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October 13, 1970

A Preliminary Plan of Action to Assist in Implementation
of the President's Message on Foreign Assistance

The initial efforts have been to identify specific actions to improve existing agency operations and to conform them more closely to the President's new concepts and approaches. Concurrently we are undertaking additional fact-finding and analyses to respond to the requirements for specific legislative and budgetary proposals for congressional consideration.

A number of study papers have been prepared and specific assignments have been made to deal with some of the transitional problems. Attached is a list of assignments to date and their status.

STAFF PAPERS

<u>TAB</u>	<u>Title</u>	<u>Prepared By:</u>
International Dev. Corporation		
A	Locus of Housing Guaranty	Baruch, AA/A
B	Role of NAC	Berlin, PPC
C	Admin. of Eng. Functions	Vernon, ENGR
D	Funding Methods	Williams, A/CONT
E	Financing Methods	Shute, A/CONT
International Development Institute		
F	Expanded Use of Contractors	DeAngelis, A/MP
G	Research Functions	Long, AA/TA
H	Tech. Assist. to non-AID Countries	Wood, A/AID
I	Title IX-Soc. & Civic Dev.	Lyman, PPC
J	Relations w. Priv. Orgs.	Crowley, PRI
K	American Schools/Hosp.	Behoteguy, AA/A
L	Resource Skills Gap	Daspit, AA/TA
M	(See Tab D)	
N	(See Tab E)	
O	Prog. Activities/Approaches	White, NESAs
P	Legislative Structure-Barna- cles	Hoskins, GC
Q	Controller Operations	Flinner, A/CONT

PRELIMINARY PLAN OF ACTION TO ASSIST IN IMPLEMENTATION
OF THE PRESIDENT'S MESSAGE ON FOREIGN ASSISTANCE

SUBJECT	SPECIFIC ASSIGNMENTS TO DATE	STATUS	ACTION OFFICER
1. International Development Corporation	a. Develop a specific plan of action for A/AID approval to move increasingly toward centralization of A. I. D. loan operations	Draft being prepared	Lustig, NESA (with Taubenblatt, EA; & Paulisch, VN)
	b. <u>Locus of Housing Guaranty Program</u>	Staff paper previously prepared by Baruch, AA/A	
	c. <u>Role of NAC</u>	Staff paper previously prepared by Berlin, PPC	
	d. <u>Administration of Engineering functions</u>	Staff paper previously prepared by Vernon, ENGR	
	e. <u>Funding methods</u>	Staff paper previously prepared by Williams, A/CONT	
	f. <u>Financing methods</u>	Staff paper previously prepared by Shute, A/CONT	
2. International Development Institute	a. Identify major issues which must be addressed to develop implementing legislative and budgetary proposals.	Draft being prepared.	Levick, AA/TA
	b. <u>Expanded use of contractors</u>	Draft staff paper prepared by DeAngelis, A/MP	
	c. Review of grant management	Analysis underway	Kitchell, AG
	d. <u>Research functions</u>	Staff paper previously prepared by Long, AA/TA	
	e. <u>Technical Assistance to non-AID countries</u>	Staff paper previously prepared by Wood, A/AID	

<u>SUBJECT</u>	<u>SPECIFIC ASSIGNMENTS TO DATE</u>	<u>STATUS</u>	<u>ACTION OFFICER</u>
	f. <u>Title IX - Social and Civic Development</u>	Staff paper previously prepared by Lyman, PPC	
	g. <u>Relations with Private Organizations</u>	Draft paper previously prepared by Crowley, PRI	
	h. <u>American Schools and Hospitals Abroad</u>	Staff paper previously prepared by Behoteguy, AA/A	
	i. <u>Resource Skills Gap</u>	Staff paper previously prepared by Daspit, AA/TA	
	j. <u>Funding methods</u>	Staff paper previously prepared by Williams, A/CONT	
	k. <u>Financing methods</u>	Staff paper previously prepared by Shute, A/CONT	
3. Security Assistance	Subject being addressed by Under Secretary's Committee; A. I. D. steering group under Deputy Administrator Williams with Lloyd Jonnes, PPC, serving on Interagency Working Group and Andrew Westwood, VN Bureau detailed full-time to group.		
4. Personnel and Manpower	a. Develop plan of action for A/AID approval to address problem areas in personnel management during transition period.		Johnston, A/PM with (McMakin, A/MP Dragon, GC)
	b. Develop data and analyses on A. I. D. personnel system and manpower utilization, necessary to the work of an external group.		
5. Program Activities and Approaches	a. <u>Summary of major points on development assistance contained in Peterson Report and in the President's Message on Foreign Assistance.</u>	Staff paper prepared by White, NESA	

<u>SUBJECT</u>	<u>SPECIFIC ASSIGNMENTS TO DATE</u>	<u>STATUS</u>	<u>ACTION OFFICER</u>
6. Project Surveillance and Oversight	b. Identify simplifications which can be made in technical assistance programming, budgeting and implementation. c. Program Inventory--listing of <u>all</u> programs, projects, and activities for which A. I. D. field missions have any responsibility. Consider new approaches to these activities.	Staff paper being prepared Regional Bureau submissions complete except for a few LA countries Further development under-way of ideas in draft paper September 4th	Birnberg, NESA Schuweiler, PPC Tennant, AG
7. Common Services Arrangements (e.g., general services; data processing; printing; etc.)	Develop detailed inventory of current overseas arrangements for provision of services within each country.	This work underway drawing on data previously prepared by Common Services Task Force	Fischer, AA/A with (Richardson, NESA) (Hahne, AFR) (Moore, A/AS)
8. Legislation	a. <u>Legislative structure</u> b. <u>Barracles</u>	Staff papers previously prepared by Hoskins, GC	Robinson, LA
9. Field Mission Structure, Staffing and Methods of Operation	Develop an approach for A/AID approval and discuss with Regional Administrators and Senior Staff with respect to Acting Administrator's memorandum of August 20th and submissions from Regional Administrators, AA/A and AG.	Developing proposal for A/AID approval.	Robinson, LA
10. Simplification of procurement procedures	Develop detailed implementation instructions implementing the President's LDC untying decision.	In final stages of approval	Joint PPC-AA/A Working Group
11. Controller operations	<u>Develop paper to identify specific actions already underway to simplify fiscal and accounting operations; possible actions which could be undertaken in the short-range and a long-range plan for maximum centralization of Controller operations in the U. S.</u>	Draft paper prepared by Flinner, A/CONT	

10/13/70

June 30, 1970

MEMORANDUM FOR: A/AID, James Fowler, Special Assistant

FROM: IA/HUD, Stanley Baruch, Director, Housing and Urban Development

SUBJECT: World-wide Housing Investment Guaranty Program

The Housing Guaranty Program from start to finish is extraordinarily complex. An understanding of that complexity may be useful in determining how much of the responsibility for administering a world-wide program should be centralized somewhere within the central A.I.D. complex, how much should be left fully within the control of the regional bureaus, and how much might be woven into a combined central A.I.D./Bureau relationship conceived for the exclusive purpose of satisfying the program's complexity?

Accordingly, what follows is a very much simplified chronological exposition of the stages in developing and implementing a housing guaranty program, accompanied whenever appropriate with a very brief commentary concerning the possible central A.I.D. and regional bureau involvement.

1. Authorization

The authority to issue housing investment guaranties has come about either as the exclusive result of Congressional initiative or very rarely a formal request from the Executive Branch when the proposed foreign assistance legislation is submitted by A.I.D. to the Congress. Of the world-wide total, amounting to more than \$710,000,000, \$100 million was specifically and officially requested by A.I.D., while the balance of \$610,000 was the result of Congressional initiative. In 1965, IA/HUD prepared the single official request for increased authority all of which was destined for the Latin America Housing Guaranty Program. On every other occasion, whether for the increasing of the world-wide authority or the Latin America authority, IA/HUD has been consulted by interested Congressmen and Senators so as to assure the most effective authorizing language consistent with the progressive operational experience of the program. In a very real sense IA/HUD was performing a centralized A.I.D. function. This centralized function has been similarly performed by IA/HUD in regular informal consultation with the appropriate House and Senate Committees to bring about changes in the legislation, and legislative history designed to make the guaranty program function in an increasingly efficient fashion with a minimum of interference by other agencies of the U.S. Government. Decisions, however, concerning the amount of additional guaranty authority to be requested in the future properly

require an initial intensive input by the regional bureaus followed by the incorporation of the respective regional bureau requests into a comprehensive single package for presentation to the Congress.

2. Allocation

The allocation of housing guaranty authority voted by the Congress among the several claimants under the world-wide program will require a central A.I.D. decision maker working in closest harmony, however, with the respective bureaus in order to be prepared to make the most rational decisions. The regions in turn will be required to make a thorough canvass of their member countries, and it might require for this exercise assistance from a central A.I.D. housing office in conducting the educational process which must continuously be carried on concerning this program which has no precise counterpart.

3. Public Announcement of Competitive Program

The first step in implementing a competitive housing guaranty program, that is any program in which the sponsor is a profit making private entity, is to prepare a public announcement concerning the program and opening it to the general public through the utilization of mailing lists and by publication in the Federal Register. A copy of the most recent announcement for the Latin America program is enclosed as Attachment "A" and it demonstrates the comprehensive information which must be organized and also the ways in which each announcement must be tailored to accommodate the particular requirements in the individual country.

In order for there to be a rational relationship with the potential sponsors under the competitive program there should be centralized preparation, while through each Bureau obviously there will have to be a solicitation from the field of those special elements to be included in the announcement which are unique to their country (i.e., for example, all housing guaranty projects should be located in the capital city or alternatively no housing guaranty projects should be located in the capital city.)

4. Pre-Feasibility Stage

Depending on the nature of the program and local circumstances, a two to six month period is established for the submittal of applications in response to the public announcement, and the procedures and requirements of the application are contained in the brochure "Information for Applicants" prepared by AID/W, IA/HUD. All applications are required to be submitted directly to the USAID, which is assigned a shared responsibility to assist

sponsors in preparing applications, planning housing investment quantity objectives, and examining applications for conformity with host country policies. They may suggest project types and locations and, if appropriate, assist the sponsor in securing advance approval from relevant government offices and agencies. USAID is required to check applications for completeness only within 48 hours of submission and if incomplete they are returned with advice as to what must be completed and at that time a firmly fixed deadline is established for resubmission of the completed document. The completed document is then subjected to the following processing:

- a. Three copies are sent to AID/W. Mission review begins.
- b. IA/HUD technical and non-technical reviews are initiated.
- c. IA/HUD recommendation based on these reviews is drafted.
- d. Mission transmits recommendations to IA/HUD.
- e. IA/HUD prepares recommendation to the Housing Guaranty Review Committee (HGRC), requesting feasibility review of selected projects based on written USAID and IA/HUD analyses. An HGRC meeting is scheduled with IA/HUD recommendations distributed at least 48 hours before meeting.
- f. The HGRC reviews recommendations and the HGRC Chairman (Deputy Coordinator, Alliance for Progress) makes the A.I.D. decision.
- g. Minutes are prepared of the proceedings, copies distributed to all participants and submitted for approval at the next HGRC meeting.

In the meanwhile, all applicants are informed whether or not their projects have been selected for full feasibility studies and, if not, why they were rejected. Selected applicants are advised that the IA/HUD Technical Office will contact them to schedule a joint field visit which is coordinated in consultation with the USAID.

(A comprehensive manual is in the process of being updated and is available for review. This document spells out in very great detail the procedures which are only outlined above and will be outlined in the sections which follow. There is substantial narrative description in the handbook as well as workflow chart for each stage which shows exactly who is doing what to whom at what time.)

5. Feasibility Stage

- a. The Chief of the IA/HUD Technical Branch sets date for field visit to conduct technical feasibility studies including market analysis and evaluation of proposed sponsors. Dates are cleared with USAID staff.

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- b. In addition to technical feasibility studies other studies may be required, particularly to permit competitive appraisal of applications. This might be evaluation of a trade union or determination of availability of an administrator, etc.
 - c. In anticipation of arrival of IA/HUD team, USAID should already have compiled the background statistics and legal documents requested by the team. USAID provides logistic support and if feasible a full time USAID representative for the team. The sponsor is also required to provide a representative in the field at this time.
 - d. The feasibility team debriefs USAID on its conclusions before departing for Washington, and its recommendations are submitted to IA/HUD which then prepares a paper for the HGRC, requesting that some projects be authorized or that some be rejected. The paper making these recommendations summarizes the studies made by IA/HUD, its contractors, and USAID, and evaluates projects in numerical sequence in accordance with these elements. Each project which has been reviewed is described in a special attachment which includes the feasibility study, and for those projects which are selected a draft authorization statutory check list and a draft Letter of Advice. With the approval of the paper by the Chairman of the HGRC, the formal authority for allocating the A.I.D. guaranty to U.S. investment in a specific project has been determined. The draft Letter of Advice, which is also approved, is a very complex set of instructions which requires the sponsor to obtain firm commitments to lend from an eligible investor and from a construction financier within 60 days, requires investor's counsel to submit drafts of the contract of guaranty and loan agreement to A.I.D. within 120 days, and requires presentation of final plans and specifications within 180 days.
 - e. A formal meeting of all DLC members is required if the guaranty authorization is in excess of \$5 million and all of the DLC presentation papers are prepared by IA/HUD.
 - f. Once the projects have been cleared by all parties the guaranty authorization is signed by the Deputy U.S. Coordinator and the Letter of Authorization sent to the successful applicant. Those whose projects have not been authorized similarly are advised by a comprehensive letter explaining the reasons.

6. Initial Project Implementation Actions

a. Immediately after the issuance of the Letter of Advice a meeting of all parties to the project is held to explain to each his respective responsibility in converting an approved application into a project. This initial session moves immediately into the preliminary technical review conducted by the IA/HUD technical branch at which time the sponsor is advised of the steps he must take to prepare all documents for intensive review.

b. The administration agreement is prepared by borrower's counsel for signature by the administrator, borrower, builder, and A.I.D. This agreement includes an inspector's agreement, project description, borrower's agreement, builder's agreement, management agreement, and sample sales contract and mortgage document.

7. Acceptance Fee and Financing Commitment

a. The Letter of Advice spells out requirements for payment of an acceptance or processing fee which is equal to \$2 per \$1000 of the commitment and is payable in three equal installments due 30, 60, and 120 days after the Letter of Advice.

b. Firm deadlines are established to present evidence of commitments for construction and long term financing.

c. Draft guaranty and loan agreements are prepared by counsel for the long term investor, reviewed by all parties, and then negotiated for signature with full participation of IA/GC.

8. Intensive Review

a. Applicant submits two copies each of intensive review exhibits to host government agency, USAID, and AID/W and the review is initiated.

b. IA/HUD Technical Branch conducts the underwriting process and completes initial intensive technical review.

c. Upon receipt of notice from host government agency that they are prepared to conduct combined processing, the IA/HUD Technical Branch conducts its field review, engaging the participation of the sponsor, the host government agency, and the USAID, on the basis of which the final memorandum to the sponsor by the host government agency is prepared with A.I.D. clearance.

c. On basis of progress of construction and sale of homes, closing memorandum is prepared by the investor and IA/HUD arranges for the closing and signing of notes.

d. IA/HUD arranges for annual inspection of all completed projects throughout the life of the mortgage.

12. Post Construction

a. All relationships with the administrator, who is the local fiduciary servicing the mortgage for the balance of its life, is carried out by IA/HUD.

b. In the event that for any reason the investor does not receive his payment in the amount agreed upon and at the proper time, it is the continuing responsibility of IA/HUD for the life of the mortgage to make all arrangements to examine into the cause for deficiency, to remedy it, and in the absence of any remedy, to arrange for the triggering of the guaranty so as to assure the regular timely payment to the investor.

Throughout all the time that all of the foregoing operational activities occur the senior management of IA/HUD is required to spend substantial time and effort refining legislation, conceptualizing imaginative ways of utilizing the authority in order increasingly to emphasize its institution building and development aspects, canvassing, cajoling, and capturing eligible investors to the tune of \$1.50 million a year in an absolutely miserable market, and in a variety of different ways seeking to mold what had been originally a one-dimensional exercise into a multi-faceted contributor to the needs of developing countries.

IA/HUD:SParuch:aaf:IA/HUD

July 10, 1970

MEMORANDUM FOR: A/AID, James Fowler, Special Assistant

FROM: LA/HUD, Stanley Baruch SB

SUBJECT: Alternatives for the Future Location of Housing Under Possible Reorganizational Options

I. INTRODUCTION

Housing and urban development exists as a sector at the present time only in the Latin America Bureau. The history of the Agency for International Development and its predecessor agencies is replete with opportunities available and opportunities rejected to initiate housing programs elsewhere than in Latin America, including failure to respond to the availability of housing tools authorized by Congressional initiative. It now seems likely, however, that the Latin America success with one of the housing tools, the Housing Investment Guaranty Program (HIG), occurring simultaneously with a reduction in other AID development lending resources throughout the world, has begun to cause a reevaluation of previous attitudes. In addition to this new attitude being a response to Congressional interest, it also is a tribute to the way in which the housing guaranty tool has been molded so that it is now multi-dimensional rather than principally serving the purpose of accommodating energetic U.S. builders and entrepreneurs.

