

Review of Procurement and Contracting

John F. Owens
Procurement Executive

October 28, 1991

Subcommittees and Chairs

| | |
|------------------------|----------------------|
| Closed Shop | Ken Fries, GC |
| Host Country Contracts | Terry McMahon, OP |
| Efficiency | Gordon Bertolin, AFR |
| Decentralization | Larry Tanner, FVA |
| Orderliness | Susan Bugg, LAC |
| Staffing and Training | Jim Murphy, PPE |
| Administration | Sandy Owens, FM |
| Buy-ins, IQC's, PASA's | Dave Erbe, S&T |
| Cash Transfers | John Godden, PPC |

Closed Shop

Issue

Perception that the same contractors consistently win AID contracts, and that new contractors don't have an opportunity to get involved in the AID program.

Recommendation

Establish a computerized "Bulletin Board" element of the Department of Commerce system which will allow prospective contractors to obtain information on forthcoming procurements by country and sector. Information will be put on the Bulletin Board at the PID stage, and updated as the requirements are refined.

Host Country Contracts

Issues

Host country contracting capability
Steps which require AID approval
Complexity of host country contracting process
Host country contract terms
Data on host country contracts

Recommendations

New guidance developed which strengthens AID oversight

Host country contracting agency assessments and Mission Director's certification of capability are required when procurements will exceed \$250,000.

Contracting or Commodity Management Officers must be involved in the host country contracting process.

- CBD Announcement
- RFP or IBF
- Contract Amendemnts

AID will observe host country evaluation panels.

Host country contract data now being loaded into CIMS.

Efficiency

Issues

Project Officer role in contracts
Contracting Officers role in the project process
Complexity of contracting process
End of fiscal year rush
Informal competition

Recommendations

- Increase overseas competitive threshold for less than full and open competition to \$250,000.
- Require Contracting Officer clearance on PPs and other project authorization documents.
- Revise project officer courses to include greater contracting emphasis.*
- Give Contracting Officers more project training.*
- Enhance Contracting Officer's professional training.
- Review contract staffing levels.
- Require preparation of annual procurement plans.

* These were approved within existing budgets.

Decentralization

Issues

Decentralization of authority
Decentralization of workload

Recommendations

The present organization of the Agency's procurement system meets its needs

Increase authority to execute cooperative agreements to \$5 Million, subject to Contracting Officer/RLA approval of choice of instrument and strict adherence to HB 13 format.

Orderliness

Issue

Focusing on the use of conditions precedent in assistance (grants or cooperative agreements) to non-governmental organizations, and the conditions that should apply. Issue applies primarily to non-U.S. NGO's.

Recommendation

Guidance will be developed for Handbook 13 on appropriateness of conditions precedent.

Factors to be addressed include:

- Validity of obligations
- Responsibility of recipient
- Programmatic considerations

Staffing and Training

Issues

Project Officer training
Contracting Officer training

Who decides which Missions need Mission or regional
Contracting Officers?

Contracting Officer assignments offering the best use
and opportunities for senior and junior staff

Procurement Executive input into EER's

Contract award workload

Contract administration workload

Recommendations

Training coordinated with HRDM/TD.
No specific recommendations yet on other issues.

Administration

Issues

Contract closeout.

Control over non-expendable property held by contractors.

Audit support.

Recommendations

- Contract closeout resolved by issuance of Contract Information Bulletin with guidance for field.
- Control over NXP will be Chief Financial Officer responsibility.
- IG and FA/OP have reached an understanding on audit support.

*Non-expendable property (NXP) - discrete, service life of 2+ years, and cost of \$500+.

Buy-Ins, IQC's, PASA's

Issues

Appropriate use of buy-ins and IQC's
Appropriate use of PASA's and RSSA's

Recommendations

- Steering committee established to monitor Missions' buy-in and IQC needs.
- Additional coverage of IQC's and buy-ins in training courses and more handbook guidance.
- Encourage early planning and submission of PIO/T's to reduce delays in contracting.
- More handbook guidance issued on interagency agreements covering:
 - Types of agreements
 - Subcontracting under the agreements
 - Functions USDH PASA employees can perform.

Cash Transfers

Issues

Cash transfers are being used to finance commodity imports. There is minimal accountability, and very little guidance on their use. The estimated value of cash transfers is \$ 3.5 billion worldwide.

Recommendations

- Centralize cash transfer policy coordination
- Clarify use of CIP vs. cash transfer
- Clarify which policies apply to cash transfers
- Update and add handbook coverage

10/28/91

REVIEW OF PROCUREMENT AND CONTRACTING

I. Background

- A. Inventory of contracting issues developed in spring of 1990 based on comments and issues solicited from the senior staff
- B. Procurement Policy Advisory Panel (PPAP) reconvened early in summer, 1990. Representatives from all bureaus, GC, FM, OSDDBU
- C. 34 issues identified and assigned to one of 9 subcommittees
- D. Other issues identified by PPAP, notably cash transfers

II. Implementation

- A. Subcommittees established to address the 34 initial issues, as well as new ones that were added. [chart]
 - 1. Closed shop (Ken Fries, GC)
 - 2. Host country contracts (Terry McMahon, MS/OP)
 - 3. Efficiency (Gordon Bertolin, AFR)
 - 4. Decentralization (Larry Tanner, FVA)
 - 5. Orderliness (Susan Bugg, LAC)
 - 6. Staffing and training (Jim Murphy, MS/PPE)
 - 7. Administration--closeout, audit, NXP (Sandy Owens, FM)
 - 8. Buy-ins, IQCs, PASAs (Dave Erbe, S&T)
 - 9. Cash transfers (John Godden, PPC)
- B. Subcommittees at different stages of recommendations. Current status of the more important recommendations summarized below.

III. Closed shop

- A. Perception of closed shop
- B. To overcome perception, publicize opportunities for potential contractors as early as possible.
- C. Use of Department of Commerce computerized "bulletin board." Put basic information on-line and update periodically. Information similar to ANE's old "green book."
- D. Bureaus/Missions provide data to OSDBU, who inputs it to the Department of Commerce
- E. System was initially operational October 1, 1991 for FY '92. Data is coming in from the Missions and Bureaus. So far, over 180 procurement opportunities have been listed. The cost to subscribers to the system is \$35 per year, plus a nominal usage charge up to \$12 per hour.
- F. The effectiveness of this system will depend on the quality of the information provided by the Missions and Bureaus on upcoming actions.

