain how they are derived. See *IV.A.3.b. Performance Measures* above. Applicants must detail the methods they will use to gather and report performance information.

3. Partnership and Priorities: The degree to which the project initiates or enhances partnership with ITA and the degree to which the proposal furthers or is compatible with ITA's priorities stated under *IV.A.3.c. Partnership* above.

4. Creativity and Capacity: Creativity, innovation, and realism displayed by the work plan as well as the institutional capacity of the applicant to carry out the work plan.

a. Creativity and innovation can be displayed in a variety of ways. Applicants might propose projects that include ideas not previously tried to

provided by the state legislature, a letter of commitment from the state's governor or comptroller certifying the availability of the funds would help the selection panel greatly in its review.

[27] Including these as appendices may make it easier for all reviewers to find such letters in the same place in the application. The Department's standard practice for letters of support not included as application appendices is to make them available to reviewers until the time the Selection Panel identifies the top-ranked applications.

[28] Including news media contacts as an application appendix is not required, but doing so will help the Department publicize the success of the award winners.

[29] Several copies will be needed in order for the Department to complete its evaluation. (As noted below under *V.B. Evaluation and Selection Procedures*, four selection panel members and several Department staff will review each application.)

[30] A collaboration of one company with another company that can provide resources to achieve corporate, economic and strategic goals. One benefit of strategic alliances is reciprocal access to more than one market. For example, firms in two different markets can agree to market each other's non-competing products in their respective "home" markets.

promote a particular industry's goods or services in a particular market. Creativity can be demonstrated by the manner in which techniques are customized to meet the specific needs of certain client groups. A proposal can be creative in the way it brings together the strengths and resources of partners participating in project activities. Further, projects that focus on market development are more creative than projects that focus only on export promotion. Market development is the process of identifying or creating emerging markets or market niches and modifying products to penetrate those markets. Market development is demand driven and designed to create long-term export capacity. In addition to promoting current sales of existing products, market development promotes future sales and future products.

b. Current or past cooperators must submit a table comparing their current or past project(s) and their proposed project. The need for this table and the requested format are described below.

As noted in the *Summary* at the beginning of the RFA, MDCP awards are designed to help underwrite the start-up costs of new projects. Accordingly, current or past cooperators can be in a position to earn the maximum number of points under this criterion only if they propose projects that are entirely new.

In order to determine whether a project is entirely new, the current or past cooperator must provide, as a separate appendix, a comparison between the elements of the proposed project and the elements of its current or past MDCP-funded projects. Current or past cooperators that propose projects that are not entirely new will receive fewer points under this criterion than they would receive otherwise.

In determining the number of points under this criterion, the selection panel will consider the level to which a particular applicant has incorporated elements of its previously funded MDCP projects. To do this, current or past cooperators should submit a table wherein they approximate the amount of resources devoted to each project element as a percentage of the total. For example, if an applicant received an MDCP award in 1995 and spent approximately $400,000 of a total $1,000,000 project budget on opening an office in Beijing, it could report that 40 percent of the resources of its 1995 project went toward the project element of opening its Beijing office. The applicant would do the same for the other elements of its projects.

Previous project(s)		Proposed project	
Element	%	Element	%
1	.....	1	.....
2 etc	.....	2 etc	.....
Total	100	Total	100

c. Institutional capacity will be measured by what each applicant submits. A current or past cooperator should not assume that success with a prior MDCP project will automatically be taken into account by the Department when reviewing its application. Each applicant must document its institutional capacity in its application.

5. Budget and Sustainability: Reasonableness of the itemized budget for project activities, the amount of the cash match that is readily available at the beginning of the project, and the probability that the project can be continued on a self-sustained basis after the completion of the award. Current or past cooperators must show how the proposed project will achieve self-sustainability independent of any current or past MDCP projects.

Each of the above criteria is worth a maximum of 20 points. The five criteria together constitute the application score. At 20 points per criterion, the total possible score is 100.

B. Evaluation and Selection Procedures

The applicant is responsible for submitting a complete application in a timely manner. Prior to selection, each complete application receives a thorough evaluation as set forth below.

1. Eligibility Determination: OPCM staff, in consultation with the Department's Office of General Counsel, review all applications to determine the eligibility of each applicant.