There appear to be three principal options as to the way the housing and urban development function can most effectively be located as part of the impending reorganization of the foreign aid agencies:

- A. Transfer the entire function to OPIC.
- B. Incorporate the housing function within the proposed International Development Bank.
- C. Support the proposal by Congressmen Dante Fascell and Brad Morse to create a separate overseas housing agency which would have as its principal initial resource the housing guaranty authority.

What follows is an assessment of the advantages and disadvantages of these options in the hopeful expectation that your review of these respective merits and deficiencies will suggest that the Agency should lend its principal support to one of the alternatives.

II. OPIC (Overseas Private Investment Corporation)

- A. All other guaranties are already located in OPIC.
- B. The Peterson Task Force makes this recommendation without any qualifications and in my discussions with the senior staff members of the Peterson Task Force they reported that this proposal was never challenged and was considered to be irresistibly logical.
- C. In public speeches and private conversations, Dante Pascell and Brad Morse have indicated that placing housing under OPIC will immediately free it of what they consider to be those bureaucratic roadblocks which have inhibited and, in fact, prohibited effective housing programs in all the other parts of the world except Latin America.
- D. Location of the program within a manifestly private sector organization may be more compatible than the present arrangement with the environment in which the North American building and financing communities are accustomed to perform.
- E. Transfer to OPIC will guarantee centralized control of all worldwide activities which is economically, substantively and programmatically the most effective way to run the program.
- F. It should be simpler under OPIC to assure that the housing function has its own legal staff available exclusively to accommodate the legal and contractual complexities of the program.
- G. The terrible restrictions of space and facilities which have afflicted the image and administration of the program in AID, where there is tremendous competition for floor space, would be eased substantially.
- H. The OPIC Board of Directors, being very heavily oriented toward the private sector, might be more disposed to support a substantial expansion of the housing guaranty function than has proven to be the case by AID and its predecessor agency leadership in the past.
- I. Being self supporting from fee income and because its capital funds come from the private sector, the program is particularly in harmony with President Nixon's expressions concerning international economic involvement and with the general motivation which resulted in the establishment of OPIC.

III. International Development Bank

- A. Housing and urban development and its principal HIG tool have achieved or are in the process of achieving developmental and institution-building capacities. It is too early to tell whether these may be fully realized within OPIC or may be transformed once again into a one-dimensional technique for transferring private U.S. resources into developing countries.
- B. Many of the supporters of the transfer to OPIC consider that there would be less red tape there when in fact the OPIC bureaucracy may prove to be as extensive as the AID bureaucracy.
- C. We have learned painfully but dramatically that continuing field representation is essential in order for central management to be fully privy to the effectiveness of the programs and in order for decision-making, which is quantitatively enormous, to become streamlined. To a considerable extent, USAIDs have been very helpful in this process, serving as the administrative location for regional and country LA/IRD officers with a variety of supporting services and staff coming from the USAIDs themselves. Implanting this concept may be difficult in OPIC; but we have no assurance that USAIDs will continue in their present form beyond next year's reorganizational exercise. Certainly, if the proposed "International Development Bank" will continue the USAIDs, it will be simpler as part of the Bank to assure field representation compared with starting from scratch under OPIC.
- D. While the HIG tool is in fact the only guaranty program not included in OPIC at this time, it is really quite different from the other OPIC programs. The HIG sponsor in many instances is an entity whose profit comes from the construction of houses and is earned on the day that the houses are completed and title transferred to the new home owner. From then on the builder has no meaningful interest in the project or the program and the principal responsibility for surveillance thenceforth devolves to the U.S.G. Accordingly, surveillance requirements at every stage under the HIG program are infinitely more extensive and complex than under any of the other OPIC guaranty programs. LA/IRD stands alone as the guardian of the best interest of the U.S. Government throughout the twenty to twenty-five years life of the mortgage.

When contrasted with the OPIC sponsor/investor who has an equity involvement, a less than 100% guaranty, and a financial personal commitment until the loan is repaid, the HIG program appears to be fraught with disproportionate contingent liabilities.

A "balance sheet mentality", which is a very possible ideological prejudice of an OPIC-type Board, may be sufficiently frightened by such a prospect as to cause the program to be administered in an even more conservative and cautious manner than is now the case. In the extreme, this type of approach could easily destroy the most dramatic and imaginative potential uses of the resource before they are even given half a chance.

While I am generally and instinctively sympathetic to this conservative attitude, I am convinced that if it is exaggerated, the net impact will be negative. For example, it is my conviction that despite the apparent contingent liability of the HIG portfolio, its collateral in the form of houses with long term financing in a virtually insatiable market provides an infinitely smaller risk than any other component of the OPIC portfolio.

E. The HIG tool while fundamentally a device for middle class institution building and middle class accommodation, nevertheless has a great utility from the point of view of U.S. foreign policy objectives in being modestly adaptable at both ends of the income level spectrum. For example, the site and services program we are now about to experiment with in Panama and are prepared to adapt to the reconstruction needs of Peru can be given serious consideration for the poorer Asian, African and Latin American countries. At the same time, in countries where the traditional foreign assistance function no longer is justified, such as Taiwan, Israel, Iran, Venezuela, Mexico and Argentina, the HIG tool is a very effective device for our Ambassadors to continue relationships without recourse to concessional loans of appropriated funds. The HIG tool is already serving this purpose in the aforementioned Latin American countries and whether it can be expanded or utilized with equal effectiveness or will be as easily available to the Ambassador under OPIC direction and ideology is problematical.

F. At the present time the cost of money for the HIG program is high. Starting from a base of approximately 9% to the U.S. investor, it regularly reaches a 12% level when all of the fees and charges are added. The program's capacity to meet the needs of the lowest middle income families will, in some situations, depend on the extent to which there might be a mixture of concessional loans for seed capital purposes supplemented with guaranty loans to reach meaningful quantitative levels. While OPIC is not a lender that is capable of, or willing to secure the wherewithal for such a mix, it is obvious that it is more likely to be accomplished under some other umbrella than OPIC.

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IV. H.R. 14957

On November 23, 1969, Congressman Brad Morse on behalf of himself and Dante Fascell introduced a bill "to promote the mobilization and participation of U.S. private capital and skills to assist the peoples in the developing countries of the world to achieve the goal of decent housing and home ownership." The Act is entitled, "The Overseas Private Housing Corporation" (OPHC).

This bill was encouraged by the National Association of Home Builders whose members share with Congressmen Fascell and Morse a preoccupation that the worldwide housing guaranty authority will not be effectively used in AID and particularly that a single office will not be created which can service a worldwide program in a professional and efficient fashion. Pressures from sponsors and investors, as well as public and private officials of various IDCs around the world, may cause hearings to be scheduled even though the Congressmen have indicated that hearings are not now planned for the immediate future.

Accordingly, I submit that Congressmen Morse and Fascell, and all those who are deeply interested in the housing program, are principally preoccupied with the efficacy, vigor, and enthusiasm with which the program is organized to achieve its potential. They will not, I believe, pursue the creation of an independent agency once a centralized AID or OPIC housing function has been created.

The merits of the bill are that it provides for 1) independent centralized responsibility; 2) a Board of Directors fully dedicated to the importance of housing and urban development; 3) the ability to raise money through the sale of bonds and debentures, as well as utilizing the guaranty technique; and 4) it further modifies appropriate sections of the Home Owners Loan Act of 1933 and the Federal Home Loan Bank Act so as to facilitate the participation of U.S. savings and loan associations in the financing of the program. A copy of the bill is attached for your information.

V. SUMMARY

A synthesis of the foregoing issues with rebuttal follows:

In the absence of any experience or affirmation by OPIC concerning its interest, willingness, and capacity to exert its energies and resources toward developmental and institution-building purposes, the proposed International Development Bank is a more appropriate location for such a multi-dimensional function. It presumably would have at its disposal a variety of different facilities such as country missions, concessional lending resources and a ready access to technical assistance.

The rebuttal to the foregoing is that the Board of Directors of OPHC will have the AID Administrator as its Chairman and it is conceivable that

the entire Board when it is finally confirmed may be enthusiastic about embracing, for image purposes, a development and institution building oriented program. Similarly it can be claimed that OPIC does have the capacity under its charter to arrange for a mix of concessional loans with guaranty authority and theoretically would have as much access to the proposed new technical assistance institute as will the proposed International Development Bank. The swing factor obviously is the unknown impulses and ideology of the unknown Board of Directors.

The arguments against locating in the International Development Bank polarize around the probability that a centralized housing function under OPIC would be much more efficient and economical and probably better equipped to deal with the large private component of the total program. Furthermore, there seems to be a firm prejudice by the Peterson Task Force and some Congressmen in favor of the transfer to OPIC.

In rebuttal to these claims, it can be demonstrated that there is nothing sacred about having to be located in OPIC in order to produce an efficient centralized fully professional housing function. I believe that a reasonable exposition could be made to those in charge of evaluating the Peterson Task Force recommendations as well as to the Congress that there is no real advantage in the proposed transfer if a centralized professional worldwide organization has already been created in AID.

In the background and keenly sensitive to the eventual unraveling of the aforementioned organizational arrangements are the sponsors of H.R. 14957, who will be prepared to activate their proposal on short notice.

July 6, 1970

INFORMATION MEMORANDUM FOR THE ACTING ADMINISTRATOR

THRU: EXSEC

JAMES R. FOWLER

FROM: A/AID, James R. Fowler

SUBJECT: Administration of World-wide Housing Guaranty Authority

As you requested, I have reviewed this problem in some depth, both from my own experience with the LA program, and by extensive discussions with people who have been directly involved within the Agency in managing the program in the past. I am here addressing only the immediate short-term problem of administering the existing authority under the FAA. The longer-term problem under a different organizational structure is not the primary focus of this memorandum, although the considerations cited herein will apply, I think, to the latter problem when it is time to consider it.

I conclude that we have several objectives that must be pursued:

- (1) It is very important that the Agency actively and aggressively use the new authority provided by the Congress. It is safe to assume that the Congress will increase, in the future, the amounts authorized, both for LA and non-LA areas. History suggests this will be done regardless of what the Executive Branch may request.
- (2) The administration of the program should be increasingly "development-oriented" rather than "investor/sponsor-oriented." The transformation of the LA program into a more programmed, institution-building, local-savings-generating effort in the last few years has been well received, both in Congress and by the investor/sponsor group. I believe it is correct to continue this trend and, in any event, I think Congressional supporters will demand it.
- (3) Because access to U. S. investment capital is essential to the successful use of the guaranty authority, it is important

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that the Agency organize in such a way that U. S. sponsors, builders and investors are satisfied that the program is being run in an efficient, coordinated fashion. Given the existing stringency of capital for investment abroad, a conscious, organized effort will have to be made by the Agency to "sell" the potential investor on the desirability and value of placing money in the program. This requires initiatives by us to seek out, plan the program and maintain contact with the institutional investors, banks, savings and loan organizations, Federal Home Loan Bank, trade union investors, etc.

- (4) To successfully achieve objective (1) above (the "program approach"), it will also be necessary to establish a system whereby the opportunities for "development-oriented" use of the program are identified in the LDCs, the support and participation of local agencies, institutions and governments obtained, and the effort coordinated with other aspects of U. S. assistance.

To achieve these several objectives, I believe that it will be necessary to organize ourselves in a "mixed" fashion, i. e., with both a strong Regional Bureau responsibility for some functions and an effective central staff organization for other functions. I outline below, for your consideration, one scheme for this division of responsibility, which I think would be workable and which would recognize both the legitimate interests of the Regions, minimize unnecessary duplication of staff, maintain a coordinated focal point for the domestic interests concerned with the program, and permit quick response by the Agency in the use of the new authority.

I attach a chart breaking down the essential functions in the program, indicating where the locus of responsibility should be and briefly explaining the rationale.

In summary, this scheme provides for using existing Regional Bureau and PPC competence for decision making at the policy level, i. e., allocation of resources and development of program ground rules. It provides for a central staff, which handles contacts with the sponsors and investors (the domestic relationships), and provides the technical support through contractors and in-house technical staff expertise. The

latter avoids needless duplication of staff for servicing purposes and centralizes responsibility for handling relationships with contractors who can perform technical evaluation for AID. The overseas relationships are preserved to the Bureaus, although central staff will provide the technical skills to work through the Bureaus with the USAIDs.

The question of where such a central staff in AID/W should be located is a knotty one, to which I have no clear answer. I do not believe this staff should report to the Administrator. It should report to an appropriate Assistant Administrator. Several possibilities exist. It could be a new office within PPC, or it could be attached to PPC/DF (John Kaufmann's operation). This would give PPC a technical, operational responsibility, which does not fit its overall program and policy orientation. A central staff of this nature could be placed under AA/A as a new office; while this would be consistent with the supporting, servicing nature of the central housing guaranty staff and the servicing nature of other functions under AA/A, it would be a new and different facet for AA/A to supervise. It does not seem to fit in TAB because of its operational nature, although its technical service functions have some identity with TAB. In pre-OPIC days, it would have clearly fit into the old PRR function; perhaps it could be shoe-horned into what remains of PRR. On balance, however, I believe it would be least illogically put in PPC as a new office.

If the scheme herein outlined is rejected or can't be made workable, then I suggest that AID should consider again the transfer of the whole function to OPIC. I fear that this would mean losing, or diminishing, the "development orientation" and encouraging the "investor orientation." It would also create problems of coordination with other AID activities and of determining the role and function of field missions. These problems, however, arise with respect to other guaranty programs, and whatever solution is found could also be applied to housing guaranties. My preference for the option outlined in this memorandum and the attached chart is primarily because I believe it is important to use this technique as a coordinated, programmed part of our overall assistance effort.

Attachment
as stated

17

Scheme for Administration of Housing Guaranty Authority

<u>Functional Steps</u>	<u>Locus of Responsibility</u>	<u>Rationale</u>
1. Allocation of authority between Regions and countries (other than LA).	<u>Regional Bureaus</u> , with their associated field missions, to develop order of magnitude requests for allocation by Region and country. Such requests to be reviewed by <u>PPC</u> and recommendations submitted to the <u>Administrator</u> for approval, following the existing OYB procedure.	It is extremely important that potential sponsors and investors know where the Agency desires to have the authority utilized. An open-ended, first-come-first-served approach leaves these decisions to the sponsors, is the antithesis of the "programmed" approach and would repeat all the mistakes made in the early years of the LA program.
2. Development of criteria for country programs and projects.	<u>Regional Bureaus</u> , with their field missions and with advice and assistance from central technical staff, would develop and approve the ground rules for programs in their respective countries (i. e., competitive or negotiated program, maximum amount for each project, maximum price of unit, etc.). To carry out this responsibility <u>Regional Bureaus</u> would not need extensive in-house staff. <u>Assistant Administrators</u> , with assistance from their Capital Development Office, Regional General Counsel, Program Office and Technical Divisions, could make the essential decisions on program design for countries in their area. Technical advice would be provided by the central housing guaranty staff. Policy and program criteria decisions would be the clear responsibility of <u>Regional AAs</u> .	Essential, if authority is to be used with "development-orientation" to stimulate innovative uses of the authority, strengthen the institution-building, local-savings-generating potential. Sponsors and investors must know ground rules in advance before expending time, energy and money in developing proposals. However, it is at this stage that the expertise of the <u>Regional Bureaus</u> must be exercised. Field missions and the senior regional staff in AID/W should bring to bear on the program their knowledge of local situations, needs, opportunities and priorities. Furthermore, the success or failure of the program will be determined by the product which emerges overseas. It is, therefore, critical that the <u>Regional Bureaus</u> have primary design responsibility.

Functional Steps

Locus of Responsibility

Rationale

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|--|---|---|
| 3. Announcement of programs and solicitation of proposals. | <u>Central Housing Guaranty</u> staff, following and carrying out the decisions reached in steps 1 and 2, would prepare and issue, with Regional clearance, the detailed announcements of programs, including amounts and ground rules. | Since the primary audience addressed in this step consists of the domestic sponsors and investors, the Agency action should come from a central point, which can deal in a coordinated fashion with this clientele. |
| 4. Receipt and analysis of proposals. | <u>Central Housing Guaranty</u> staff would receive and screen all proposals and prepare recommendations as to which proposals should be selected for full feasibility studies, which should be rejected, etc. If review by field mission is desired, central staff would refer to Regional Bureau, which would send to USAID. | Use of central staff for initial review and recommendations eliminates need for duplication of technical staffs in each Bureau and assures consistency in treatment of all proposals. |
| 5. Selection of proposals. | <u>Regional AAs</u> would have responsibility for selection of projects for full feasibility study, which should be rejected, etc. Regional Bureaus would receive recommendations (step 4 above) from central staff, but would review and approve, presumably using same Bureau expertise as was involved in step 2. Upon final decision by Regional AA, central staff would notify applicants as to disposition, reasons and next steps. | Decision-making authority as to projects worthy of further study, should reside in Regional Bureaus in order to assure policy control and coordination. |

Functional Steps

Locus of Responsibility

Rationale

6. Conduct feasibility studies, on-site surveys, etc.

Central staff, using outside contractors to maximum extent possible, would conduct technical feasibility studies, field visits, market analysis and evaluation of sponsors.