IV. Host country contracts

- A. Guidance
 - 1. A cable went to the field at the end of November 1990 with preliminary guidance. The Missions reported back in March 1991 on the implementation actions taken (e.g. Mission orders issued)
 - 2. Handbook guidance was developed based on the Mission input. Chapter 1 of Handbook 11 has been distributed. Chapters 2 and 3 of HB 11 revisions are being drafted/cleared. The Project Officer's Guidebook is tracking HB 11, with Chapter 1 being printed, and Chapters 2 and 3 to be drafted/cleared.
- B. New requirements
 - 1. Host country contracting agency assessments and Mission Director's certification of capability are required when procurements will exceed \$250,000

12

2. Contracting or Commodity Management Officers must be involved in the host country contracting process
 3. The threshold for AID approvals is raised to \$250,000, and a number of additional AID approvals are required during the contracting process:
 - Commerce Business Daily announcements
 - RFPs or IFBs
 - contract amendments
 4. AID will observe host country evaluation panels
- C. IG concern that Agency management be aware of the importance of this action

V. Efficiency

- A. Efficiency of contracting process can be enhanced by PROCUREMENT PLANNING and early contracting officer involvement. Requirement for annual procurement plans. This leads to earlier contracting officer involvement and exchange of ideas, which is then reflected in contractible scopes of work.
- B. Need for a level of cross training of project and contracting officers in each others fields to improve communication and understanding of processes, constraints, and requirements
- C. Committee recommendations approved by the Deputy Administrator.
 - Increase overseas competitive threshold for less than full and open competition to \$250,000
 - Require Contracting Officer clearance on PPs and other project authorization documents
 - Revise project officer courses to include greater contracting emphasis*
 - Give Contracting Officers more project training*
 - Enhance Contracting Officer's professional training
 - Review contract staffing levels
 - Require preparation of annual procurement plans. Includes concept that routine actions (e.g., incremental funding) should be done as early as possible in the fiscal year

*These were approved within existing budgets.

- D. Subcommittee developing implementation guidance for procurement planning
- Effective system worked out between LAC bureau and its Contracting Officer for Bureau initiated actions, which could be used as a model. However the LAC Bureau and other regional bureaus (notably NE) feel they do not have the staff resources for any expansion of procurement planning workload.
 - 77 day Eastern European model analyzed and found not replicable as standard Agency procedure

VI. Decentralization

- A. Question was whether to decentralize contracting staff or authority
- B. Dovetailed with the reorganization effort and came to same conclusion as Adelman/Nachtrieb report of the subcommittee on procurement:
The present organization of the Agency's procurement is tailored to its needs, and quite responsive to them, given shortage of workforce, and requirements beyond A.I.D.'s control, i.e., CICA, etc. Put another way, the problems we face in procurement are best solved by means other than reorganization.
- C. Recommended that Mission Directors be delegated authority to sign cooperative agreements up to \$5 million, provided that the choice of grant or cooperative agreement be cleared by a Contracting Officer or RLA and that such instruments be strictly in accordance with Handbook 13.

VII. Orderliness

Focusing on the use of conditions precedent in assistance (grants or cooperative agreements) to non-governmental organizations (primarily non-U.S.), and the conditions that should apply. Issue applies primarily to non-U.S. NGOs. Guidance will be developed for Handbook 13 on appropriateness of conditions precedent. Factors to be addressed include:

- validity of obligations
- responsibility of recipient
- programmatic considerations

Coverage is being drafted, but will be the topic of a lot of debate within PPAP

15

VIII. Staffing and Training

- A. Covers both training of contracting officers in host country contracts and general project concepts, and training of project personnel in areas where they need to support the procurement process. Will need to reflect any programming changes resulting from the reorganization.
- B. Need for training, particularly in preparing SCOPES OF WORK is a very repetitive theme in all studies of Agency procurement including the Koehring Coordinating Group, the reorganization committees, and the PPAP subcommittees.
- C. HRDM/TD vitally involved in this exercise.

IX. Administration

Three areas of concern:

- A. Contract close out. A new Contract Information Bulletin was issued giving guidance to the field. The close-out audit threshold of \$500,000 has been clarified.
- B. Non-expendable property in the control of contractors. A sample inventory was requested of contracting officers, in accordance with the GAO report, to see what the magnitude of the problem is. Analysis of the response showed there is a significant amount of property involved, and a control system will need to be developed under CFO auspices.
- C. Contract audit. FA/OP and IG/A have discussed the need for prompt responses to requests for contract audits. IG/A has agreed to try to respond to such requests, using FA/OP funds. The agreement is being tested.

X. Buy-ins, IQCs, PASAs

- A. Widespread agency concern as to whether these instruments are being used effectively and properly
 - Do the number of contracts and the services provided meet the needs of the Agency?
 - Are delivery orders or buy-ins effective in obtaining the needed services with minimal delay?
 - Are limitations (120 days for delivery orders) and thresholds (buy-ins over \$250,000 are subject to additional scrutiny) appropriate?
 - How much work should participating agencies be allowed to subcontract?

- B. Subcommittee concluded that more coordination of Bureau/Mission need for IQC and buy-in arrangements was essential in the form of an ongoing steering committee, which is now functioning. In addition, the OP Ordering Directory, the "orange book," as updated in April 1991 was a significant improvement in clarifying procedures
- C. A total revision of handbook coverage on PASAs has been issued. It clarifies policy and guidance on areas that have been troublesome over the years, such as:
 - the types of interagency arrangements
 - what functions PASA employees can perform
 - subcontracting under PASAs

XI. Cash Transfers

- A. Issue
Cash transfers are being used to finance commodity imports. They have more flexibility and are less management intensive than the traditional CIP. However, there is also significantly less accountability, and very little guidance on their use. The estimated value of cash transfers is \$3.5 billion worldwide.
- B. The subcommittee agrees that guidance on the use of cash transfers should be developed and published. The subcommittee is deeply divided as to what that guidance should be.

XII. Future Issues

- A. DAP (Design and Perform) and DAD (Design and Deliver) as new contracting instruments to implement the new programming concepts.
- B. Buy America (new reporting requirements)
- C. Grants under contracts

XIII. Conclusion

- A. PPAP is a working, productive forum where Agency contracting concerns can be addressed across the board with input from all bureaus and offices.
- B. Always willing to address additional concerns. Please bring them to Jack Owens' attention.