2. ITA Program Area Review: Relevant ITA program areas, including TD, MAC, and the Commercial Service, have the opportunity to review the submitted applications. This allows experts in the industry sector or geographical region to assess applicant claims. These reviewers provide insights into both the potential benefits and the potential difficulties associated with the applications.

3. MDCP Administrative Review: Representatives of OPCM review and comment on all applications using the evaluation criteria identified above. OPCM prepares for the selection panel a review packet including the applications and reviewer comments. The MDCP administrative staff and program area comments afford the selection panel the insights and breadth of experience of Department professionals. However, the selection panel is free to consider or disregard them as it sees fit.

4. Selection Panel Composition: The MDCP Manager forwards all of the eligible applications, along with all related materials, to the selection panel of senior ITA managers. This panel is chaired by the OPCM Director and typically includes three other members, one each from TD, MAC, and the Commercial Service. Panel members are office directors or higher.

5. Selection Panel Scoring: Each selection panel member reviews each eligible application and assigns a score for each of the five criteria stated above. The scores of each selection panel Member for each application reviewed are maintained in the files for seven years. The individual criteria scores are averaged to determine the total score for each application.

6. Ranked Recommendation: Based on the scores assigned by selection panel members and deliberations by the selection panel, the selection panel forwards the applications with the ten highest total scores ("top-ranked applications") to the Assistant Secretary for Trade Development and recommends which of the top applications should receive funding. If the amount of funds requested by the top ten applicants is less than the funding available, the selection panel recommends additional applications for funding in rank order.

The selection panel's recommendation will not deviate from the rank order. This means, for example, that the selection panel cannot recommend funding for the application ranked seventh without recommending funding for applicants ranked first through sixth. The selection panel recommendation includes the panel's written assessment of the strengths and weaknesses of the top-ranked applications.

7. Selection of Applications for Funding: From the top-ranked applications forwarded by the selection panel, the Assistant Secretary for Trade Development selects those applications which will receive funding. In addition to the criteria in *V.A. Evaluation Criteria* above, the Assistant Secretary for Trade Development may consider the following in making decisions:

a. Scores of individual selection panel members and the selection panel's written assessments,

b. Degree to which applications satisfy the ITA priorities established under *IV.A.3.d. Project Funding Priorities* above,

c. Geographic distribution of the proposed awards,

d. Diversity of industry sectors and overseas markets covered by the proposed awards,

e. Diversity of project activities represented by the proposed awards,

f. Avoidance of redundancy and conflicts with the initiatives of other Federal agencies, and

g. Availability of funds.

C. Announcement of Award Decisions

Award winners will be notified by letter. Once award winners formally accept their awards, the Department will announce the award winners at *http://www.export.gov/mdcp.*

Within ten days of the Department's announcement of the awards, unsuccessful applicants will be notified in writing and invited to receive a debriefing from MDCP officials.

VI. Other Requirements and Classification

A. Other Requirements

1. *Pre-Award Notification Requirements:* The Department of Commerce Pre-Award Notification of Requirements for Grants and Cooperative Agreements contained in the **Federal Register** notice of October 1, 2001 (66 FR 49917), as amended by the **Federal Register** notice published on October 30, 2002 (67 FR 66109), is applicable to this solicitation.

2. Pre-Award Activities: There is no obligation on the part of the Department to cover pre-award costs. Except as noted above in *II.C.4. Approved Pre-Award-Period Expenditure,* if applicants incur any costs prior to an award being made, they do so solely at their own risk of not being reimbursed by the government.

3. Intergovernmental Review: Applications under this program are not subject to Executive Order 12372, "Intergovernmental Review of Federal Programs."

B. Classification

1. Executive Order 12866: This notice has been determined to be not significant for purposes of Executive Order 12866.

2. Paperwork Reduction Act: This notice contains collection of information requirements subject to the Paperwork Reduction Act. The use of SF–424, SF–424A, SF–LLL, and CD–346 have been approved by the Office of Management and Budget (OMB) under respective OMB Control Numbers 0348–0043, 0348–0044, 0348–0040, 0348–0046, and 0605–0001. Notwithstanding any other provision of law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB Control Number.

Dated: March 14, 2003.

Robert W. Pearson,

Director, Office of Planning, Coordination and Management, Trade Development, International Trade Administration, Department of Commerce.

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