Same as step 4, above.

7. Final approval of project.

Conclusions and recommendations, after technical feasibility study completed, are prepared by central staff for Regional AA. These are reviewed by Regional Bureau and final approval made by Regional AA, subject to DLC review if project is in excess of \$5 million. With approval of Guaranty Authorization, the Letter of Advice to selected sponsors is prepared by central staff for Regional AA to sign. Rejected applicants are similarly advised by comprehensive letter, prepared by central staff but signed by Regional AA.

Same as steps 4 and 5, above.

8. Project Implementation.

Central staff meets with all parties to the project and advises as to steps needed, documents required, fees to be paid, deadlines to be established, agreements to be drafted, etc. GC, represented by appropriate Regional Counsel, participates with other elements of Regional Bureau as latter may wish. Contacts with host government or local agencies are handled through Regional Bureaus by USAIDs, with assistance and support from central staff, as needed. Final contract of guaranty, including an agreement, prepared by appropriate Regional

Same as step 4, above.

He

Functional Steps

Locus of Responsibility

Rationale

(#8 continued)

GC, cleared by Regional Bureau and central staff, and signed by Administrator or his designee.

9. Pre-construction, construction and post-construction.

Any policy issues arising in these phases of project implementation are reviewed and recommendations prepared by central staff for reference to Regional Bureau AA for decision. Technical issues (e. g., approval of drawings and specs, selling prices, performance of administrator, review and approval of payment bonds, guaranties, change orders, review of inspection reports, etc.) are handled by central staff unless they raise issue of principle or policy, in which case the matter is referred to Regional AA for decision.

UNITED STATES GOVERNMENT

Memorandum

John

TO : A/AID, Mr. William Parks

DATE: May 27, 1970

FROM : PPC/DF/IPP, Lawrence H. Berlin

SUBJECT: The NAC and U.S. Policy Toward IFIs

In response to your request, here is a broad brush review of the history, current operating problems, and possible future modifications of the NAC. I have dealt with the NAC mainly as it affects the U.S. role in the IFIs, rather than its functions with regard to the DLC and loans by U.S. agencies.

Membership

The voting members are Treasury (Chairman), State, Commerce, Federal Reserve, and Ex-Im. Meetings are held on three levels: Principals (at the Cabinet or sub-Cabinet level), Alternates (the Assistant Secretary level), and the Staff Committee (Office Director level). Staff committee meetings are held weekly while meetings of the Alternates and Principals are called on an ad hoc basis when there are major problems to discuss. Meetings are generally also attended by AID, Agriculture, DOD, and at times the White House and the BOB.

History

The NAC was established at the time of Bretton Woods as a statutory committee charged with instructing the U.S. Executive Directors in the IBRD and IMF. The Secretary of the Treasury was designated NAC Chairman, deriving from his role as the U.S. Governor in the two institutions. This pattern was also followed when the IDB and the Asian Development Bank were created. Until 1965, the NAC had the statutory responsibility for formulating the U.S. position on every loan or credit extended to an overseas borrower by a U.S. Government agency or by an international institution of which the U.S. was a member. Apparently the only exceptions were U.N. specialized agencies other than the Bank and Fund.

There was a major reorganization of the NAC in 1965, which grew out of the BOB's efforts to eliminate unnecessary government committees. David Bell took the initiative because he felt the development interests of the USG were not being adequately reflected in the instructions the NAC was giving to our Executive Directors in the international institutions. Bell's objective was to get the basic USG responsibility for IFI's transferred to AID from the Treasury. He failed at this but got a compromise which consisted of the following:

1) A reorganization plan was put through giving the responsibility for formulating the U.S. position on IFI loans directly to the Secretary of the Treasury. The NAC was made truly advisory, whereas previously it had possessed decision-making power. The theory was that, with the power vested personally in the Secretary of the Treasury, the AID Administrator could convey views directly to the Secretary of the Treasury when important development objectives were at stake. There was a fallacy in this, of course, because personal communications could only have been expected to work successfully if the personalities of the principal individuals were action-oriented and finance-oriented.

2) The NAC henceforth was to concern itself more with general policy questions than with specific loans.

Advantages of the NAC to AID

Although the accomplishments of the NAC are probably marginal when viewed against the enormous background of paper work and discussions that take place, there is little doubt that some such mechanism is indispensable to make sure that all the varied national interests of the United States are brought to bear in formulating the positions taken in the IFIs. The chief benefits to AID are the following:

1) The NAC meetings, especially the weekly ones at the staff level, have a cumulative effort in articulating a U.S. point of view which, as it becomes known, has definite influence on the preparation of loan projects and documents by the IFI staffs. This effect is impossible to measure and is frequently overlooked but it is important. By contrast, NAC recommendations for changes in specific loans are generally modest, weasel-worded, and ineffectual. This is because the NAC members get the completed loan document with about two days lead time, are pressed to make an immediate decision because the presentation of the loan to the IFI Board is always imminent, and become involved only at the tail-end of the loan consideration process, after all the studies, evaluations, and negotiations have been completed.

2) The NAC is an excellent source of information on the new policy directions in which the IFIs are proceeding. This amounts to an early warning system that gives AID an opportunity to question those policy innovations, either in the NAC itself or through direct contacts with the IFI managements and staffs.

3) The NAC offers an appropriate medium for surfacing policy issues on which there is disagreement among U.S. agencies, in the interest of getting an agreed U.S. position. AID has not made sufficient use of this potential, although we recently found that the NAC worked quite well in clarifying U.S. policy toward the African Development Bank, on which Treasury and AID were badly split.

4) The NAC is the forum in which the U.S. position is formulated prior to the annual IFTI Governors' meetings. This gives AID a chance to influence the position which the U.S. delegation, headed by Treasury, will take on major IFTI policy issues.

Problems

There are many weaknesses in the present organization and procedures of the U.S. Government for dealing with the multilateral institutions. The principal problems are the following:

1) As noted above, individual loans go to the NAC too late for the NAC to propose changes, except in the unusual case. At most, the NAC can delay a favorable U.S. vote on a loan for a few weeks, although again there are rare exceptions when loans are in fact held up indefinitely. The latter tends to occur only when there is something flagrantly wrong with the loan technically and there is no countervailing political pressure. In these days of "low U.S. profile" and "mature relationships," it is even more difficult than in the past to get Treasury to agree to the taking of a strong position by a U.S. Executive Director.

2) AID is insufficiently staffed to do a comprehensive job of formulating policies toward the multilateral institutions, at present having only two officers in PPC assigned to this task in contrast to the situation in both Treasury and State where there are teams of geographic and functional specialists. Staff insufficiency is particularly a handicap when it comes to the analysis of general policy issues, which is the area where the NAC can be most useful and important. In the consideration of individual loan projects, the geographic bureaus help, but this is not the area where the NAC has its greatest effectiveness.

3) After having had the responsibility for representing State-AID in the NAC from 1962 to 1969, AID lost that function when it was transferred back to State in October of last year. Part of the background that led to this was AID's apparent neglect of the function, but it was basically due to the personal initiative of the new Deputy Under Secretary of State for Economic Affairs. At the present time, Ernie Stern is interested in strengthening AID's participation in the NAC, but we are at a disadvantage, having lost the official State-AID voting responsibility. We continue to have a voice in NAC meetings, but on any important action question we require the support of the State/E Bureau.

4) Getting the development view accepted by the NAC is difficult because the principal responsibility and concern of Treasury is the U.S. economy. There also seems to be a feeling on the part of Treasury that the U.S. Executive Directors in the IFTIs are part of the Treasury family and that the NAC is a bothersome procedure whereby outsiders can criticize the goings-on in the family.

5) Unlike AID, Treasury has no operating contact with the staffs of the multilateral institutions and consequently is not sufficiently familiar with the operational details of economic development and finance. This is another reason why the development point of view often gets lost in the NAC.

6) The Executive Directors and their Alternates, with the exception of Ray Sternfeld, are all Treasury people. For this reason, once we do succeed in getting NAC agreement on an instruction to be given to a U.S. Executive Director, there is no assurance regarding the manner in which the instruction is going to be conveyed to the Executive Director, nor any feed-back on the way in which the Executive Director has carried out the instruction.

7) Central AID, which has the responsibility for NAC representation, is sometime late in receiving information because it is not represented at the meetings of Boards of Governors, at replenishment discussions, or at Congressional hearings.

Possible Modifications

U. S. policy in the multilateral lending institutions is going to be of increasing importance in the future. The new emphasis on multilateral aid is already becoming a reality, with the U.S. pushing toward at least a doubling of the rate of IDA commitments in the next few years and a 50 percent increase in IDB commitments. IBRD and Asian Development Bank lending are also going to rise, and the U.S. may increase its involvement with the African Development Bank. Meanwhile, the appropriation level of the U.S. bilateral program has declined and shows little sign of recovery.

The USG will have to pay more attention to the policies and operations of the IFIs in coming years for two reasons:

1) As multilateral aid assumes greater relative importance for the LDCs, the ability of the U.S. to influence the course of development will depend increasingly upon our ability to influence the activities of the IFIs;

2) As U.S. resources channeled to the IFIs rise in absolute amount and also become a larger proportion of total U.S. development assistance, Congress and the public will demand assurances that the multilateral aid is being administered efficiently. Both of these needs will be served by strengthening the involvement of the U.S. aid agency in the formulation of U.S. policy toward the IFIs.

The institutional reforms which we should seek are the following:

1) AID (or the U.S. Development Bank) should formally be given

the power to designate either the U.S. Executive Director or the Alternate Executive Director of each IFL. This will help in making sure that the views of the U.S. development agency are effectively conveyed to the U.S. Executive Director, and it will give us feed-back as to what actually occurs in IFL Board meetings. I would not change the designation of the Secretary of the Treasury as the U.S. Governor in each multilateral lending institution, as there are advantages in having Treasury submit and defend the requests to Congress for U.S. contributions to the IFLs.

USA
D
Wait

2) The responsibility for advising on the instructions given to the U.S. Executive Directors in the IFLs should be switched from the NAC to the Development Loan Committee (or its successor) chaired by the AID Administrator (or U.S. Development Bank President). Normally the recommendations of the DLC should suffice, although under this concept the NAC might retain the residual power to review and change the recommendations of the DLC. The DLC rather than the NAC would review and concur with all loans emanating from the IFLs as well as U.S. agencies making loans to developing countries.

Instructions

3) AID (or the U.S. Development Bank) should be given its own voting seat on the NAC, even if the aid program remains part of the State Department.

Note

ENGINEERING SERVICES

1. Description of the service

Providing the engineering capability to:

- determine the engineering practicality and the engineering-economic feasibility of capital projects, as required by Sec. 611 of the Foreign Assistance Act of 1961;
- monitor engineering activities in project implementation including execution of those activities identified in Secs. 111 and 112 of the annual appropriations acts relating to engineering and construction contracts and personnel;
- provide engineering management support to the American Schools and Hospitals Abroad program;
- to maintain liaison with professional engineering societies, engineering educational institutions and the construction industry to acquaint them with the requirements of the foreign aid program and to develop with them more efficient ways of implementing the program.
- providing engineering services to technical assistance activities in connection with Water Resources, Transportation, Industrial and physical data gathering (mapping, hydrology, etc.), and institutional building projects, this involves developing scopes of work, selection of contractors, approval of contractor personnel and monitoring project performance.

(A detailed listing of capital project engineering activities is attached as Annex A).

(A description of the special problems and the engineering services required by the private investment programs of OPIC is presented as Annex B).

Eight professionals in the Office of Engineering (O/ENGR) plus an average of almost eight in each of the five regional bureaus (45 total) now provide these services in AID/W. Total AID engineer direct hire staff in the field is about 190, supplemented by more than 400 PASA employees.

The total project funding available for FY 1972 (pipeline plus new money)

will probably be on the order of \$1 billion and will involve the administration of 500 plus contracts.

Completed work each year has a value of approximately \$350-400 million. This means that at the current appropriations level there is a net decrease of about \$150-200 million annually in the pipeline.

Engineering services for OPIC now require nearly the full time duty of two engineers in O/ENGR. O/ENGR has also been providing up to 2 man-years of services to ASHA program. O/ENGR has been participating by providing engineering expertise - in USAID audit surveys and in Deauthorization Capital Project Review Surveys.

II. Assumptions

- The Bank will require all of AID's current engineering services in connection with Capital Projects.
- The Bank will also require those engineering services provided to the technical assistance activities of AID (regional and TAB) which will be financed by the Bank.
- The State SA Bureau will require, for some time to come, the same kind and degree of engineering services that AID is now providing in VN, Thailand and Laos. As the war winds down, these special type of activities, i. e., highly security oriented, will gradually assume the more conservative capital projects character.
- OPIC will require the same type of engineering services that were required by AID's private investment program and as are now being provided to the fledgling OPIC. The amount of services required will depend upon rate at which OPIC expands its activities.
- The American Schools and Hospital Abroad Program will continue to be popular and will continue to require about the same level of engineering inputs.

III. Alternatives

A. Each entity services itself.

Advantages

- Each staff is sensitive to and readily responsive to operational needs of parent agency.

-- ISDI and the Institute will require very little, if any, engineering services on a continuing basis. If, as has been suggested, the ISDI takes on management of the American Schools and Hospital Programs, the above statement would be incorrect, but the Bank could provide the engineering services to the ISDI.

- Each staff deals only with functional spectrum of parent agency.
- Practices of each agency are developed in light of Agency requirements.

Disadvantages

- Separate staffs will probably require more manpower (10%-15% more than consolidated staff).
- Separate policies and procedures create confusion and result in criticism from engineering and construction organizations dealing with more than one agency in the same general field.
- Workload arising from OPIC is not uniform in type or amount thus requiring standby support in some form other than direct hire (i. e. contract) and will probably result in higher cost.

B. The Bank services all five entities on a reimbursable basis.

Advantages

- Major workload of Bank will require engineering competence in more fields than any of the other agencies.
- Workload generated by OPIC and State/SA can be fitted to Bank's organization with minimum stress.
- Standards of engineering excellence required by Bank's operations will fulfill all of other agencies requirements.
- Will require smallest number of total staff through savings in partial man-years.
- Engineering functions for all agencies will be similar, thus eliminating confusions that might arise in engineering and construction industries.

Disadvantages

- Tendency for single Bank staff to treat other agencies' requirements on a lower priority basis.

C. The Bank, on a reimbursable basis, services all entities except the SA Bureau, which is serviced by State.

- Same pros and cons as alternative B, plus one other major disadvantage;
- Engineering services are foreign to the Department.

D. State services all five entities.

This simply not practical because:

- Engineering services are foreign to the Department.
- It has no engineering staff now and no logical organizational entity in which to locate one.

State finds it more practical to call upon AID's Office of Engineering for any engineering services it requires

IV. Conclusions and Recommendations

Consolidation of engineering staffs in the Bank will provide a broader spectrum of engineering capacity and an overall higher degree of competence, with fewer people. Special provisions could be made to assure that a consolidated engineering unit is fully responsive to the program needs of all the entities.

Recommendation # 1

The Bank services all five entities on a reimbursable basis.

1. Detailed listing of engineering activities required in Washington by the capital projects program. These are arranged under a "time-of-life" schedule for a capital project.

a) Prior to the undertaking of a feasibility study --

- i) evaluation of the management capability of the owner organization.
- ii) evaluation of whether a Preliminary Evaluation Study or a Feasibility Study is warranted.
- iii) determine type and amount of engineering technical assistance institution building to be provided, if required.

b) Feasibility Study --

- i) approve scope of work and estimate manpower requirements and estimate cost.
- ii) approval of Contractor and terms of contract.
- iii) approval of qualifications of contractor personnel.
- iv) monitoring contractor performance.
- v) review of Feasibility Report.
- vi) recommendation to Bank management as to action on feasibility study.

c) Preparation and Review of CAP --

i) evaluate engineering practicability --

- standard of engineering practices to be employed
- design and construction methodology, i. e., by contract or by government forces
- estimates of cost
- length of construction period and effect upon capital cost
- raw material accessibility

ii) evaluate financial viability --

- depreciation schedules
- equipment replacement schedules
- cash flow requirements
- sensitivity of income/expense/profit ratios to engineering options.

iii) managerial requirements --

- operational organization
- training programs
- special skills (imported)
- maintenance schedules.

iv) prepare engineering recommendations --

- identify engineering conditions precedent to loan disbursements

d) Preparation of Plans and Specifications --

- i) approve Scope of Work and general principles governing design
- ii) approve selection of Contractor and terms of contract
- iii) approve qualifications of contractor personnel
- iv) monitor contractor performance
- v) approve final design report
- vi) approve terms and conditions of proposed construction contract
- vii) approve pre-construction estimate of financial requirements and cost estimate.

e) Project Construction --

- i) approve pre-bid package
- ii) assist in pre-bid conferences
- iii) assist in evaluation of bids

- iv) review and approve/reject recommendations for award of contract
- v) determine that engineering conditions precedent to loan disbursement have been met
- vi) monitor progress of construction

- review/approve contract variation orders
- review/approve changes project cost estimate
- review adequacy available project financing and recommend appropriate changes thereto (increase/decrease)
- review/approve proposals for specialist consulting inputs as work progresses and as may be required by work disasters (cave-ins, floods, slides, etc.).