UNCLASSIFIED
AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

OUTGOING
TELEGRAM

PAGE 01 OF 04 STATE 269607 150625Z
ORIGIN AID-00

6327 004349 A100279

STATE 269607 150625Z

6327 004349 A100279

ORIGIN OFFICE SEOP-01
INFO AFEA-04 AFSA-03 AFFV-03 AFCV-03 PAUL-01 AFPO-04 AFTR-06
APMS-01 AFMG-04 AFPE-05 ENAA-01 BIFA-01 OL-01 LADR-03
LACE-01 LASA-03 LACA-03 LAEM-01 AALA-01 SAST-01 PPCE-01
PPPB-02 IG-01 GC-01 GCAF-02 GCAN-02 GCLA-01 GCGM-01
APSP-02 APFP-02 APA-02 ES-01 AAID-01 AAMS-01 STPO-01
STUR-01 SDB-02 IGLC-01 SEOS-02 ENME-03 FHAD-02 IGRM-02
APEM-01 SERP-01 SECS-02 SEC-01 AMAD-01 TELE-01 LAB-05
ENEA-02 ENEU-02 ENPD-05 ENPS-06 ENMS-01 LATI-01 ENTR-06
AAAF-03 /123 AB 15/1507Z

INFO LOG-00 AF-00 ARA-00 EAP-00 EUR-00 IO-19 NEA-00
/025R

DRAFTED BY: AID/MS/OP: TJHCAKDH.DLH: 0396B

APPROVED BY: AID/AA/FA: JFOVENS

AID/A-AA/OPS: MHFRY

AID/ES: DME111

-----89404A 150630Z /36

R 150615Z AUG 91

FM SECSTATE WASHDC

TO AID WORLDWIDE

UNCLAS STATE 269607

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: MANAGEMENT ACTION PLAN: DESIGN SIMPLIFICATION
AND NEW CONTRACTING OPTIONS

SUMMARY: MISSIONS HAVE BEEN INFORMED OF THE EFFORT TO REFORM THE AGENCY'S PROGRAMMING PROCESS. AS PART OF THAT EFFORT, THIS CABLE PROVIDES A PROCUREMENT CONCEPT PAPER WHICH OFFERS TWO NEW CONTRACTING OPTIONS FOR THE DESIGN AND IMPLEMENTATION OF PROJECTS AND PROGRAMS. BOTH OF THESE CONTRACTING OPTIONS PROVIDE FOR A SINGLE ROUND OF COMPETITION TO SELECT A CONTRACTOR WHO WOULD DESIGN AND THEN IMPLEMENT PROJECTS. BOTH OF THE OPTIONS

ANTICIPATE THAT CONTRACTORS WILL BE HELD ACCOUNTABLE FOR ACHIEVEMENT OF PERFORMANCE STANDARDS. MISSION COMMENTS SHOULD BE SUBMITTED BY SEPTEMBER 15TH. END SUMMARY.

I. INTRODUCTION

A. THE AID MANAGEMENT ACTION PLAN (MAP) INCLUDES, AS TWO SEPARATE OBJECTIVES, SIMPLIFYING THE PROJECT DESIGN PROCESS AND SHORTENING THE CONTRACTING CYCLE. MAP SUB-COMMITTEES RESPONSIBLE FOR IMPLEMENTING THESE OBJECTIVES ARE NOW CONSIDERING A PROCUREMENT CONCEPT

PAPER INCLUDED IN PART II OF THIS CABLE. THE CONCEPT PAPER PROPOSES TWO NEW CONTRACTING OPTIONS AIMED AT COMBINING THE DESIGN AND IMPLEMENTATION PHASES OF PROJECTS OR SECTOR PROGRAMS INTO ONE CONTRACTING CYCLE. A SINGLE UP FRONT COMPETITION WOULD LEAD TO THE SELECTION OF A CONTRACTOR WHO WOULD, FOR EXAMPLE, DESIGN PROJECTS WITHIN A SECTOR AND THEN IMPLEMENT SUCH PROJECTS THROUGH DELIVERY ORDERS OR AMENDMENTS TO THE INITIAL CONTRACT. UNLIKE THE COLLABORATIVE ASSISTANCE MODE, COMPETITION FOR SUCH CONTRACTS WOULD BE OPEN TO PROFIT-MAKING FIRMS, AND PERFORMANCE STANDARDS WOULD BE INCLUDED IN DELIVERY ORDERS OR CONTRACT AMENDMENTS.

B. THERE APPEAR TO BE SEVERAL BENEFITS TO THE PROPOSED DESIGN AND PERFORMANCE CONTRACTS. SOME OF THE MOST OBVIOUS BENEFITS MAY BE SUMMARIZED AS FOLLOWS:

(1) PROJECTS WOULD BE IMPLEMENTED BY THE DESIGNERS, THEREBY OVERCOMING THE COMMON QUOTE DISCONNECT UNQUOTE

BETWEEN THE CONTRACTOR WHO DESIGNS THE PROJECT AND THE CONTRACTOR WHO UNDERTAKES IMPLEMENTATION.

(2) PROJECT IMPLEMENTATION WOULD NOT BE DELAYED BY A SECOND ROUND OF COMPETITION BETWEEN THE DESIGN AND IMPLEMENTATION PHASES OF THE PROJECT OR PROGRAM.

(3) A SINGLE PRIME CONTRACTOR COULD BE GIVEN RESPONSIBILITY FOR AN ENTIRE SECTOR AND THEREBY EXERCISE MANAGEMENT RESPONSIBILITY FOR SUBCONTRACTORS WHO WOULD IMPLEMENT COMPONENT PARTS OF THE PROGRAM.

(4) A CONTRACTOR WHO DESIGNS AND THEN IMPLEMENTS PROJECTS IN ACCORDANCE WITH PERFORMANCE STANDARDS WOULD BE HELD ACCOUNTABLE FOR RESULTS RATHER THAN A QUOTE LEVEL OF EFFORT UNQUOTE.

(5) COMPREHENSIVE (SECTOR) CONTRACTS FOR DESIGN AND PERFORMANCE SHOULD PROVIDE MISSIONS WITH CONTINUOUS DESIGN ASSISTANCE AND REDUCE RELIANCE ON INTERMITTENT IOC AND OTHER DESIGN TEAMS.