- vii) review/approve settlements of disputes under contract
- viii) review/approve contract completeness and issuance of certificates of completions.

f) Project Operation --

i) review/approve operational plans

- local organization
- imported specialist services
- special equipment requirements
- sales contracts (utilities)
- maintenance schedules for major equipment.

g) Post Operation Review --

i) review project performance

- compare adequacy original plans
- identify special lessons learned
- arrange "feedback" of experience into future project planning.

2. If it is determined in the pre-feasibility evaluation stage that the owner organization will require considerable institution building prior to, or concurrently with, project construction, then it is necessary to undertake a special form of technical assistance, probably through a team provided under contract or through a PASA arrangement with a US Govt Agency. Financing is through a loan or grant. The engineering determination regarding such a technical assistance input follows the process used in any general contractual review/approval.

- a) Determine type and scope of services required --
- b) Determine source of services --
 - i) Contract team
 - ii) PASA team
 - iii) Direct hire
- c) Approve contract/PASA terms and estimate of financing required --
- d) Review/approve team members qualifications --
- e) Monitor progress

Description of Services for OPIC

OPIC's role in working with the private sector, primarily industrial, requires in general all of the engineering services outlined in Annex A. There are, however, some very different conditions entailed with the OPIC program which change to some extent the engineering requirements and timing of the engineering services:

- a. Projects insured under the investment feasibility program, the Specific Risk Guarantee and the Extended Risk Guarantee programs contractually expose the U. S. Government through OPIC to possible future financial obligations at times equal to 75% of the total value of the project.
- b. Guarantee projects normally have multiple financing including EX-IM Bank, IFC and U. S. Banks and Insurance Company as well as foreign investment funds. The engineering inputs for OPIC must be completely coordinated with the engineering inputs of the technical staffs of these financing institutions.
- c. The Owner/Borrower makes his investment decision based on his feasibility study and preliminary conceptual engineering investigation and cost estimates. At that time, he earmarks his equity funds and starts picking up commitments on his loan funds. This initiates project costs and the interest charges during the time involved in completing the OPIC guarantee contracts can become a critical element of total capital project costs.
- d. Owner/Borrower generally proceeds under a single engineering design, procurement and construction contract, with generally either a guaranteed maximum price or a cost reimbursable plus fixed fee contract. (There is no requirement for competitive bidding.) The contract

documents with projected financial forecasts are the foundation on which the financial package is predicated. Hence, to protect U. S. interests and still be fair to the owner, it is imperative that the earliest and closest possible rapport be established between the owners engineers and the OPIC engineers to insure that owner selection of contractors and final negotiated contract are technically acceptable to OPIC.

- e. Projects guaranteed under these programs must stand on their own merits as none of them have any supporting guarantees from host governments. Engineering evaluation of adequacy of process, thoroughness of preliminary engineering investigations, accuracy of preliminary cost estimates, soundness of operation and management plans, etc. are necessary to establish reasonable over-run provisions as a pre-requisite to OPIC guaranteeing the project. This evaluation must be made months before final design is completed. Considerably more engineer travel is required to accomplish this.
- f. As no U. S. Government funds are involved, procurement of services, equipment and material to the extent of the guaranteed amount must be of U. S. source and origin but otherwise need not comply with Regulation L. This requires OPIC engineering input to maximize the benefits to the U. S. economy from the U. S. procurement vis-a-vis off-shore procurement.
- g. In event of Owner/Borrower default of loan payments the guarantee agreements place OPIC in position of major stock holder or outright owner of project. Entirely different engineering inputs are then required as part of OPIC decisions to liquidate, operate or sell.
 - 1. Appraisal of current worth of fixed assets.
 - 2. Engineering analysis of production problems.
 - 3. Recommendations as to solutions of production problems with estimates of costs.
 - 4. Evaluation of reasonable cash recovery by liquidation.

Mr. James Fowler
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June 3, 1970

MEMORANDUM FOR: A/AID, Mr. James Fowler

SUBJECT: Possible Future Organizational Arrangements
of the AID Function

As a follow-up to our conversation the other day on the engineer function in the new form of AID activity, I have been holding a series of meetings with the Regional Chief Engineers. Among other things, I have asked each of them to write a "think piece" on various aspects of how to execute the engineer function.

I think that Mike Vogel's paper on one aspect of the problem is sufficiently provocative that I am furnishing you a copy immediately so that you can have the benefit of his views prior to the time we work out a complete suggestion. I think Mike's paper is worthwhile because it identifies what it is AID and AID engineers do particularly in a country where there is a large Mission. He also points out some of the problems which were created when AID attempted to perform in such a situation with out-of-country staff. He also indicates what, in his view, AID would have to forego in attempting to make out-of-country staff a viable operation.

We will in due course send you additional material on other aspects of the total problem as we discussed.

Kenneth F. Vernon
Kenneth F. Vernon
Director of Engineering

Attachment a/s

UNITED STATES GOVERNMENT

Memorandum

TO : ENGR, Mr. Kenneth Vernon

DATE: 27 May 1970

FROM : EA/ENGR, M. M. Vogel

SUBJECT: Thoughts on the Use of a Non-Resident Staff to Perform the Engineering Functions of a Large Mission

A reorganization of AID is under consideration in which Mission engineering functions would be performed by a non-resident staff stationed either in a centralized regional office or in Washington. I believe that such an arrangement would be unworkable unless the Agency is willing to drop unilaterally its present policies and regulations prescribing project control, monitoring, evaluation and auditing. Under the proposed plan project implementation would be left for better or for worse almost totally in the hands of the host country and it would be illogical for AID to attempt anything but a realistic accommodation of this fact.

In considering the pro and con of such an arrangement it seems reasonable to examine first what the engineers in a large mission actually do. My views of this function are derived from my recent three and one half year tour as Chief Engineer of USAID/Brazil. The fiscal magnitude of the program there during my tenure averaged about \$300 million annually.

Engineers conceive and create capital assistance and technical assistance projects. This is a natural consequence of their continuous close contact with host country government officials, many of whom are engineers and who may range in position from technical branch chief to cabinet minister. Project ideas are generated by the constant exchange of views and observations in such a relationship. A highly worthwhile project may also be conceived spontaneously by the AID engineer thru the interaction of his professional experience and his intimate knowledge of the local technical sector in question. Today's casual exchange of ideas becomes tomorrow's sixty million dollar loan project.

Engineers develop, define and refine projects. The simple project conception is metamorphized in discussions, correspondence, studies, analyses, and innumerable conferences with the borrower's staff into the final fundable project, complete in substance and clothed in its supporting documentation. The engineer's knowledge of his profession, of the unique fiscal, economic, and physical circumstances of the project, and of the borrower's needs and possibilities all are in play here; and all but the first demand an understanding obtained only thru intimate acquaintanceship on the ground. Writing the loan paper or the technical assistance agreement is the culmination of this project development.

Engineers implement projects. They draft letters of implementation; assist the borrower in engaging consultants; approve plans, specifications and contracts; and participate in critical project activities until the new structure is operating or the technical assistance completed. As project implementers engineers may also perform as part or full-time advisors in technical assistance projects.

Engineers monitor projects. They do this by reviewing crucial project documents such as engineering and construction contracts, plans and specifications, and bills for services and materials. They visit construction sites for first hand observation both of construction and the performance of the project consulting engineers. One of their most important functions in this phase is that of communication with the borrower to accomplish project modifications or to remedy project deficiencies. They monitor technical assistance projects by personal observation and consultations.

In any large Mission the engineers perform a multitude of chores not capital or technical assistance project-connected. The American ladies charity wants to build a school for orphans and needs help and advice to reach its goal within funds available. Mission engineers provide services. The local engineering society wants AID participation in a highway seminar or a municipal water supply conference. Mission engineers respond. Hardly a day passes that the Ambassador or the Mission Director does not receive a caller or correspondence related to engineering or construction. These are passed to the Mission engineer.

There are several apparent advantages in a centralized engineering staff. Coming to mind immediately is the low profile concept. Not only is the engineer present only part of the time, but his family and a pro-rated share of supporting personnel are permanently absent. The American visible profile is thereby depressed. Moreover the American invisible profile, namely apparent activity in host country affairs is even more drastically lowered by the elimination of the continuing personal relationship between the engineer and host-country officials and the concomitant degeneration of AID's traditional control. The question of precisely where to draw the fine line between humility and dereliction I leave momentarily to the theoreticians. Further advantages are that a large centralized office will dispose of a greater diversity of specialized talent, and of course with centralization the total number of engineer positions should be reduced. The substance of these advantages being obvious, I will refrain from further discussing them.

The disadvantages of outside centralized engineering are many, and although some may be outweighed by the forementioned advantages, it will be seen that others should be studied carefully before we decide to accept them.

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Now project conception will suffer seriously, not so much in quantity but in quality. I refer not to quality in the sense of a conveniently-financable trouble-free project which achieves its goal of constructing a new airport, but in the sense of a development project which attracts a fundamental technical, institutional or infrastructural workman. We have all seen the typical Minister-of-Planning Development-assistance project list. Surely some do contain the project his country vitally needs or we would be most eager to cooperate in. I recall two outstanding development projects in Brazil, in technical assistance the municipal water supply loan fund, and in general assistance the highway maintenance project. There are others. None would have seen the light of day without a resident engineering staff in Brazil.

Project development, implementation and maintenance will of course suffer. In fact, our economy in the last 2 1/2 years has no other outlet for the large financial charges our inability of project completion. Cross roads even stopped in order only last week, although the roads had become active have been made possible only because of the presence of a permanent staff. Without such a staff and the assistance of its close and maintained association with such projects, AID will be compelled to change its eligibility standards to a level perhaps comparable to that of the World Bank. We will come to be the holder of last resort, will come to be involved in the Provider projects, and will begin to act like a bank.

With technical assistance and credit which will be curtailed by default, leaving us immediately with a serious and less positive decrease of our training program, formal out-of-country training. Perhaps the greatest danger of this kind will be on the host country ability and attitude for carrying on after AID assistance is terminated.

Among the obstacles we will be faced without a resident engineering staff will be lack of continuity, ignorance of the local situation, the possible changes of political and economic conditions, the possibility of building a project which is not needed, the lack of experience with maintenance, the way could have AID really been with it here. In brief, from project development, at which stage the content and potential value of a project is determined, through implementation wherein the character of the project is determined, the engineer is an outsider, without the requisite deep familiarity with the technical sector, the project itself, and the host country implementing institution; and, what may be even worse, without the inspired interest of a resident engineer who lives with the project.

Possibly the greatest hazard we will face in having the engineering function performed by an outside staff will be recognized only by those with an engineering background or by those personnel who have been associated with loans and com-

Every Mission has its young, articulate, intensively educated program officer or loan officer. What he lacks in experience he makes up in aggressiveness. In the absence of a resident engineer, who may in fact be available only on call, this officer will be receiving project correspondence, telephone calls, and visits from host country officials. Some of these items of business he will handle himself, others he may refer to the engineer for reply thru the program office. Only in the extreme case will the call for the engineer's presence be made. As a consequence, in a short time engineering services will largely be provided by the program office, and what little input originates with the engineer will be channeled through a non-technical middle man. This system will function satisfactorily for a short time.

Proponents of change in AID often make the comparison with the operations of the IBRD. This is fallacious and always has been. The IBRD is not and has never been a development agency (although an incipient trend in this direction can be detected since MacLennan took the helm). The IBRD is a bank. It makes loans, which are repaid with interest, and measures its success not in terms of development progress, but in terms of an annual financial statement. It uses no borrowed funds, is responsible to no Congress, answers to no GAO and listens to no project critics. We can act like the bank when we have the staff freedom. Rate of progress in that direction will be in direct proportion to the rate at which we relinquish direct responsibility for management of our projects and concentrate on high grade projects demanding little of our attention. At the end of that trail AID too will cease to be a development agency.

It is interesting to note that the way MacLennan has run the Bank has some of AID's traits. The Bank is growing less concerned in its selection of sectors and individual projects; and its remaining overseas missions, once scarce and tiny, are now burgeoning. Its Indonesian-office staff of engineers and technical personnel alone outnumber our entire Mission.

AID's recent experience in Indonesia can be of great benefit in examining our problem. From 1966 thru 1968 we attempted to operate in Indonesia with no resident engineer staff. Services were supplied by a long succession of TDY personnel and consultants. It would be misleading to characterize the history of this period as unproductive. It was a calamity. Not only did we fail to produce a single technical assistance or capital project although obvious attractive possibilities were on hand in profusion, but ultimately, in the welter of crossed actions and disgust with temporizing, partial commitments were made on proposed projects so defective that they would have foundered within sight of the launching ways had not financing been withheld at the last moment.

There was an established pattern. Each engineering visitor contributed his independent and superficial views on a few project possibilities and departed, his purview including at least some potential projects previously studied by others. As time passed we accumulated a generous file of shallow and inconsistent project analyses and plans, and a puzzled and impatient host government. Finally, a non-technical AID officer, perhaps a supply-management man, would in exasperation attempt to fit together a few fragments and move ahead toward financing. As examples of the ends to which this approach can bring one, I cite an embryo project (almost full term) to finance equipment and a large staff of U.S. technical advisors to construct a 290 km in-country highway by force-account, cooperating with a Highway Department which had totally neglected its highway system for 25 years, had not the briefest master plan, and was on the verge of collapse; and in another section, a proposed loan of \$5,000,000 to purchase engine parts for the antiquated generation equipment of a power company which even the most cursory survey revealed as incapable of operating, receiving, stocking, issuing, and accounting for the parts, not had to any means of repaying the loan.

We closed out this incredible period in Indonesia by installing a resident engineering staff. Under persuasion of low profile philosophy they are only three, but since their arrival a steady flow of solid projects has been generated in technical and capital assistance. Unfortunately, I foresee difficulty. The engineers are now overworked, and as we move into the implementation stage of the earlier projects, the combined load of project development and project implementation will crush the small staff. Even now we are besieged by requests from Djakarta for IDV assistance.

In conclusion I recommend that the Agency continue to provide engineering services to large missions thru engineer staffs in recipients unless (a) top management concludes that considerations of economy and American profile outweigh clearly demonstrable accompanying deterioration in project goals and performance, and (b) we have a mandate from Congress to strike down our present system of policies and regulations designed to guide aid recipients and thereby safeguard our investment, and to allow aid recipients almost complete freedom in project implementation.

cc: VN/ND, B. Donnelly
 NESA/ENGR, E. Roberts
 LA/DR, D. Wilson
 AFR/ODF, D. Miller

Methods of Funding

Authority to incur expenditures in the Federal Government is provided by means of:

- Appropriations payable out of Treasury moneys
- Appropriations payable out of or contingent upon receipts from specified sources
- Authorizations to use collections without the formality of an appropriation

The appropriation process is the most commonly used method of obtaining funding authority. Appropriations do not represent cash actually set aside in the Treasury for the purposes specified in the appropriation acts; they represent limitations of amounts which agencies may obligate during the time specified in the respective appropriation acts.

There are seven main types of obligational authorizations or appropriations:

1. Annual (or current or one-year) appropriations. Most appropriations in the Federal Government are available for one fiscal year for the incurring of obligations, with obligating authority expiring at the end of that year. The delivery and payment period may extend indefinitely thereafter.

2. Multiple-year appropriations. These resemble one-year appropriations except that obligations may be incurred for specified periods greater than one year. The type of appropriation is used only occasionally, for programs of a seasonal nature or for those nonrecurring programs that do not fit into a fiscal year pattern.

3. No-year appropriations. These appropriations are available for obligation and expenditure until exhausted, or until the purpose of the appropriation has been accomplished. They generally apply to (a) long-term construction projects where a series of periodic appropriations would add little or nothing to Congressional control, (b) long-lead procurement programs, or (c) other special, non-recurring situations.

4. Permanent appropriations. There are a few permanent appropriations in which revenues from particular sources may be applied, automatically and without further Congressional action, to specific purposes. In some cases they may require annual reappropriation. There may also be permanent appropriations in which each year, without additional Congressional action, a fixed amount may be expended for a continuing purpose.