(6) COMPREHENSIVE DESIGN AND PERFORMANCE CONTRACTS SHOULD PERMIT MORE CONCENTRATED PROGRAMS, FEWER PROJECTS AND SUBPROJECTS, AND A PROGRAM MORE EASILY MANAGED BY LIMITED DIRECT HIRE STAFF RESOURCES.

C. THERE ARE ALSO POTENTIAL DISADVANTAGES:

(1) MISSIONS MIGHT ASSUME SUBSTANTIAL RISK BY

OVERRELIANCE ON A SINGLE CONTRACTOR.

(2) IT MIGHT BE DIFFICULT TO ESTABLISH ADEQUATE CRITERIA FOR SELECTION OF THE CONTRACTOR. (IT WOULD NOT BE POSSIBLE DURING THE SINGLE ROUND OF COMPETITION TO REQUIRE SPECIFIC PROJECT IMPLEMENTATION PROPOSALS. INSTEAD, EVALUATION CRITERIA WOULD EMPHASIZE THE CONTRACTOR'S DESIGN PLANNING PROPOSAL, STAFF RESOURCES, EXPERIENCE, SUB-CONTRACTING CAPACITY, APPARENT KNOWLEDGE OF DEVELOPMENT OBJECTIVES SET OUT IN THE RFP, AND COMMITMENT TO THE RISK AND REWARDS OF PERFORMANCE STANDARDS.)

(3) INCENTIVE CONTRACTING AND PERFORMANCE STANDARDS MIGHT LEAD TO CONFLICTS BETWEEN THE CONTRACTOR AND AID. FREQUENT IMPLEMENTATION PROGRESS REVIEWS BY THE PROJECT OFFICER, CONTRACTING OFFICER AND CONTRACTOR WOULD BE REQUIRED TO AVOID DISPUTES OVER THE PAYMENT OF FEES. (THIS FOCUS ON RESULTS MIGHT ALSO BE SEEN AS A BENEFIT OF THE CONCEPT.)

(4) SOME HOST GOVERNMENTS MIGHT NOT ACCEPT SECTOR AGREEMENTS OR APPROVE P10/T5 WHICH LARGELY ENTRUST THE DEFINITION OF PROJECTS AND THE ESTABLISHMENT OF PERFORMANCE STANDARDS TO A CONTRACTOR AND THE USAID. HOST GOVERNMENT COLLABORATION AND SUPPORT WOULD BE CRITICAL FOR SUCCESSFUL USE OF PERFORMANCE STANDARDS.

D. MISSIONS ARE ENCOURAGED TO COMMENT ON THE FOLLOWING PROCUREMENT CONCEPT PAPER. PLEASE NOTE THAT THESE PROPOSED OPTIONS WILL NOT REQUIRE A CHANGE IN AID

PROCUREMENT REGULATIONS, BUT SHOULD NOT BE UTILIZED UNTIL GUIDANCE HAS BEEN PROVIDED. IF MISSIONS ARE

UNCLASSIFIED

18

UNCLASSIFIED
AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

OUTGOING
TELEGRAM

PAGE 02 OF 04 STATE 269607 1506252 6327 004349 AIC0279

GENERALLY RECEPTIVE TO THESE OPTIONS, WRITTEN GUIDANCE WILL BE PROVIDED BY DECEMBER, 1991 AND MINI-CONFERENCES WILL BE HELD FOR THE BENEFIT OF ALL INTERESTED MISSIONS IN EARLY CY 1992.

11. PROCUREMENT CONCEPT PAPER

A. ASSUMPTION:

THE PROCUREMENT SUBCOMMITTEE MEMBERS AGREE THAT NEW PROCUREMENT OPTIONS NEED TO BE OFFERED IF MISSIONS (AND AID/W) EXPECT TO (1) BRING CONTRACTORS MORE EFFECTIVELY INTO THE DESIGN PROCESS, (2) HOLD THESE SAME CONTRACTORS ACCOUNTABLE FOR EXECUTION OF PROJECTS AND SECTOR PROGRAMS AND (3) FOCUS CONTRACTS ON RESULTS INSTEAD OF QUOTE LEVEL OF EFFORT UNQUOTE. WE FEEL THAT NEW

PROCUREMENT OPTIONS SHOULD SEEK TO ACHIEVE THE FOLLOWING GOALS:

(1) MISSION PLANNING DOCUMENTS SHOULD CLEARLY ANTICIPATE CONTRACTOR PARTICIPATION IN THE PROGRAM OR PROJECT DESIGN PROCESS.

(2) CONTRACTORS WHO DESIGN ACCEPTABLE PROJECTS OR PROGRAMS SHOULD BE EXPECTED TO IMPLEMENT THESE PROJECTS, PREFERABLY IN ACCORDANCE WITH PERFORMANCE STANDARDS TIED TO PROGRAM OBJECTIVES.

(3) MISSIONS SHOULD BE GIVEN THE OPTION OF OBTAINING CONTRACT SERVICES THROUGH COMPREHENSIVE PRIME CONTRACTS OR THROUGH DELIVERY ORDERS FOR COMPLETION OF PROJECTS OR PROJECT COMPONENTS.

B. OVERVIEW OF PROPOSED OPTIONS:

EXISTING REGULATIONS WOULD PERMIT USE OF CONTRACTS WHICH WE WILL IDENTIFY HERE AS QUOTE DESIGN AND PERFORMANCE UNQUOTE (DAP) AND QUOTE DESIGN AND DELIVER UNQUOTE (DAD). THE TWO OPTIONS ARE ACTUALLY QUITE SIMILAR BUT WILL BE IDENTIFIED SEPARATELY TO DISTINGUISH CONTRACTS USING DELIVERY ORDERS (DAD) FROM CONTRACTS WHICH INCLUDE TOTAL PROJECT OR PROGRAM COMPLETION IN THE STATEMENT OF WORK (DAP). BOTH TYPES OF CONTRACTS ANTICIPATE THAT THE DESIGN CONTRACTOR WILL ALSO IMPLEMENT PROJECTS WITHOUT A SECOND ROUND OF COMPETITION FOR THE IMPLEMENTATION CONTRACT. THE DAP IMPLEMENTATION CONTRACT AMENDMENT AND THE DAD DELIVERY ORDERS SHOULD INCLUDE PERFORMANCE STANDARDS.