5. "Authorization to expend from debt receipts." This is the technical designation for what is most commonly referred to as borrowing authority: it permits the use of borrowed money to incur obligations and make payments. This authority, which first came into use in 1932 to finance activities of the Reconstruction Finance Corporations, allows the use, for specific purposes, of funds realized from the sale of Treasury securities (public debt receipts) or an agency's own securities (agency debt receipts). It has been used to finance various programs, including certain activities of Government corporations, special programs as authorized by the Congress, and subscriptions to some international organizations.

A relevant example of legislative borrowing authority is that provided for the Export-Import Bank. The Act of July 31, 1945 establishing this Bank contained authorization to expend \$825 million from public debt receipts for subscription to the Bank's capital stock. In addition the Act contained authority for the Bank to borrow funds from the Treasury:

"The Export-Import Bank of Washington is authorized to issue from time to time its notes, debentures, bonds, or other obligations; shall not exceed \$6,000,000,000 The Secretary of the Treasury is authorized and directed to purchase any obligations of the Bank issued hereunder and for such purpose ... is authorized to use as a public-debt transaction the proceeds of any securities issued ..." (12 U.S.C. 635d)

Generally, authority to borrow from the Treasury is without fiscal year limitation; however a limitation is usually provided as to the maximum amount of borrowing repayable to the Treasury that can be outstanding at any one time. The amount so authorized, together with collections and earnings realized under the program, would remain available to the agency for an indefinite period. The amounts of borrowings are generally credited by the Treasury to a revolving fund account for the borrowing agency; repayments of borrowings reduce the Agency's operating funds and restore the authorization for additional borrowings.

In some cases borrowing provisions are contained in annual appropriation acts. In these cases, repayments by the agencies do not restore borrowing authorization, and any additional authority to borrow must be provided by new legislation.

Where borrowings are made for programs which are nonrevenue producing, or which result in losses, the Congress has authorized cancellations of the notes or other securities held by the Secretary of the Treasury. Where the authorizations are for an indefinite period, cancellations result in a restoration of borrowing authority in an equivalent amount.

A few agencies of the Government are authorized by law to issue their own securities to the public. Before issuing these securities, the agencies are required to secure approval from, or consult with, the Secretary of the Treasury with respect to terms of the borrowing and the timing thereof.

Attached are summaries showing Federal Government borrowing authorization activity in Fiscal Year 1969 (Tab A) and the extent of securities issued by Federal Agencies (Tab B).

6. Contract authorizations. Contract authorizations represent a grant authority by the Congress to incur obligations prior to the enactment of appropriations. A contract authorization does not, in itself, permit the spending of money. In effect, they promise future appropriations by permitting the signing of contracts which will require future payments. Contracts signed under such authority can be legally enforced, and the Congress must, in subsequent years, appropriate whatever amounts are necessary to cover them.

Attached (Tab C) is a summary showing Federal Government contract authorization activity in Fiscal Year 1969.

7. Reappropriations and reauthorizations. These are extensions by the Congress of expenditure authority that would normally expire at the end of the current year.

Backdoor Financing.

Congressional appropriation committees have for several years clamored for the elimination of so-called "backdoor financing", insisting that all authority for future expenditures out of taxes or borrowings be handled through the normal appropriation process. Largely a jurisdictional dispute, it is argued that legislative committees should perform their role of reviewing and determining the need for agency programs, but that authorizing legislation not of itself grant the authority to incur obligations; such authority should be granted only in appropriation acts.

Contracting authority is particularly susceptible to this argument. In House Report 216, 85th Congress, the House Committee on Appropriations stated the following:

"Contract authority is a workable device but not the most economical. It is an old and familiar friend to the Committee on Appropriations and the Congress. It was used extensively for many years. It has been found wanting. It was generally abandoned in appropriation bills back in 1951, although its use is growing in substantive legislative bills. Far from contributing to economy and retrenchment, it tends to the opposite effect. It ties the hands of the President and the Congress in making up and considering future appropriation budgets by introducing undesirable rigidities into the budget picture. It is a snare and a delusion. Its "appeal" is one of the principal defects. It is often viewed as "merely an authorization" with the consequent tendency to pass over it more lightly, to fail to give it the same thorough examination as a direct appropriation. Psychologically, the situation can be likened to a charge account at the store - relatively easy to open because it is not necessary to have the cash in hand. Moreover, subsequent appropriation requests to pay the bills incurred under prior contract authority are frequently viewed as being beyond reach - the attitude that 'we have no choice but to pay the bill'. That has been the practical effect of using it in many instances."

Revolving Funds

The method of obtaining expenditure authority, as through the appropriation process, should not be confused with the system of control used for earmarking and accounting for funds. These systems are often identified as "fund The great preponderance of Federal business is conducted from the General Fund, into which are deposited all receipts not earmarked by law for specific purposes.

Of significance for our purpose is the fund category termed Revolving Fund These are funding systems authorized by law to finance a continuing cycle of operations in which expenditures generate receipts and the receipts are available for expenditures without further Congressional action. Activities using the revolving fund mechanism are usually of a commercial or business type. Each Government-owned corporation operates with a revolving fund.

The budget of a revolving fund contains approximately the same detail as that required in an annual appropriation budget submission. However, it is contended that the revolving fund arrangement allows a clearer presentation of expenses and revenues, provides a simplified financing and funding structure, and provides increased operating flexibility (assuming the cognizant Congressional committees allow it).

Options

The Presidential Task Force in International Development recommends a mix of funding authorities for their proposed Development Bank and Development Institute involving the following:

- No-year appropriations to allow long-term grant and concessional loan commitments without fiscal year pressures
- Authority to borrow from the public, for intermediate concessional loan purposes
- Permanent appropriation of interest payments and repayments of principal on outstanding loans of AID and predecessor agencies, to cover the differential between borrowing and lending interest rates

Other options are obviously open. A proposal has been offered that the Development Bank program be funded through multi-year authorizations and annual appropriations; and that the Development Institute's research program be funded through the earmarking of a portion of receipts from interest payments and principal repayments.

Another proposal, with interesting implications, is to establish a special development fund from customs proceeds in imports from less developed countries. While preferential treatment for LDC exports has met political opposition, the attribution of these duties to added development assistance might be appealing to interests of both the LDC's and the U.S. If this proposal has not been studied, it is suggested that an analysis be made of the amounts of the duties involved and the feasibility of their attribution to a development assistance fund.

Any number of other mixes could be developed using the various types of authorizations and appropriations. While the methods suggested by the Presidential Task Force may incorporate the more desirable funding alternatives, one might question the practicability of these choices in the present Congressional environment. It seems likely that our bilateral assistance program will continue to require presentation and justification in the annual budgetary processes. If this assumption is accepted, the options are narrowed and become less meaningful. It might then be more desirable from a flexibility standpoint to avoid earmarking of funds for specific purposes.

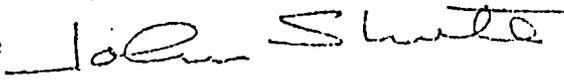
It might be more feasible to consider the establishment of a revolving fund for each organization, with initial capitalization provided by appropriations - a fungible mix of no-year appropriations, borrowing authority, and receipts from prior year loans - and with annual replenishments to the capitalized level. Additional authorizations would then be required only for augmenting the revolving fund capitalization.

UNITED STATES GOVERNMENT

Memorandum

TO : A/AID, Mr. James R. Fowler

DATE: July 16, 1970

FROM : C/FPS, John Shute 

SUBJECT: Program Financing Methods

The attached paper describes various program financing methods and discusses their probable usefulness to the entities that are expected to operate under the anticipated reorganization of foreign assistance. While the descriptions are in terms of A.I.D. operation, some of the methods are used extensively by other agencies.

I hope to send you some new proposals on program financing within the next two weeks.

Attachment: Standard Program Financing Systems and Their Probable Usefulness Under a Reorganized Foreign Assistance Program



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Standard Program Financing Systems and Their Probable Usefulness
Under a Reorganized Foreign Assistance Program

This paper describes the program financing systems currently used by A.I.D., lists their special advantages and disadvantages, and estimates their usefulness to the entities that would operate under the probable reorganization of foreign assistance. By "program financing systems" we mean the arrangements by which loan and grant program funds are paid out to aid recipients or to suppliers, contractors, U.S. government agencies, etc. that provide goods and services for aid recipients.

A.I.D. seems to employ a greater variety of financing systems than most assistance donors. While the new assistance entities may modify the methods which A.I.D. has used or may devise some completely new systems, the experience of foreign aid suggests that the preponderant share of the funds that the new entities use will be paid out under two or three of the systems now used by A.I.D. The experience of some of the other large foreign assistance agencies supports this conclusion. For example, the World Bank group disburses all its assistance under two systems, letters of commitment ("agreements to reimburse banks") or by direct reimbursement. EXIM bank also uses only these two systems.

Table 1 shows the percentage distribution of A.I.D. expenditures in FY 1970 by financing methods. About 69 percent of program funds were paid out under letters of commitment. Expenditures by direct reimbursement accounted for about 16 percent of the total. Thus approximately 85 percent of all A.I.D. expenditures were handled by these two financing methods.

Table 2 presents an estimate of the usefulness of the various financing systems to the different entities that would operate under the anticipated reorganization of foreign assistance. For the Bank and the Foreign Assistance Bureau of State, because of the diversity of some of their programs, several financing techniques may be highly useful each for a different function.

C/FPS:JShute:bm
7/15/70

TABLE 1

Estimated Percentages of A.I.D. Funds Disbursed
by
Various Financing Methods FY 1970

Letters of Commitment		68.9%
Direct reimbursement		16.3
To Contractors	5.3%	
To Borrower-Grantees and Voluntary Agencies	1.3	
To U.S. Govt. Agencies	<u>9.7</u>	
	16.3	
Federal Reserve Letters of Credit <u>i/</u>		7.9
Special Letters of Credit (For Direct Program Payments)		5.9
Letters of Commitment to Suppliers		<u>1.0</u>
	Total	100.0%

i/ About 50% of the payments under these FRLC's went to IDB for releases of the Social Progress Trust Fund.

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Letter of Commitment Financing

A. The Operation of Letter of Commitment Financing Under the A.I.D. Program

The greater part of A.I.D. funds, by far, are paid out under letter of commitment financing. In Fiscal Year 1970, about 69 percent of all A.I.D. program expenditures were paid out under letters of commitment.

In the following paragraphs, the letter of commitment system is described in its most typical application. Needless to say, there are differences in the details of its use depending on the nature of the program being financed, the commercial practices that are called into play, and upon the laws and regulations of the aid recipient country.

A letter of commitment is an agreement between A.I.D., a U.S. bank, and the aid recipient (the borrower/grantee) under which A.I.D. agrees to reimburse the bank for payments that it makes to suppliers of goods and services under instructions from the aid recipient. Though its request to A.I.D. for the issuance of a letter of commitment and by the subsequent issuance of this instrument, the aid recipient assigns its rights to receive A.I.D. funds to the bank; thus the bank is acting for the borrower/grantee. The borrower/grantee chooses the U.S. bank to which it wishes A.I.D. to issue a letter of commitment.

Commercial letters of credit are commonly used to finance foreign trade. Under the letter of commitment system, the bank receiving the commitment has opened or confirmed the commercial letter of credit by which the importer has arranged to pay his supplier. When the supplier is ready to make shipment, he presents the required documents to the bank and receives payment. The bank sends copies of these documents to A.I.D. (most frequently to the Agency's New York City office) which instructs Treasury to reimburse the bank charging A.I.D.'s appropriation account.

The importer makes payment for the goods (in local currency) to his bank. The local currency flows to the government as some form of "counterpart" fund.

The bank does not charge for opening letters of credit for use under A.I.D. letters of commitment. There is a charge of 0.1 percent with a minimum charge of approximately \$25 for payments under the credit and the borrower/grantee must also pay interest (now 7 percent) for the period between the payment to the supplier by the bank and the time that it is reimbursed by A.I.D. The period averages about two days.

B. Special Advantages of the Letter of Commitment System

1. It is a relatively simple system well adapted to standard commercial practices.
2. It makes use of private trade in the financing process, i.e. the letter of commitment bank.
3. The screening of the commercial documents by the bank is an additional protection to A.T.D.
4. Suppliers are assured of prompt payment.

C. Special Disadvantages of the Letter of Commitment System

1. If commercial letters of credit are not normally used for the transactions financed, there will be costs that would not otherwise occur, i.e. the bank charges. In most instances, there are comparable costs that may not be recognized under the non-letter of credit arrangements, i.e. time draft interest costs, the implicit costs of payments made at an earlier date than would be necessary under letters of credit, etc.

D. Use of Letter of Commitment Financing Under the Probable Reorganization of Foreign Assistance

1. The Bank

The system is well adapted to the types of assistance that the Bank will make available.

2. The Foreign Assistance Bureau in State

The system is ideally suited to the commodity program assistance and the voluntary agency freight payments to be handled by the Bureau. It will have little value for use with Public Safety programs. It may be a useful instrument for financing military assistance and some disaster relief programs.

3. The Institute

Letter of commitment system will have limited applicability for use in the programs that the Institute will undertake.

4. O.P.I.C.

The system will be useful.

5. I.S.D.I.

The system will probably be useful.

Direct Reimbursement Financing

A. The Operation of Direct Reimbursement Financing Under the A.I.D. Program

There has been a wide fluctuation in the use of direct reimbursement as a financing technique by A.I.D. and its predecessor agencies. In the very early days of foreign aid it was used extensively to finance commodity import programs, but its use for this purpose has now declined to an insignificant level.

It is necessary to distinguish between several types of direct reimbursement: (1) the system under which the aid recipient (borrower/grantee) initially pays for the goods and services required under the program and, at a later date, claims reimbursement directly from A.I.D. (2) the direct reimbursement of contractors by A.I.D. for services performed (3) the direct reimbursement of U.S. government agencies by A.I.D. for services performed or procurement undertaken.

From the point of view of the aid recipient, the great disadvantage of direct reimbursement of the borrower/grantee is that it is out of pocket funds from the time it pays for the goods and services until it is reimbursed by A.I.D. In using direct reimbursement for technical assistance, the Agency is usually dealing with non-profit and often small organizations. For these reasons, direct reimbursement for technical assistance is frequently associated with advances or revolving funds which obviate the financial burden that the system would otherwise impose. Only in rare instances have advances been made when direct reimbursement has been used to finance program assistance. Here the amounts involved are very large and the immediate balance of payments effect is adverse. (Neither IBRD or EXIM make advances when using direct reimbursement.)

Since recipients of program assistance wish to be sure that they will have enough eligible transactions, they have generally applied the conditions required for A.I.D. financing to broad classes of all imports, even though only a fraction of these may eventually be financed by A.I.D. This approach may work to the general disadvantage of U.S. foreign trade.

In considering a suggestion that many of the problems associated with the prior approval of commodities to be

financed under program assistance (Section 604 (f) FAA) could be eliminated by the use of direct reimbursement, the Office of the Controller solicited the views of the Regional Bureaus, PPC, and APROC. Without exception these offices opposed any move to expand the use of direct reimbursement.

In theory, the use of direct reimbursement for program assistance should by reducing refund claims, reduce incidents that create ill-will with cooperating countries. In practice, this result does not follow, primarily because new sources of irritation arise. While a cooperating country may wait for months before presenting transactions to A.I.D. for reimbursement, it usually expects immediate payment. Experience indicates that on the average, it requires ten days to complete the minimal review necessary to support reimbursement. In addition it is impractical to complete all aspects of the A.I.D. review, e.g. the price analysis, prior to reimbursing the borrower/grantee so that refund requests may still be necessary at a later date.

B. Special Advantages of Direct Reimbursement

1. Prior screening of transactions helps to reduce refund claims.
2. If the only feasible alternative is letter of commitment financing, there may be a reduction in bank charges.
3. Under program assistance the prevalidation of commodity eligibility can be eliminated.
4. Disbursement of assistance funds is delayed without detrimental effects on the program so that the real cost of assistance to the U.S. is reduced somewhat.
5. It is well adapted to the financial capabilities of non-profit and/or small technical assistance contractors.

C. Special Disadvantages of Direct Reimbursement

1. When used for program assistance the recipient country must pay out its foreign exchange in advance of the receipt of assistance.
2. For program assistance the requirement of assistance financing will probably be imposed on far more imports than warranted by the size of the assistance program.

D. Use of Direct Reimbursement Under the Probable Reorganization of Foreign Assistance

1. The Bank

It would be a useful system in approximately the same degree that it is useful to A.I.D.

2. The Foreign Assistance Bureau in State

It would not be a useful financing technique.

3. The Institute

It would be a valuable method of financing certain technical assistance programs.

4. O.P.I.C.

It is probable that some form of direct reimbursement will be used extensively.

5. I.S.D.I.

It would be a useful financing method.