(1) PROCEDURES APPLICABLE TO DESIGN AND PERFORMANCE (DAP) CONTRACTS:

(A) IN KEEPING WITH THE NEW AID SIMPLIFIED PROGRAMMING PROCEDURES, THE MISSION WILL PREPARE AN ABBREVIATED STRATEGY WHICH CLEARLY ESTABLISHES MEASURABLE DEVELOPMENT OBJECTIVES AND THE MISSION'S CONCEPT OF HOW THESE OBJECTIVES WILL BE OBTAINED.

(B) THE MISSION AND HOST GOVERNMENT WILL NEGOTIATE AND

SIGN AN AGREEMENT WHICH (1) SETS OUT THE CONCEPT AND OBJECTIVES OF THE PLANNING DOCUMENT AND (2) PROVIDES THAT THE PROJECT OR PROGRAM WILL BE UNDERTAKEN IN WHOLE OR IN PART THROUGH A DESIGN AND PERFORMANCE CONTRACT.

(C) AT THE TIME OF SIGNING THE AGREEMENT, THE MISSION AND HOST COUNTRY WILL ALSO SIGN AN ACTIVITY

STATE 269607 1506252

6327 004349 AIC0279

IMPLEMENTATION ORDER WHICH INCLUDES A CONTRACTIBLE SCOPE OF WORK FOR A DAP CONTRACT AND EVALUATION CRITERIA FOR SELECTION OF THE BEST PROPOSAL.

(D) IN SOLICITING PROPOSALS, AID WILL ADVISE POTENTIAL COMPETITORS THAT THE CONTRACTOR SELECTED TO DESIGN THE DEVELOPMENT ACTIVITY OR PROGRAM WILL ALSO BE EXPECTED TO IMPLEMENT THE SPECIFIC ACTIVITY OR PROGRAM THROUGH AN AMENDMENT TO THE CONTRACT IF THE DESIGN IS ACCEPTED BY AID.

(E) EVALUATION CRITERIA FOR SELECTION OF THE BEST PROPOSAL WILL INCLUDE, WHENEVER POSSIBLE, PROPOSED CONCEPTS FOR DESIGNING PERFORMANCE STANDARDS TO BE INCLUDED IN THE CONTRACT AMENDMENT. TO THE EXTENT POSSIBLE, SUCH PERFORMANCE STANDARDS WILL CORRESPOND OR BE DIRECTLY LINKED TO INTERIM OR FINAL DEVELOPMENT OBJECTIVES SET OUT IN THE PLANNING DOCUMENT.

(F) AS AN ALTERNATIVE TO STEPS (D) AND (E) ABOVE, THE MISSION MAY AWARD TWO OR MORE DESIGN CONTRACTS AND AWARD A FOLLOW-ON CONTRACT TO THE COMPETITOR WHO SUBMITS THE BEST DESIGN. UNDER THIS ALTERNATIVE, AID MUST

ESTABLISH, IN THE RFP, CRITERIA FOR SELECTION OF THE TWO OR MORE DESIGN CONTRACTORS AND CRITERIA FOR THE SELECTION OF THE BEST DESIGN AMONG THOSE PRODUCED BY THESE CONTRACTORS. (MISSIONS SHOULD BE CAUTIONED THAT THIS ALTERNATIVE MAY REQUIRE SUBSTANTIALLY MORE STAFF TIME AND ADDITIONAL PROGRAM COST BECAUSE OF THE NEED TO COORDINATE AND FUND TWO OR MORE CONTRACT DESIGN TEAMS. THE APPARENT TRADE OFF WOULD BE THE POTENTIAL FOR A BETTER DESIGN WITH MORE DEMANDING PERFORMANCE STANDARDS AS A CONSEQUENCE OF THE DESIGN COMPETITION. THIS ALTERNATIVE ALSO REDUCES THE RISK THAT A SINGLE CONTRACTOR MAY NOT PRODUCE AN ACCEPTABLE DESIGN.) BECAUSE OF THE LABOR INTENSIVE NATURE OF THIS COMPETITIVE DESIGN ALTERNATIVE AND LACK OF AGENCY EXPERIENCE WITH SUCH SIMULTANEOUS COMPETITION, THE ALTERNATIVE SHOULD BE LIMITED TO PILOT TESTS.

(G) THE MISSION WILL NEGOTIATE A CONTRACT AMENDMENT UPON ACCEPTANCE OF THE CONTRACTOR'S DESIGN PACKAGE. IDEALLY, THIS CONTRACT AMENDMENT WILL INCLUDE PERFORMANCE STANDARDS, AND THE CONTRACTOR'S FEE WILL BE REDUCED OR INCREASED IF HE FAILS TO OBTAIN OR EXCEEDS THE STANDARDS.

(H) ALL DAP CONTRACTS WILL INCLUDE A REQUIREMENT FOR A

SUB-CONTRACTING PLAN TO MEET GRAY AMENDMENT REQUIREMENTS AND TO ENABLE THE CONTRACTOR TO OBTAIN EXTERNAL, PROFESSIONAL SERVICES. SUB-CONTRACTING MAY BE PARTICULARLY IMPORTANT FOR SECTOR PROGRAMS IN WHICH THE PRIME CONTRACTOR IS EXPECTED TO MANAGE A VARIETY OF

SPECIALIZED DEVELOPMENT ACTIVITIES.

(2) PROCEDURES APPLICABLE TO DESIGN AND DELIVER (DAD) CONTRACTS:

(A) THRU (C) (SEE ITEMS (1) (A) THRU (1) (C) ABOVE.) THE INITIAL PROCEDURES ARE QUITE SIMILAR TO THOSE DESCRIBED FOR DAP CONTRACTS. THE DAD CONTRACTOR WILL RECEIVE TWO CONTRACTS; ONE FOR DESIGN AND ONE FOR IMPLEMENTATION. THE IMPLEMENTATION CONTRACT WILL BE EXECUTED THROUGH DELIVERY ORDERS. DELIVERY ORDERS, WHICH ARE SEPARATELY NEGOTIATED WITH THE CONTRACTOR, MAY BE ISSUED BEFORE THE DESIGN CONTRACT IS COMPLETED IF THE PROGRAM AGREEMENT ENVISIONS THE DESIGN AND IMPLEMENTATION OF SEVERAL

UNCLASSIFIED

19

UNCLASSIFIED
AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

OUTGOING
TELEGRAM

PAGE 03 OF 04 STATE 269607 150625Z 6327 004349 A100279

STATE 269607 150625Z

6327 004349 A100279

DISCREET IMPLEMENTATION ACTIVITIES. IN OTHER WORDS, THE MISSION MAY AWARD A CONTRACT FOR A ROLLING DESIGN AND INCREMENTALLY ACCEPT DESIGNS FOR IMPLEMENTATION ACTIVITIES. THE MISSION MAY THEN EXECUTE THESE IMPLEMENTATION ACTIVITIES THROUGH NEGOTIATION AND ISSUANCE OF DELIVERY ORDERS UNDER THE COMPANION IMPLEMENTATION CONTRACT PROVIDED THAT THE DESIGN CONTRACT AND DELIVERY ORDERS ARE CONFINED IN SCOPE TO THE SECTOR OR PROGRAM OBJECTIVES SET OUT IN THE BILATERAL AGREEMENT AND RFP.

SET ASIDE OR SERVE AS A DEDIMENT TO MINDRITY CONTRACTING?

A. NO. TITLE XII ACTIVITIES WILL STILL BE SET ASIDE FOR TITLE XII INSTITUTIONS. AID MAY REQUIRE DAP AND OAD CONTRACTORS TO AWARD SUB-CONTRACTS FOR SPECIFIED DOLLAR PERCENTAGES OR PURPOSES TO MINDRITY CONTRACTORS, AND OTHER ELIGIBLE GROUPS. ALSO, DAP AND DAD PRIME CONTRACTS MAY BE SET ASIDE FOR 8(A), GRAY AMENDMENT OR SMALL BUSINESS RECIPIENTS.

(D) IN SOLICITING PROPOSALS, AID WILL ADVISE POTENTIAL COMPETITORS THAT TWO CONTRACTS WILL BE AWARDED TO THE COMPETITOR WHO SUBMITS THE WINNING PROPOSAL. ONE CONTRACT WILL BE FOR DESIGN OF THE DISCREET ACTIVITIES WHICH MAKE UP THE PROGRAM AND THE SECOND WILL BE FOR EXECUTION OF COMPONENT ELEMENTS OF THE DESIGN THROUGH PERFORMANCE UNDER DELIVERY ORDERS.

O. O. CONTRACTING OFFICERS INSIST ON KNOWING WHAT THE CONTRACTOR IS EXPECTED TO DO BEFORE ACCEPTING A STATEMENT OF WORK. HOW MUCH SPECIFICITY IS REQUIRED IN THE STATEMENT OF WORK FOR A DAP OR OAD CONTRACT?

(E) EVALUATION CRITERIA FOR SELECTION OF THE BEST PROPOSAL WILL INCLUDE, WHENEVER POSSIBLE, PROPOSED CONCEPTS FOR DESIGNING PERFORMANCE STANDARDS TO BE INCLUDED IN DELIVERY ORDERS UNDER THE COMPANION IMPLEMENTATION CONTRACT. TO THE EXTENT POSSIBLE, SUCH PERFORMANCE STANDARDS WILL CORRESPOND OR LINK DIRECTLY TO INTERIM OR FINAL DEVELOPMENT OBJECTIVES SET OUT IN THE PLANNING DOCUMENT.

A THE MISSION PLANNING DOCUMENT AND BILATERAL AGREEMENT MUST CLEARLY SET OUT DEVELOPMENT OBJECTIVES AND IMPLEMENTATION CONCEPTS. THE RFP SCOPE OF WORK MUST EXPLAIN WHAT THE MISSION WANTS FROM THE CONTRACTOR IN TERMS OF DESIGN PRODUCT AND IMPLEMENTATION PERFORMANCE.

(F) THE MISSION WILL NEGOTIATE DELIVERY ORDERS UPON ACCEPTANCE OF DESIGNS FOR DISCREET ACTIVITIES. IDEALLY, DELIVERY ORDERS WILL INCLUDE PERFORMANCE STANDARDS, AND THE CONTRACTOR'S FEE WILL BE REDUCED OR INCREASED IF HE FAILS TO OBTAIN OR EXCEEDS THE STANDARDS.

E. O. DAD CONTRACTS RESEMBLE BUYINS. WILL THEY REPLACE BUY-INS AWARDED BY AID/W?

(G) ALL OAD CONTRACTS WILL INCLUDE A SUB-CONTRACTING PLAN SIMILAR TO DAP CONTRACTS. (SEE ITEM (I) (H) ABOVE.)

A. NO. MANY AID/W BUYINS PROVIDE WORLDWIDE RESEARCH AND RELATED TECHNICAL ASSISTANCE. MISSIONS SHOULD CONTINUE TO UTILIZE THESE BUY-INS WHILE USING DAD CONTRACTS FOR MISSION-SPECIFIC PROGRAMS. MANY MISSIONS SHOULD FIND, HOWEVER, THAT DAD CONTRACTS WILL RELIEVE MISSION DEPENDENCE ON BUYINS FOR MISSION-SPECIFIC TECHNICAL ASSISTANCE. SUCH TA IS OFTEN NO MORE THAN marginally related to the statement of work included in AID/W MANAGED BUY-IN CONTRACTS.

III. QUESTIONS AND ANSWERS:

A. Q. ARE DAP CONTRACTS THE SAME AS COLLABORATIVE ASSISTANCE CONTRACTS?

F. Q. WHY IS THERE SO MUCH EMPHASIS ON PERFORMANCE STANDARDS? SUCH STANDARDS MAY BE DIFFICULT TO ESTABLISH AND IMPOSSIBLE TO MEASURE. WON'T WE END UP IN CONTRACT DISPUTES OVER PAYMENT OF FEES?

A. NO. COLLABORATIVE ASSISTANCE CONTRACTS ARE LIMITED TO TITLE XII INSTITUTIONS AND ARE TYPICALLY LEVEL-EFFORT AGREEMENTS. DAP CONTRACTS WILL FOLLOW FULL AND OPEN COMPETITION PROCEDURES, AND PROFIT-MAKING FIRMS CAN PARTICIPATE. THE DAP CONTRACT PROPOSALS WILL BE EVALUATED FOR AWARD BASED ON PRICE COMPETITION AS WELL AS TECHNICAL COMPETITION. THE CONTRACT AMENDMENT FOR IMPLEMENTATION SHOULD INCLUDE PERFORMANCE STANDARDS IN KEEPING WITH AID'S EMPHASIS ON ACHIEVEMENT OF OBJECTIVES AND ACCOUNTABILITY.