Letters of Commitment to Suppliers

A. The Operation of Letters of Commitment to Suppliers Financing Under the A.I.D. Program

The Letter of Commitment to a supplier is an agreement under which A.I.D. promises to reimburse a supplier who provides goods and services in accordance with specified conditions. These letters of commitment state, in considerable detail, the conditions that the supplier must satisfy in order to be reimbursed. They also contain a provision permitting A.I.D. to deduct from the amount due the supplier under the letter of commitment any amount that the supplier owes to A.I.D. The supplier presents a voucher and other required documents directly to A.I.D. in Washington. The transaction is reviewed carefully and if found to be eligible, A.I.D. instructs Treasury to pay the supplier.

Letters of commitment to suppliers are used only when there is need for A.I.D. to exercise special precautions in financing transactions. At the present time, the sole use of the system is for financing fertilizer and its ocean transportation.

B. Special Advantages of Letters of Commitment to Suppliers

The special advantage of the device is that it permits A.I.D. to review transactions in detail before the supplier is reimbursed. Direct reimbursement also affords this advantage; however, where the size of transactions tends to be large (a shipment of fertilizer may cost \$500,000) and where experience shows a high incidence of troublesome transactions, letters of commitment to suppliers obviate the difficulties that would be created by A.I.D.'s refusal to finance transactions for which the recipient country had already made payment.

C. Special Disadvantages of Letters of Commitment to Suppliers

1. The system imposes a considerable administrative burden on A.I.D.
2. The system is not attractive to suppliers since they are exposed to greater risks and reimbursement is delayed.

D. Use of Letters of Commitment to Suppliers Under the Probable Reorganization of Foreign Assistance

1. The Bank

The method would have some limited usefulness, just as it does for A.I.D.

2. The Foreign Assistance Bureau in State

The method would have some limited usefulness for commodity import programs.

3. The Institute

It is highly improbable that the method would ever be used.

4. O.P.I.C.

It is highly improbable that the method would ever be used.

5. I.S.D.I.

It is highly improbable that the method would ever be used.

kol.

Procurement Authorization - Purchase Requisition Financing

A. The Operation of the Procurement Authorization - Purchase Requisition System Under the A.I.D. Program

When it is impractical for a cooperating country to use normal commercial channels to procure specific commodities and commodity related services for the public sector, U.S. government agencies will undertake such purchasing at the request of A.I.D. The Procurement Authorization Purchase Requisition (PA/PR) system is used to secure such procurement services by a U.S. government agency. The PA/PR system is really a form of direct reimbursement; however, it does have special features that warrant its separate treatment in this paper.

In addition to their primary function, PA/PR's are used for three special purposes: (1) to procure commodities from the U.S. stock pile, (2) to authorize and pay for barter transactions undertaken by USDA, (3) for certain disaster relief operations.

The aid recipient (borrower/grantee) through the Mission, requests A.I.D. Washington to issue the PA/PR. The document lists the specifications of the commodity to be procured, gives the delivery period, and states the estimated cost. The estimated cost includes the service charge of the procuring agency. Service charges vary from agency to agency and with the nature of the procurement. For example, at the present time, the charge by GSA for most types of procurement is 7 percent of the cost of the commodities purchased. Procurement by a U.S. government agency is carried out under the rules and regulations of that agency. The procuring agency submits vouchers to A.I.D. to secure reimbursement.

B. The Special Advantages of the PA/PR System

It is meaningless to speak of the advantages or disadvantages of the PA/PR system since it is used only when there is no feasible alternative.

C. Uses of the PA/PR System Under the Probable Reorganization of Foreign Assistance

1. The Bank

It would be relatively as useful to the Bank as it has been to A.I.D.

Procurement Authorization - Purchase Requisition Financing

A. The Operation of the Procurement Authorization - Purchase Requisition System Under the A.I.D. Program

When it is impractical for a cooperating country to use normal commercial channels to procure specific commodities and commodity related services for the public sector, U.S. government agencies will undertake such purchasing at the request of A.I.D. The Procurement Authorization Purchase Requisition (PA/PR) system is used to secure such procurement services by a U.S. government agency. The PA/PR system is really a form of direct reimbursement; however, it does have special features that warrant its separate treatment in this paper.

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B. The Special Advantages of the PA/PR System

It is meaningless to speak of the advantages or disadvantages of the PA/PR system since it is used only when there is no feasible alternative.

C. Uses of the PA/PR System Under the Probable Reorganization of Foreign Assistance

1. The Bank

It would be relatively as useful to the Bank as it has been to A.I.D.

2. The Foreign Assistance Bureau in State

It would be a useful instrument for commodity import financing and for disaster relief.

3. The Institute

It would not be used.

4. O.P.I.C.

It would not be used.

5. I.S.D.I.

It would not be used.

Federal Reserve Letter of Credit Financing

A. The Operation of Federal Reserve Letter of Credit Financing Under the A.I.D. Program

Federal Reserve Letter of Credit (FRLC) financing is an arrangement by which A.I.D. makes advances to certain contractors through Federal Reserve Banks for services performed under Technical Assistance programs. The system is used only for non-profit organizations, e.g. universities when the amount to be financed is more than \$250,000 per annum.

The contracting officer decides if the FRLC is a suitable financing mechanism and, if it is, he provides for its use in the contract. The institution to be financed designates a commercial bank that it wishes to use and provides specimen signatures of the officers authorized to request payments.

A.I.D. issues a document, the Federal Reserve Letter of Credit, in favor of a contractor, to the Federal Reserve Bank for the district in which the designated commercial bank is located and also gives it the specimen signatures. The FRLC may limit the amount that may be drawn down by time periods.

As the contractor needs funds, he prepares a special voucher which he submits to his bank with the authorized signature. The commercial bank sends the voucher to the Federal Reserve Bank and if the payment is authorized by the FRLC, the account of the bank is credited. Upon notification by the Federal Reserve Bank that its account has been credited, the commercial bank credits the contractor's account. The Federal Reserve Bank sends the vouchers to Treasury and debits the Treasury's account. Treasury in turn debits the A.I.D. appropriation account. Federal Reserve makes no charge for this service.

B. Special Advantages of Federal Reserve Letter of Credit Financing

1. From the point of view of the institution providing the service, the system is simple; it prepares vouchers as it needs funds and its bank account is credited.
2. Under the system, advances can be kept to a low level since payments are made promptly to the institution.

3. There are no banking charges as there would be if commercial letters of credit and letters of commitment were used.
4. The system is well adapted to the financing requirements of non-profit institutions, especially relatively small institutions.

C. Special Disadvantages of Federal Reserve Letters of Credit Financing

1. The reconciliation of payments places a significant administrative burden on Treasury and the assistance agency.

D. Uses of the Federal Reserve Letters of Credit System Under the Probable Reorganization of Foreign Assistance

1. The Bank

It will be a useful method of financing some technical assistance activities.

2. The Foreign Assistance Bureau in State

It will not be useful for any of the functions that State is to undertake.

3. The Institute

It should be a highly useful instrument.

4. O.P.I.C.

It would not be used by O.P.I.C.

5. I.S.D.I.

It is improbable that it would ever be used by I.S.D.I.

Special Letters of Credit for Financing Program Foreign Exchange Costs

A. The Operation of Special Letter of Credit Financing of A.I.D. Program Foreign Exchange Costs

The Special Letter of Credit was devised and is still used chiefly as a means of acquiring local currencies to finance local costs. In this role, the Special Letter of Credit (SLC) is an intermediate device rather than a program financing instrument. Here we are concerned with the use of SLC's as a direct means of making payments for the goods and services to be provided under the A.I.D. program.

The SLC is a letter of credit opened at the request of A.I.D. by a U.S. bank chosen by the aid recipient (borrower/grantee). This letter of credit provides that upon presentation of the stipulated documents by the borrower/grantee, the bank will make commensurate payments. The bank is reimbursed by A.I.D. under the same procedure used for letters of Commitment. (See the section on Letter of Commitment Financing.)

As it is normally employed, the SLC is irrevokable and may be considered as a part of the country's foreign exchange reserves by IMF's standards. Under some circumstances, this feature of the SLC makes it especially attractive as a financing device to some cooperating countries. For example, the last program loan to Brazil was financed by SLC's because of their character as reserves. On the other hand, A.I.D. will not have irrevokable SLC's opened unless the recipient country agrees to make the equivalent amount of local currency available immediately.

The draw-down of the Special Letter of Credit when used to finance program costs directly follows essentially the same procedure as that described under the section on the Letter of Commitment.

B. Special Advantages of the Special Letter of Credit

1. It has all the advantages ascribed to the Letter of Commitment system plus the advantage of providing the recipient country with an immediate foreign exchange asset.

C. Special Disadvantages of the Special Letter of Credit

1. It has the disadvantage ascribed to the Letter of Commitment System plus the disadvantage that the recipient country must make the associated local currency available immediately when the SLC is opened.

D. Uses of Special Letters of Credit for Financing Program
Foreign Exchange Costs Under the Probable Reorganization
of Foreign Assistance

1. The Bank

It will have about the same usefulness as it has for A.I.D.

2. The Foreign Assistance Bureau in State

It is highly unlikely that it would be used for the programs State is to handle.

3. The Institute

It would not be used by the Institute.

4. O.P.I.C.

It would not be used by O.P.I.C.

5. I.S.D.I.

It would not be used by I.S.D.I.

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Probable Usefulness of Various Financing Systems to the
New Foreign Assistance Entities

<u>Financing Systems</u>	<u>New Foreign Assistance Entities</u>				
	<u>The Bank</u>	<u>The Foreign Assistance Bureau in State</u>	<u>The Institute</u>	<u>O.P.I.C.</u>	<u>I.S.D.I.</u>
Letters of Commitment	A	A	C	C	C
Direct Reimbursement	A	B	A	A	B
Federal Reserve Letters of Credit	B	D	A	D	D
Special Letters of Credit for Direct Program Costs	C	D	D	D	D
Letters of Commitment to Suppliers	C	C	D	D	D

Key:

A - Probably a very useful general system.

B - Should be a useful system.

C - Of limited usefulness.

D - Improbable that the system would ever be used.

UNITED STATES GOVERNMENT

Memorandum

Mrs. Deohat

*P.
- Haven't read yet.
Scott Moore should
get copy.*

TO : A/A.I.D., Mr. William L. Parks

DATE: September 25, 1970

FROM : *Manlio F. DeAngelis*
A/MP, Manlio F. DeAngelis

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SUBJECT: Staff Paper re Expanded Use of Contractors by A.I.D.

As promised, I am sending you the attached revised draft today. I have left it in draft form and double-spaced believing that we may want to edit it further.

*cc Scott
Moore
C. Kay
Kitchell*

Attachment:

9/24 Revised Draft - Staff Paper entitled,
"Expanded Use of Contractors by AID
to Maximize the Reduction Overseas of
Official U.S. Direct Hire Employees"

cc:
AA/A, Fred C. Fischer

I.1

EXPANDED USE OF CONTRACTORS BY A.I.D.
TO MAXIMIZE THE REDUCTION OVERSEAS
OF OFFICIAL U.S. DIRECT HIRE EMPLOYEES

I. Introduction

Given the objective of reducing the official U.S. aid presence overseas in a country and maintaining essential program objectives, the use of contractors both to carry out the program and to provide supporting services can be expanded by two basic methods:

A. Additional use of direct-AID contractors:

- (1) To provide specific technical services required to implement A.I.D. financed projects in lieu of using A.I.D. direct hire employees; or
- (2) To provide administrative and general logistic support services to specific projects (whether being carried out by A.I.D. Technicians, PASAs, or contractors), and/or to the USAID program direction and control staffs themselves.

B. Additional use of AID-financing (in lieu of direct-AID contracts) establishing a borrower/grantee relationship:

- (1) To provide that the borrower or grantee, rather than AID, would be responsible for the operating details of administering specific projects, contracting for technical services and commodities, etc., that may be required.
 - (2) To provide a greater sharing with others, (host countries, other free-world donors, international agencies, etc) of costs, staffing, and responsibilities for effective project results.
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Many variations of both methods are currently being used by A.I.D. but a comparison of existing A.I.D. policies with the actual practices indicates that in many cases contractors are not always being used in lieu of direct hire employees when they could be used. If the policies were applied to more projects, and the actual project operations carried out more in keeping with the intent of the policies, it appears that significant overall reductions of official U.S. direct hire employment would be possible and feasible. Furthermore, strong A.I.D. top management emphasis on the policies and practices requiring direct -- A.I.D. contractors to provide more of their logistical support themselves or through host countries or others instead of depending in many cases on USAID administrative and general services staffs, would allow further reductions of some A.I.D. US direct hire employment but more particularly of a larger number of foreign nationals.

In order to develop specific recommendations, this paper examines present AID policy re logistic support of contractors (including PAS's), the various types of contracts, and gives examples of a number of techniques for expanding the use of contractors and other NON-AID resources for project implementation and Administrative and Logistic Support Services. Because of the great diversity in the stage of development of various countries and the degree of emphasis and U.S. interest differing from one to another, not all of these techniques are equally or uniformly applicable in every case. To achieve its overall goals AID should be ready to use a mixture of approaches, selecting the mix most appropriate for the specific situation in each country. Moreover, if the main thrust of this paper is approved,

central task force staffed with Regional Bureau representatives and central staff office personnel should be charged with visiting a representative number of missions, developing revised procedures and instructions and taking other essential steps to obtain effective implementation of the policies as soon as possible.

In February 1967 Policy Determination #37 was issued by the Administrator dealing with AID's role with respect to non-AID resources in the total foreign assistance effort. It clearly pointed out that AID's own staff resources would never be equal to the needs of the developing countries and laid down the policy that the following order of preference, where other factors are equal, was to be used for obtaining skilled personnel for implementing AID-financed activities:

1. by contract with non-governmental organizations
2. by PASA agreements (or contract with other federal, state, or local government agencies, and
3. by direct hire.

Since 1967 AID has moved a considerable distance in the application of this policy and expanded its use of contractors, both to provide specific project technicians for carrying out particular activities (i.e. university contracts), and for obtaining supporting services through non-personal services contracts (primarily local contracts for certain guard and custodial services, vehicle rentals, interpreter services, etc.) For example, the following table compares the number of employees overseas of contractors and under PASAs with AID direct hire employees.

AID-FINANCED OVERSEAS EMPLOYMENT
(as of June 30, 1970)

NATIONALITY	DIRECT HIRE	PASA'S ^{1/}	SHORT	DIRECT AID ^{2/} CONTRACTORS		
				PROF SVS	UNIV	NON-PERS SVS
U.S.	3,884	587 ^{2/}	1,698	95	662	941
FOREIGN	7,591	-	4,202	930	496	2,776
TOTAL	11,475	587	5,900	1,025	1,158	3,717

1/ Excludes 118 PASA's not included under OPFED: 51 loan-funded, 22 Defense Dept., and 45 grant-funded but short-term details.

2/ Excludes loan-funded contractor employees under Borrower/Grantee arrangements and 114 OPEX in AFR.

3/ Includes 62 short-term NSF consultants in India.

A number of special techniques have been developed by particular missions and regions which indicate there are possibilities for expanded use in other areas and other projects provided AID reinforces its policy to do so and positively monitors their application wherever feasible in the interest of minimizing official U.S. AID presence overseas.

Since 1967 AID has also greatly extended a number of areas of activities that are funded on a grant basis. Although a clear line between grants and AID direct contracts is hard to draw, it is clear that the greater use of grants instead of contracts may have the effect of adding a new and frequently firstorder of preference to the means of obtaining skilled personnel listed in PD-37. In the use of grants AID has generally selected an implementing agent with the capacity to sub-contract and manage the actual implementation of the activities and objectives AID supports. Such entities as the International Executive Service Corps (IESC), the International Planned Parenthood Federation (IPPF), cooperative

Use of grant mechanism

organizations such as CUNA, etc. have provided an umbrella type of operating entity which have extended specific activities into many countries involving relationships with non-governmental as well as governmental entities. AID supervision and project management of these grants has required considerably less AID direct hire staff, both at headquarters and in the field than would have been required had AID itself been attempting to either directly contract and manage each particular project.

A number of these techniques which have already been used are spelled out in greater detail below. To the extent, therefore, that AID (or its successor) engages in more "wholesaling" rather than "retailing" technical assistance and supporting services, the number of our direct hire employees required can be materially reduced.

II. Summary of Present AID Policy Regarding Logistic Support of Contractors

AID M.O. 1412.2 defines "Logistic support overseas" to AID-financed services contractors as follows:

"Logistic support overseas" means the financing of or furnishing to a contractor its employees, and their dependents (in accordance with the provisions of the contract) items such as transportation of personnel, personal goods and commodities; quarters, furnishings, equipments, utilities, and supplies for residence and office; and maintenance and other supporting services."

A. Capital Assistance - Project Loans

When AID makes loans there is presupposition those who contract with the borrower have demonstrated an adequate capacity to carry out the project effectively -- including supporting themselves. It is the host country borrower or its agent which contracts, although AID policies require that we review and approve the bid package, contractor selection procedure, and the terms and conditions of the actual contract itself. M.O. 1242.1 para K.2 requires inclusion of an implementation plan in the capital assistance application for intensive review. This plan spells out actually who would be responsible for accomplishing the various implementation steps.

"If AID is to be responsible for any phase of implementation (other than its normal monitoring function), the reason for vesting such responsibility in AID should be explained." Furthermore such plan covers the means of providing or financing logistic support and reference to M.O. 1412.2, quoted above, as well as to M.O. 1514.1 - Financial Management of Local Currencies.

In general project loans are of a sufficiently large size and importance that AID policy requires positive demonstration of sound management competence for adequate implementation the project before the loan is approved. Furthermore, a resident consulting engineer is generally required who is

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constantly monitoring, for the borrower, the actual implementation as it progresses.

B. Technical Assistance

1. Para II.B. of M.O. 1412.2 contains the following arrangements for logistic support:

"AID policy is that the methods of arranging for provision of logistic support be given the following descending order of preference:

"1. Arrangements by the contractor itself where feasible and reasonably economical. (It is assumed that this test will be met in the case of virtually all construction contracts and in most of the larger engineering and technical assistance contracts.)

"2. Arrangements by the cooperating country where these would be timely, adequate, and feasible in terms of the country's economic and administrative resources.

"3. Arrangements by the US AID, alone or jointly with either or both of the other parties, in those cases where the US AID Director determines, at or prior to approval of each PIO/T (M.O. 1352.1 - Technical Assistance: Preparation of the Project Implementation Order - Technical Services (PIO/T) or capital assistance agreement (see M.O. 1242.1 - Capital Assistance Application: Intensive Review, paragraph IV.J.) that adequate and timely logistic support at reasonable cost cannot be assured through the other options.

"In such cases, the US AID is encouraged to make such arrangements, wherever feasible, by drawing upon locally available firms and facilities rather than direct-hire resources."

Although the policy quoted above clearly states AID's descending order of preference for various arrangements, in practice many USAIDs in executing PIO/Ts tend to maximize the amount of logistic support they furnish to contractors rather than pushing strongly for the other alternative arrangements. M.O. 1352.11 regarding the PIO/Ts, provides that USAIDs (in block 25) advise the AID/T contracting officer of the specific provisions for logistic support that should be included in the contracts.

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AID/W contracting officers include these provisions in the contracts; however, they frequently find that contractors are given much more logistical support, including housing, furniture, automobiles and drivers and other local help, etc., than the contract provides for them. It would appear therefore, that if AID seriously wishes to reduce its official direct-hire support services, that the agency give more than lip service to the policy of M.O. 1412.2 and that USAID project managers must give more attention to enforcing contractor logistic self-support provisions to insure reduction of the workload that currently falls on the USAID staff.

2. M.O. 242.1 gives AID's administrative support policy with regard to PASAs. Para IIIA.4. of Appendix II reads as follows:

"AID, through the AID Mission, will provide Department personnel with adequate common supporting services including ordinary supplies and equipment and administrative support comparable to services provided AID direct-hire technical assistance personnel, e.g., office supplies, official transportation, office space and equipment, and administrative assistance except in cases where the PASA specifies that the Department or the cooperating country will provide any one or all of such support services."

Following the M.O., USAID's have provided PASA teams with all of the supporting services commonly given AID direct-hire staff and in addition have provided foreign national staff help such as secretaries, chauffeurs, guards, local technicians, etc. This has been the rule even though some large PASA teams have been located far from the Mission headquarters and might more effectively and efficiently serve rather than the USAID, as the direct employer of local staff help. (Even where the U.S. PASA team was loan funded and sufficiently large to be able to handle its own support, missions have been required sometimes to provide direct-hire local employees and to carry the costs against grant or trust funds.) It would appear that AID policy regarding administrative

support for PASAs should be modified to make it more flexible and to minimize the requirement for direct-hire support by AID where other methods of providing needed support are feasible. The basic rationale for the present policy rests in considering PASA employees the same as AID direct-hire employees for purposes of personal privileges and immunities as well as all other perquisites. Whether or not PASA employees are considered "official US aid presence overseas", loan-funded PASA employees have been excepted from the overseas OPRED ceiling limitation by the White House and the Under Secretary's Committee. In some cases, particularly where there may be large self-contained PASA projects located at some distance from the AID headquarters, it is more practical and efficient to have the PASA team itself arrange for its logistics support or to have a contractor such as the Institute for International Education (IIE) handle such support if arrangements have been made for IIE to provide such support for other AID projects in the country. The basic policy would remain, nevertheless, that privileges involving personal imports, APO, Commissary, etc. and various allowances provided government employees would also apply to PASA employees. Furthermore, where it would be impracticable because of its small size for the PASA to be self-supporting, it would continue to be supported by the AID Mission (or by the American Embassy if the AID mission has arranged to obtain such support from the Embassy).

III. Types of Contracts

A. AID contracts directly with:

1. private commercial or consulting firms, such as: engineering or management consultants; these are on a non-personal services basis and used for U.S. and/or foreign nationals.
2. non-profit foundations, universities or institutes, cooperatives, voluntary agencies, etc. In January 1970 an "Institutional Development Agreement" was proposed as a new operational framework for AID and the universities. It suggests experimental types of AID-grants to universities for overseas technical assistance projects. It emphasized the primary role of the host institutions and improved working arrangements between the universities and AID based more on mutual undertakings than on standard contract policies based on purchasing operations.
3. individuals on a personal services contract basis (there were 95 U.S. nationals in this category overseas as of June 1970).

B. AID-financed borrower/grantee contracts are entered into with private commercial or consulting firms or with non-profit foundations, universities or institutes, cooperatives, voluntary agencies, etc. These contractors are either loan or grant funded, but differ from "A" above in that AID is not a party to the contracts. Nevertheless, AID procedures require review and approval of such contracts and the procedures used before the financing actually takes place.

IV. EXAMPLES OF TECHNIQUES FOR EXPANDING THE USE OF CONTRACTORS AND OTHER NON-AID RESOURCES FOR PROJECT IMPLEMENTATION AND ADMINISTRATIVE AND LOGISTIC SUPPORT SERVICES

A. Expanded use of direct-AID contractors

1. Use U.S. Embassy under expanded State administrative support agreement (contract) for providing all administrative and general services support to AID program direction staff but only as last resort for contractor and PASA projects that can not be supported by the host country or themselves. The resulting shift of workload, however, would not necessarily reduce the number of employees required unless the total workload in terms of AID program direction and project execution personnel were reduced. Further AID manpower savings in this area would be possible to the extent that such supporting services now being furnished to contractors or PASAs can be provided by the host country or the contractor, or PASA team itself. In addition, to the extent that AID has been able to develop direct contracts with local firms for general services, the management of such contracts might be turned over directly to the American Embassy in lieu of being managed by the USAID.

2. Transfer local currency to contractors under advances-and-reimbursement-for-actual-expenses arrangements on basis that they assume complete fiscal and local logistical operating responsibilities for their projects. Thus they would employ their own foreign national employees and provide their own services where currently these are administered by USAID's for them. Particularly when trust funds are used, but also in other cases, this technique would relieve the USAID of considerable

detailed accounting and operating workload and reduce the number of AID employees appreciably when fully applied. The AID project manager would also be better able to periodically review contractor performance each time advanced local currency funds are to be replenished. Eventually, the arrangements (especially where host countries provide the local currencies) might evolve into direct host-country-contractor relationships reducing even further the direct AID workload.

3. Extend logistic self support policies developed for contractors to PASA's to the maximum degree feasible. Following are a few examples where this principle might well be applied:

a. In El Salvador three years ago a Public Health Service malaria research station was established under an AID PASA in a separate location from the mission. Initially AID provided the funding for the 35 local employees who were on the rolls of PHS. However, in February 1969 as a bi-product of the BALPA overseas reductions PHS transferred the 35 local employees to the rolls of the USAID/Salvador mission. Accordingly, AID foreign national employment in El Salvador now shows a total of 56 locals of whom only 21 are actually working in the USAID while the other 35 are located a distance away at the malaria research station. The Budget Bureau and the Under Secretaries Committee responsible for OPRED would have no difficulty in agreeing to transfer the 35 local employees from AID employment rolls over to the PHS to whom we would also transfer the OPRED ceiling. Steps to actually accomplish this are currently being taken.

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b. Uniformed and more responsible project management would result if logistic self support, including the hiring of local employees were part of certain major loan funded PASA projects such as: The Bureau of Public Roads project in NorthEast Brazil, the Bureau of Reclamation/San Francisco River Valley Development project also in Brazil, and several USDA agricultural projects in various countries. Exploratory talks with major PASA agencies have indicated that they would welcome more responsibility of this type provided AID arranged suitable financing and transferred employment ceilings where these might be involved.

c. Wherever there are major PASA teams AID might authorize the inclusion of an administrative officer position as we provide for such overhead support in various contracts.

d. PASA might also be authorized to use directly any non-personal services contracts with local firms which the mission may have developed rather than going through the USAID to obtain such services. Examples of such services are given in paragraph 5 below.

4. Develop basic agreement with US profit or non-profit agent on a cost-plus-fixed-fee basis for them to provide overseas administrative and general support services for AID University and other contractors who cannot provide themselves efficiently with such services. Some examples are:

a. AID/Pakistan has contracted with the Institute of International Education for a resident coordinator, a deputy resident coordinator, and 29 consultants to run a series of summer science institutes for college and polytechnic teachers in East Pakistan

in the field of physics, chemistry, mathematics and biology. IIE recruited this staff and provided their administrative and general support whereas in India a similar program was operated through a PASA with the National Science Foundation for which the USAID provided most of the support.

b. IIE for many years has been providing administrative and fiscal services for the Harvard University Development Service which operates economic advisory missions in Pakistan, Malaysia, Indonesia, Liberia, Ghana, and Colombia. Officials of the DAS have stated that they were quite satisfied with the IIE services and felt that an organization such as IIE could provide such services (including project procurement in some cases) better than many of the universities themselves could. AID might well suggest to some of our direct-AID university contracts that they use IIE (or some other acceptable third party) in lieu of self service arrangements or depend^{ence}/on USAID's in those cases where such an arrangement with IIE might be actually less expensive and equally^{or}/more effective.

c. The Africa Bureau also has contracts with the Public Administration Service (PAS), the Overseas Education Service (OES), Council for International Progress in Management (CIPM), and the Near East Foundation under which these organization have assumed responsibility for particular projects and recruited and supported the overseas staff. There are indications that these and other organizations, both profit and non-profit, would be interested in bidding competitively on the opportunity to provide the type of service AID projects require.

5. Maximize AID use of non-personal services contracts with overseas local firms for providing logistic support in lieu of using direct hire employees. In some cases USAID's have helped locals set up such firms and new servicing businesses and given them a good start through contracts for example, for:

- a. Motor pool operations and/or vehicle maintenance shops (or rental of vehicles for TDY and short term users)
- b. Printing and duplicating services
- c. Interpreter and translating services
- d. Custodial and guard services
- e. Housing, furniture and equipment leasing/maintenance services

B. Expanded use of AID-financing (in lieu of direct-AID contracts) establishing a borrower/grantee relationship.

1. Greater use of contracts and grants to non-profit organizations which, in turn, will contract for project technicians and supporting staff. Some examples are:

a. The International Planned Parenthood Federation (IPPF); during recent years AID has been expanding its family planning and population program rapidly, we have developed grant agreements with IPPF, Fund, Pathfinder/. the Population Council, etc. These grants have authorized the grantee to enter into subgrants or subcontracts with various entities in different countries to carry out the basic objectives of the grant. AID has been relieved of the duty of detailed accounting and implementation work and with minimal field staff has been coordinating and monitoring the activity being financed in this manner.

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b. For a number of years AID has provided a grant to the International Executive Service Corps (IESC) an organization of retired businessmen, headed by David Rockefeller who volunteer their services at no salary to help businesses in LDC's when the host country or business concern underwrite the travel and local expenses for these experts. Moreover, the Office of Private Overseas Programs has developed a number of similar grants and contracts with Cuna International/^{The National}Savings and Loan League, the Foundation for Cooperative Housing, the Agricultural Cooperative Development International, and others through which for a minimum direct outlay and supervisory supporting staff we have obtained experts services for many projects in a large number of countries.

c. Africa contracted some years ago with the Near East Foundation for their recruitment and support of well drilling experts to operate a project in the Malagasy Republic, for^a/Pineapple expert to give advisory services in Dahomey, and other experts in various countries.

d. The African American Institute contracted with AID to handle overseas training activities as well as backstopping of a number of African students coming to the U.S. They have successfully operated for AID the ASPAU program for undergraduate college students and AFGRAD project for advanced training as well as others.

2. Extend arrangements for host country direct employment of U.S. technicians and advisors with AID financing to cover recruitment, travel, salary "topping off", and related extras under plans similar to the operating expert (OPEX) plans developed by the UN, the UK and France, and already successfully used by AID's Africa Bureau for several hundred Americans.

a. Since 1964 the Africa Bureau has provided, through Columbia University, various teachers for East African secondary schools and teachers colleges and institutes in Kenya, Tanzania, and Uganda. Columbia has a small staff abroad providing administrative and general services support to the several hundred teachers who are working in schools and colleges throughout the area. Although there have been some difficulties, in general it is accepted that tremendous educational development has been obtained with an input of minimal AID direct hire staff.

b. In ten African countries extensive use has been made of the OPEX device. Tanzania for example which limits the number of foreigners in all embassies and the direct hire USAID's to 14 Americans has requested and has used up to 40 U.S. experts as advisors in various ministries and universities. These "OPEX" personnel are considered employees of the host country and either fill a specific vacancy in the gov't ministry or university staffing pattern or they are invited to serve as advisors to local officials. They receive pay from the host government. Accordingly, it pays local salary scales and provides and various related allowances according to the same scales used for host country officials occupying similar positions. In order however for Americans to be attracted to such an assignment, AID has arranged for "salary topping off" and related allowances which have been paid to the OPEX contractor usually through a direct AID contractor such as the Overseas Education Service, Columbia University, etc. Other regional bureaus have not used this device but the UN, UK, and France and other countries have used it. Expansion to other regions seems indicated.

3. Explore the feasibility of AID-recipient countries obtaining needed technical project development and management services through the use of the IBRD Agricultural Development Service (operating out of Nairobi) and/or the extension of similar services to other regions (apply capital project loan experience in the case of consulting engineers, etc. For example:

a. To help alleviate the difficulty of recruiting qualified people to organize and manage agricultural projects, the IBRD established the Agricultural Development Service, which is attached to the Permanent Mission in Nairobi. This service consists of a group of experts available, on a reimbursable basis, for employment by governments in East Africa to assist in the execution and management of agricultural projects. Ten experts are on the ADS rolls plus short-term staff as needed. The problem of recruiting qualified people to organize and manage agricultural projects is general and applies to other parts of the world as well as Africa. In exceptional cases, where it has proven impracticable to make other arrangements, the Bank has engaged a small number of individual experts, whose services have been made available to borrowers on a reimbursable basis to help in the organization and management of agricultural projects which it has financed.

b. Such countries might develop needed capacity for administrative and general services support services by setting up a technical assistance project under which AID Executive and GS Officers might serve as technical advisors helping a host country provide technical services support for AID projects instead of the AID mission doing so itself.

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4. Limit AID responsibility for detailed implementation of certain overseas projects by financing only a share of operating expenses or a commodity component of joint projects when assured that adequate technical competence for project management can be assured^{ed} by host country, other free-world donor country, international agency, or management consulting firm. Some examples are:

a. International Agricultural Research Institutes (IRRI, CIMMYT, IITA, AND CIAT) -- These institutes pioneered the development of the new wheat, corn, and rice variety which are responsible for the "Green Revolution." They have been particularly sponsored by the Ford and Rockefeller Foundations and the host governments but AID has also contributed toward operating costs for these institutes. However, AID has called ^{on} the institutes for technical advice and assistance which have helped materially in increasing agricultural production in a number of countries.

b. Joel Bernstein recently stated "although the Foundations had by 1968 spent about \$15 million on the relevant work of the IRRI, it has been estimated that the value of the 1967-68 rice harvest in developing countries was up \$300 million as a result of new seeds and that a comparable figure for 1968-69 might be \$1 billion." AID missions not only apply the research results of these institutes through bilateral projects, but they have frequently been able to draw on technical experts from these institutes to participate in host country projects instead of providing AID direct hire employees. USAID Tunisia, for example, with only minimal direct hire project management staff has stimulated a major wheat production project principally staffed by the host country and helped by the Wheat Institute in Mexico. Results are expected in a few years that will eliminate Tunisia's dependence on imported wheat.