A. AID HAS DETERMINED THAT PROJECTS AND PROGRAMS MUST

B. Q. AID OFTEN PROHIBITS DESIGN CONTRACTORS FROM COMPETING FOR IMPLEMENTATION CONTRACTS. ARE DAP CONTRACTS A REVERSAL OF OUR POLICY?

BE DESIGNED AND MEASURED THROUGH IDENTIFICATION OF QUANTIFIABLE DEVELOPMENT OBJECTIVES AND RESULTS. THE FEDERAL GOVERNMENT HAS RECENTLY ANNOUNCED THAT CONTRACTS MUST INCLUDE PERFORMANCE STANDARDS. AID PROGRAMMING OBJECTIVES AND U. S. GOVERNMENT CONTRACTING REQUIREMENTS APPEAR TO BE COMPLIMENTARY. IT IS TRUE, HOWEVER, THAT IT WILL TAKE CAREFUL THOUGHT AND IMAGINATIVE DESIGNS TO ESTABLISH VERIFIABLE PROGRAM AND ACTIVITY OBJECTIVES AND RELATED CONTRACT PERFORMANCE STANDARDS. FOR THIS REASON, IT IS EVEN MORE IMPORTANT TO INVOLVE CONTRACTORS IN THE DESIGN OF PROGRAMS AND DISCREET ACTIVITIES AND IN THE ESTABLISHMENT OF PERFORMANCE STANDARDS TO WHICH THEY WILL BE HELD ACCOUNTABLE.

C. NO. ALL POTENTIAL COMPETITORS WILL BE ADVISED DURING SOLICITATION THAT THE INITIAL CONTRACT WILL BE AMENDED TO ENABLE THE CONTRACTOR TO IMPLEMENT AN ACCEPTABLE (OR SELECTED) DESIGN. IN FACT, DAP CONTRACTS WILL AVOID THE CURRENT DISINCENTIVE FOR CONTRACTORS TO DESIGN PROJECTS IN INSTANCES WHERE THE DESIGNER IS EXCLUDED FROM COMPETING FOR THE MORE LUCRATIVE IMPLEMENTATION CONTRACT.

G. Q. DAP AND DAD CONTRACTS MAY MAKE THE MISSION DEPENDENT ON ONE, TWO OR THREE CONTRACTORS FOR MOST OF THE MISSION'S PROGRAM. IS THIS AN UNACCEPTABLE RISK AND WILL THE MISSION BE HARRIED FOREVER TO THE SAME CONTRACTORS?

D. Q. WILL DAP AND DAD CONTRACTS DIMINISH TITLE XII

A. AID IS COMMITTED TO REDUCING THE NUMBER OF INDIVIDUALLY MANAGED PROJECTS AND TO FOCUSING MISSION PROGRAMS ON FEWER DEVELOPMENT OBJECTIVES. THESE GOALS AND LIMITED MISSION STAFF RESOURCES ARGUE FOR FEWER AND MORE COMPREHENSIVE CONTRACTS. CONTRACTORS WILL BE REQUIRED TO RECOMPETE FOR SUBSEQUENT DAP AND DAD

UNCLASSIFIED

20

UNCLASSIFIED
AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

OUTGOING
TELEGRAM

PAGE 04 OF 04 STATE 269607 150625Z
CONTRACTS AT THE CONCLUSION OF THE CONTRACT PERIOD.

6327 004349 AID0279

STATE 269607 150625Z

6327 004349 A100279

H. Q. IF THE DAP OR OAD CONTRACT PERIOD IS LIMITED TO FIVE YEARS, WILL PROGRAM IMPLEMENTATION BE INTERRUPTED WITH EXPIRATION OF THESE CONTRACTS?

A. IT SHOULD BE POSSIBLE FOR CONTRACTORS TO IMPLEMENT DISCREET ACTIVITIES WITHIN FIVE YEARS FROM ISSUANCE OF A DELIVERY ORDER UNDER A OAD CONTRACT OR WITHIN FIVE YEARS FROM ISSUANCE OF AN AMENDMENT UNDER A DAP CONTRACT. DELIVERY ORDERS MAY BE ISSUED AT ANY TIME PRIOR TO EXPIRATION OF THE OAD REQUIREMENTS CONTRACT, AND DAP CONTRACTS MAY BE AMENDED TO PROVIDE FOR IMPLEMENTATION OF ACTIVITIES WITH AN EXTENSION OF THE INITIAL DESIGN CONTRACT.

I. Q. WILL THERE BE A DOLLAR LIMIT ON INDIVIDUAL OAD DELIVERY ORDERS?

A. NO. IF THE DELIVERY ORDER CLEARLY FOLLOWS THE STATEMENT OF WORK SET OUT IN THE CONTRACT AND RFP, AND IF THE DELIVERY ORDER IS ISSUED TO IMPLEMENT A DISCREET ACTIVITY DESIGNED IN ACCORDANCE WITH THE OAD DESIGN CONTRACT, THERE IS NO REASON TO LIMIT THE DOLLAR AMOUNT EXCEPT TO THE EXTENT OF AVAILABLE FUNDS.

J. Q. IF A DAP OR OAD CONTRACTOR DOES NOT PRODUCE AN ACCEPTABLE DESIGN, WHAT ARE THE MISSION'S OPTIONS?

A. THE INITIAL DAP CONTRACT MIGHT EXTEND FOR A PERIOD OF, SAY, SIX MONTHS. IN THE UNLIKELY EVENT THAT NO AGREEMENT CAN BE REACHED ON AN ACCEPTABLE DESIGN, THE MISSION WOULD LET THE CONTRACT EXPIRE AND POSSIBLY REPEAT THE COMPETITION PROCESS. A OAD CONTRACTOR WILL NORMALLY PRODUCE SEVERAL DESIGNS FOR DISCREET ACTIVITIES. IT SEEMS PROBABLE THAT THE MISSION AND

CONTRACTOR WILL AGREE ON MOST, IF NOT ALL DESIGNS, AND THAT DELIVERY ORDERS WILL BE ISSUED FOR IMPLEMENTATION OF THOSE FOUND ACCEPTABLE. THE CONTRACTS MAY ALSO BE TERMINATED.

K. Q. CAN THE MISSION GIVE PARTS OF AN ACCEPTABLE DESIGN TO OTHER CONTRACTORS FOR IMPLEMENTATION?

A. NO. IT WOULD NOT BE POSSIBLE TO AWARD COMPONENT PARTS OF AN ACCEPTABLE DESIGN TO OTHER CONTRACTORS IF SUCH COMPONENTS ARE WITHIN THE DEFINITION OF REQUIREMENTS INCLUDED IN THE DAP OR OAD AWARD.

L. Q. WHAT WILL PREVENT DAP AND OAD CONTRACTORS FROM DESIGNING HIGH COST TA ACTIVITIES FOR THEIR OWN BENEFIT?

A. THE MISSION, HOST GOVERNMENT AND CONTRACTOR WILL NECESSARILY WORK CLOSELY TOGETHER TO CONSIDER THE COSTS AND BENEFITS OF DESIGN OPTIONS BEFORE DESIGNS ARE ACCEPTED. THE ACTIVITIES TO BE IMPLEMENTED BY THE CONTRACTOR WILL THEN BE NEGOTIATED IN ACCORDANCE WITH THE COST AND OTHER PROVISIONS OF THE CONTRACT BEFORE OAD DELIVERY ORDERS ARE ISSUED OR THE DAP CONTRACT IS AMENDED FOR IMPLEMENTATION. MISSION AND HOST COUNTRY INVOLVEMENT DURING THE DESIGN PROCESS AND NEGOTIATIONS BEFORE IMPLEMENTATION OF ACTIVITIES SHOULD PROVIDE FOR COST EFFECTIVE AND ESSENTIAL TECHNICAL ASSISTANCE.

M. Q. WILL SUB-CONTRACTING BE COST EFFECTIVE?

A. SUB-CONTRACTING MAY ADD VERY LIMITED ADDITIONAL

COSTS IN THE FORM OF FEES PAID TO THE DAP OR OAD CONTRACTOR FOR ACCEPTING THE RISKS INHERENT IN SUB-CONTRACTING. IMPROVED MANAGEMENT EFFICIENCY AND EARLIER IMPLEMENTATION OF PROGRAM ACTIVITIES SHOULD MORE THAN COMPENSATE FOR THESE ADDITIONAL FEES.

N. Q. WILL MISSIONS CONTINUE TO USE ALL OTHER FORMS OF CONTRACTS, GRANTS AND COOPERATIVE AGREEMENTS? ARE DAP AND OAD CONTRACTS ADDED OPTIONS TO BE USED ONLY WHERE APPROPRIATE?

A. ALL OTHER PROCUREMENT OPTIONS WILL CONTINUE TO BE AVAILABLE. DAP AND OAD CONTRACTS APPEAR TO BE PARTICULARLY WELL SUITED TO THE AGENCY'S NEW STREAMLINED AND RESULTS-ORIENTED DESIGN PROCESS. THE MORE COMPREHENSIVE, SECTOR-WIDE DAP AND OAD CONTRACTS SHOULD ASSIST MISSIONS IN CONCENTRATING THE DESIGN AND IMPLEMENTATION PROCESS AND IN LIMITING THE NUMBER OF PROJECTS, SUBPROJECTS AND CONTRACTORS TO BE MANAGED AND MONITORED BY LIMITED STAFF. CERTAINLY, THESE DAP AND OAD CONTRACT OPTIONS WILL NOT BE SUITABLE FOR ALL MISSIONS, BUT THEY SHOULD SERVE WELL IN MISSIONS WHERE PROGRAMS INCLUDE SUBSTANTIAL AND DIVERSE REQUIREMENTS FOR CONTRACTOR-PROVIDED TECHNICAL ASSISTANCE.

IV AID ACCEPTANCE AND FUTURE USE OF THESE CONTRACT OPTIONS:

A. DAP AND OAD CONTRACT PROCEDURES REQUIRE THOUGHTFUL REFINEMENT BEFORE THEY ARE USED. PROGRAM, PROJECT AND

CONTRACTING OFFICERS WILL NEED TO WORK CLOSELY TOGETHER WELL BEFORE BILATERAL AGREEMENTS ARE SIGNED INCORPORATING DAP OR OAD CONTRACTS AS THE DESIGN AND IMPLEMENTING VEHICLE. CLOSE COLLABORATION MUST CONTINUE THROUGH THE SOLICITATION AND EVALUATION PROCESS IN ORDER TO ENSURE CONTRACTIBLE STATEMENTS OF WORK AND APPROPRIATE EVALUATION CRITERIA. SIMILAR COLLABORATION WILL BE REQUIRED DURING THE DESIGN STAGE TO ENSURE THAT THE CONTRACTOR AND THE MISSION AGREE ON IMPLEMENTATION AND SUBCONTRACTING PLANS AND PROPOSED PERFORMANCE STANDARDS. THE PROJECT AND CONTRACTING OFFICERS WILL THEN NEED TO EVALUATE CONTRACTOR IMPLEMENTATION AT PERIODIC INTERVALS TO DETERMINE IF PROGRESS IS PROCEEDING ACCORDING TO PLANS, IF INPUTS NEED TO BE ADJUSTED, AND IF THE CONTRACTOR HAS MET OR EXCEEDED PERFORMANCE STANDARDS.

B. MISSIONS ARE ENCOURAGED TO CONSIDER THE BENEFITS AND POTENTIAL DISADVANTAGES OF THE DAP AND OAD OPTIONS AND TO SUBMIT COMMENTS OR QUESTIONS BY SEPTEMBER 15TH. CABLE REPLIES SHOULD BE SENT TO TERRY MCHAMON, DIRECTOR, MS/OP.

C. IF MISSIONS REPORT THAT DAP AND OAD CONTRACTING OPTIONS APPEAR GENERALLY BENEFICIAL, GUIDANCE WILL BE PROVIDED BY DECEMBER 1991, AND MISSIONS WILL BE INVITED TO HOST CONFERENCES IN EARLY CY 1992 TO REVIEW THE PRACTICAL ASPECTS OF USING THESE CONTRACTING PROCEDURES. EAGLEBURGER

UNCLASSIFIED

21