Best Available Document

b. AID and PHS are jointly working toward transferring to the World Health Organization the worldwide malaria eradication technical assistance leadership responsibility. If this works out as contemplated then most of the bilateral AID projects in some 17 countries involving PHS PASA arrangements will be terminated and WHO will be undertaking the technical assistance staffing responsibility. Nevertheless AID will continue financing DDP and other commodities required through bilateral country commodity program.

c. Technical Assistance Program of China (TAP) in 1970
major missions in 17 American countries, China South American regions, and some countries in Southeast Asia. Some 300 to 500 Chinese specialists are working overseas in these projects. A.I.D. recognized Vanguards as an effective method of providing improved agricultural techniques to developing nations, and finances such of the program through the use of local currencies generated from the sale of their agricultural commodities to China under P.L. 480. These projects, in early 1970's, were to emphasize self-help measures and technical cooperation aimed at increasing agricultural production, income, health and related matters. Vanguards projects are set up by agreement between the host country and the Chinese Government after a Chinese technical survey team explores the proposed project potential and enumerates the Chinese contribution as well as the "self-help" ingredients to be supplied by the host country. Chinese usually provide the members of the mission and pay their wages and overhead production costs, machinery and tools, seeds, fertilizer, and chemicals. The host government is responsible for assuring unimpeded

... services, and local labor costs. ... higher yields and new crops have been followed. The Vanguard Project is the nation-wide project being run in the ... There, the mission of A.I.D. is to ... of the districts with the objective of making the country self-sufficient in rice. When a peak of 150,000 tons of rice imported in 1966, imports in 1967 had declined to about 8 thousand tons. The U.S. staff assigned to Vanguard until recently consisted of one American officer and a secretary located in Saigon. Both have now been transferred and the U.S. supervision now involves an officer working out of Washington.

D. For most of the last decade the Israeli Government has been operating technical assistance projects in a number of African countries. These were somewhat similar to the Vanguard Project except that the U.S. participation has primarily involved providing machinery, tools, and supplies directly to the African host government as a supplemental -- but necessary -- ingredient of projects involving the cooperation of the three Governments. The Israeli teams of technicians have provided outstanding technical assistance skills based on their experience at making "the desert bloom in Israel," and have significantly assisted a number of African countries including the Central African Republic, Cameroun, Chad, Congo, etc. They have won considerable African country sympathy for Israel. Host countries have provided land, local labor, and local maintenance costs for the Israeli technicians. A.I.D.'s contribution involving the financing of equipment generally required only part of the cost of an A.I.D. Division project. However, if it had attempted to set up the projects bilaterally with the host governments, A.I.D. could not have done so because of the commodities available.

5. Explore possible use of UN "Funds in Trust" arrangements for expanding multilateral activities aimed at replacing similar bilateral activities presently being operated on an AID direct-hire technician basis. Some examples are:

a. For many years we say Nigeria has been operating a direct hire agricultural extention project which at one time was very large but is now down to a staff of about 20 US specialists. Most of the UN agencies have provisions to operate projects under "funds-in-trust" arrangements. Under these, for instance the FAO could receive money to operate the agricultural extension project in Nigeria which AID has been operating on a bilateral basis. The funds might be transferred to FAO either from the U.S. government itself for this particular purpose or through the Nigerian government to FAO assuming there will be agreement all around.

b. In Thailand AID is operating the Mekong project with 6 direct hire and 20 PASA employees. Consideration might be given as to whether this or similar projects might be suitable. Multilateral sponsorship and supervision over --- somewhat on the basis they are concertia countries (including US through AID) have agreed on financing the development of the INDUS River Basin under World Bank leadership.

c. In India, Nepal and Afghanistan AID has agricultural advisory projects involving significant numbers of direct hire employees. Consideration might be given to seeing whether FAO might on a "funds-in-trust" arrangement take over responsibility for one or more of these projects.

d. Foreign Assistance Act of 1969 in Section 502 provides a newly available "topping off authority" for transfer of federal employees to international organizations. "A U.S. government employee who transfers to an international organization may not only retain his

retirement, health benefits, and life insurance rights but also to receive from the U.S. government a "topping off" sum of money which would bring his income from the UN activity up to the level it would have been had he remained a U.S. government employee. This "topping off" is paid to the employee when he is reemployed or when he terminates and it includes "an amount equal to the difference between the pay, allowances, post differential, and other monetary benefits paid by the international organization and the post allowance, post differential, and other monetary benefits that would have been paid by the agency had he been detailed to the international organization."

Accordingly, if arrangements under funds-in-trust can be made which would involve transfer of existing AID direct hire employees to international organizations we could achieve two objectives at the same time, namely: increased multilateral activity, decreased U.S. official presence overseas, and finally providing appropriate placement for long term AID direct hire technicians -- many of whom are approaching retirement age -- and for whom it will be difficult for AID to provide work as we reduce our direct hire involvement in operating projects.

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V. RECOMMENDATIONS

1. Issuance by the Administrator of a New Policy Determination directing that all programming and implementing officials of A.I.D., through channels, undertake to expand their use of contractors to maximize the reduction overseas of official U.S. direct-hire employees whenever possible. Also, that the entire PD No. 37 regarding the use of Non-AID Resources, be rewritten and reissued to conform with the policies in the President's message to Congress on "Foreign Assistance For the Seventies".

2. A central Task Force, staffed with Regional Bureau representatives and central staff office personnel, should be set up and charged with:

- (a) developing revised procedures and instructions,
- (b) visiting a number of missions,
- (c) providing for the interchange of information on the most significant applications, and
- (d) taking other essential steps, through established channels, to obtain effective implementation of the policy as soon as possible.

3. Technical Assistance - Direct AID Contractors. The regional, bureaus and missions should take all possible steps to make the present policy of M.O. 1412.2 regarding descending order of preference for logistics support more effective. Program managers should be especially required to work out new and effective applications of this policy whenever possible, and whenever help may be needed they should request it.

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4. Technical Assistance - PASA Projects. AID's administrative support policy should be made more flexible to minimize the use of direct hire support by AID where other methods of providing support are feasible. Therefore, M.O. 242.1 should be amended to provide a descending order of preference for the actual provision of logistics support (at the same time, however, preserving the PASA employees personal privileges as U.S. government employees on the same basis as these are provided AID direct hire employees). The following descending order of preference is proposed:

a. Arrangements by the cooperating country where these would be timely, adequate, and feasible.

b. Arrangements by the PASA Chief of Party where the project is sufficiently large and self-contained to make such arrangements feasible and reasonably economic. PASAs should be authorized, whenever appropriate, to employ their own local staff and to obtain non-personal services under their own contracts or through support arrangements AID may have set up with IIE or others.

c. Arrangements by the USAID (including American Embassy support services in lieu of AID Support, where appropriate, if it is determined that adequate and timely logistics support at reasonable cost cannot be assured through "a" and "b" above.

5. That the revised PD 37 policy be modified to add the greater use of AID-financing techniques in lieu of direct A.I.D. contracts, PASA's or direct hire employees as AID's first preference for a means of obtaining skilled personnel.

6. That AID seek to reduce as much as possible the trust-funded local staffs of USAID's by transferring these employees to the contractors or PASA's as a step toward eventually maximizing the host

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country role of directly providing such supporting services rather than giving just financing them by/local currency trust funds to USAID's.

7. That the central Task Force (proposed in recommendation 2 above) review existing PASA's with the Regional Bureaus and agencies concerned to see how many might be made logistically self-supporting. Furthermore, that whenever feasible, this self-supporting criteria be followed as new major PASA projects are designed and developed.

8. That several Regional Bureaus should experimentally design overseas administrative and general services support projects and request proposals from U.S. commercial or non-profit groups on an open competitive basis to determine comparative costs and feasibility of using an agent such as ITE for these purposes instead of AID direct hire or State administrative support arrangements.

9. That the central Task Force review with the Regional Bureaus and central staff offices current use being made of borrower-grantee relationships with the object of extending such relationships wherever appropriate.

10. That the central Task Force set up a sub-group or other appropriate means for reviewing the possibilities of converting some existing projects or new projects to OPEX type operations in lieu of continuing them on a direct hire basis.

11. That the report submitted March 31, 1970, to the AID Administrator entitled "Proposals for Strengthening Technical Relationships with non-AID Developing Countries", the principles of which it is understood have been accepted for inclusion in the proposed new legislation, be used as a basis for considering whether any of the proposals might be applicable to AID-recipient LDC's. This would appear to tie in closely with possible use

by AID recipients of project development and management assistance - on a reimbursable basis - from consulting and management firms or others that can provide services similar to the agricultural development services established by IBRD in Nairobi.

12. That AID, in lieu of using direct hire technicians, seek arrangements from groups such as the four international agricultural research institutes (IRRI, CIMMYT, IITA, and CIAT) under which host countries may obtain technical services for increasing their agricultural research and production capabilities.

13. That a special Task Force be established including representatives of PPC, TAB, AA/A and others, as necessary, which would be charged with exploring ways and means by which existing or new AID projects might be considered for implementation on a multilateral rather than a bilateral basis - using the World Bank, the UN and its specialized agencies, etc.

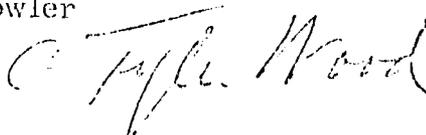
DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

OFFICE OF
THE ADMINISTRATOR
Special Assistant

July 2, 1970

TO: Mr. James R. Fowler

FROM: C. Tyler Wood



SUBJECT: Institute Relations with non-U.S. Aid-Receiving Countries

The report to the A. I. D. Administrator of March 31, 1970, (Tab A) outlined proposals to establish a mechanism for developing U.S. scientific and technical relationships with "graduate" and other non-A. I. D. developing countries. These proposals, prepared at the request of Secretary Rogers, were submitted to him on May 15, 1970, with Dr. Hannah's endorsement for including such a mechanism in the reorganized structure of the foreign aid program in FY 1972, possibly in IDI.

Operational Functions - Office of Reimbursable Technical Services (ORTS)

The functions of this new mechanism include an information clearing house, locator and other services to facilitate provision, by U.S. public and private agencies, of technical services requested by non-A. I. D. developing countries. These services would be made available on a reimbursable basis. They would involve largely operational functions, rather than research or institution-building functions. The assumptions in your May 15 paper do not seem to provide for the Institute to carry on operational functions, but would place such functions in the Bank.

Location of ORTS

The Peterson Task Force referred to post-A. I. D. assistance (assistance to A. I. D. "graduates"), in recommending a new U.S. International Development Institute for research and technical cooperation. The March 31 report (Tab A), to the Administrator noted this reference and the possibility of including the proposed mechanism for reimbursable technical

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services in this new institute. Your May 15 paper indicates, however, that the IDI would be concerned with only "research and institution building", whereas the bank "will be given full range of technical assistance authorities". This suggests that the Bank might be better able to accommodate the functions of ORTS.

The question as to where ORTS should be located if the ultimate decision is to set up the Development Bank and the International Development Institute, as recommended by the Peterson Commission, depends very largely on whether the major responsibilities for technical assistance are placed in the Bank or in the Institute.

If the assumption in Mr. Fowler's memorandum of May 15 is approved and the Institute is given relatively narrow responsibilities (confined largely to research on technical assistance and on institution-building), then ORTS should be located in the Bank.

On the other hand, if the Institute were given the responsibility for planning and carrying out technical assistance operations, except for those directly relevant to projects financed by the Bank, then ORTS should be placed in the Institute.

Looking at this question solely on the basis of where ORTS could operate most effectively, it would be far better if the assumption given by Mr. Fowler were changed and if the proposed Development Bank were limited, in its technical assistance functions, to handling only technical assistance directly related to the projects it finances, with the Institute given responsibility for administering all other technical assistance programs.

This conclusion is reached on the following grounds:

1. The professional staff of the Institute, in contrast with that of the Bank, would consist chiefly of scientists and technical people. It would have, in addition to the people responsible for handling technical assistance programs, those concerned with research and development of new techniques.
2. The Institute would, accordingly, have superior qualifications for handling technical relationships: greater staff competence, experience, interest in the subject and motivation. It would be far more interested in and place a considerably higher priority on technical assistance work than the Bank would.

3. Relationships with the U.S. technical and scientific community would be closer if ORTS were in an Institute with wide responsibilities for Technical Assistance and this would enable it to use the resources of private companies and institutions to better effect.
4. A. I. D. 's experience in the past decade shows that, when large-scale operations, involving substantial financing, are combined with technical assistance, the latter is likely to be overshadowed by the operations of the financing agency and does not get the emphasis and attention necessary to make it effective.
5. A substantial part of the reimbursable technical assistance in which ORTS would be involved, will be concerned with long-range relationships - institution-building and the strengthening and preservation of institutions which have already been built in the less developed countries. The development Bank would have less interest in such questions than would the Institute.
6. In the Institute would be found, because of the presence there of people whose main interests relate to science, technology and related matters, an atmosphere that would be far more conducive to the success of ORTS operations than could be found in the Bank.

Tab A - Report to the Administrator, March 31, 1970

Tab B - Aspects of ORTS With Which the Conceptual Framework of IDI Should Be Concerned.

Tab C - Pros and Cons of Locating ORTS in IDI or Bank

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PROPOSALS FOR STRENGTHENING TECHNICAL RELATIONSHIPS
WITH NON-A. I. D. DEVELOPING COUNTRIES

A REPORT TO THE A. I. D. ADMINISTRATOR

"Unprecedented scientific and technological advances as well as explosions in population, communications, and knowledge require new forms of international cooperation."

President Nixon, "United States Foreign Policy for the 1970's",
Message to the Congress, February 18, 1970

Submitted by: Hyde G. Buller
Daniel F. Margolies
Patrick F. Morris
C. Tyler Wood, Chairman

Agency for International Development
Washington, D. C.

March 31, 1970

I. INTRODUCTION

United States world leadership in science and technology is a prime asset for building relationships of mutual understanding with all other countries and for assisting the developing countries in achieving progress in social and economic development.

This asset is being used effectively in the developing countries assisted by A. I. D. and in the technologically advanced countries (European countries, Canada, Japan and Australia). This is not true, however, in one group of countries - the non-A. I. D. developing countries. This group includes both the "A. I. D. graduates", such as Taiwan, where A. I. D. assistance on concessional terms is deemed to be no longer required, and countries that have never been recipients of U. S. foreign aid, such as a number of countries of the Middle East which have so much oil money that they have not been eligible for aid on concessional terms (TAB A).

All of the non-A. I. D. developing countries need to improve the technical skills of their people and to build better technical and other institutions to develop more fully the potential of their human resources. It is extremely difficult for them, however, to locate the organizations or the individuals in the United States that can provide the technical services desired and to make the arrangements necessary to obtain them. Indeed, it is a problem for them to diagnose their requirements in such a way as to identify the services needed. They can finance the services and the U. S. can provide them, but in practice the flow of such services and personnel to these countries has been very limited.

The United States needs to find a mechanism for developing scientific and technical relationships with these countries. Proposals to establish such a mechanism are outlined in this report. These proposals are designed to relate the requirements of the non-A. I. D. developing countries to the resources available in U. S. government agencies, universities, industrial concerns and other private organizations.

II. BACKGROUND

A. Findings of Interagency Working Group

The report of an interagency working group, which was set up in the framework of the Council on International Educational and Cultural Affairs to study this question, reached certain conclusions which are summarized below:

1. The interests of the United States can be furthered by providing better access for non-A. I. D. developing countries to U. S. technical resources. The fact that we no longer provide concessional assistance to a less developed country does not cancel our interest in encouraging its development. At stake, besides past U. S. investments in A. I. D. "graduate" countries, are U. S. security interests, political relations, scientific leadership, and commercial interests; fulfillment of our responsibilities under scientific cooperation agreements; and progress in certain fields in the U. S. which can benefit from technical and scientific interchange.
2. American scientists and technologists serving abroad help to promote U. S. interests but an important obstacle to more extensive use of such people is the fact that American salaries are higher than those of the nationals of other countries. To give American technology and manpower a chance to compete overseas, salary "topping" and other supplementary financing are needed in some cases.
3. To create and maintain effective technical ties with non-A. I. D. countries, the United States should initiate a new, positive program of technical cooperation in which private expertise and resources should be encouraged to play a major role and from which a fruitful two-way exchange of experts between institutions in the United States and in the other countries would result.

*U. S. Technical Cooperation with Non-A. I. D. Countries - Report of Interagency Working Group on Technical Cooperation, February 1969; and transmittal letter to Assistant Secretary Richardson, Chairman of the Council on International Educational and Cultural Affairs, October 10, 1969.

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4. Technical services provided by the U. S. under the new program would, in most cases, be paid for by the requesting country, except where supplementary financing is justified by significant U. S. benefits.
5. A central point should be established in the U. S. Government to provide leadership for, and to help stimulate and coordinate, technical cooperation with non-A. I. D. countries.
6. Within the limits of foreign policy directives, the Federal agencies should eventually be enabled to initiate cooperative activities through direct dealings with counterpart organizations in non-A. I. D. countries. The Federal agencies should be supported in their efforts to obtain authority and money for these purposes as appropriate extensions of their domestic responsibilities.

The working group recommended that:

"The Council on International Educational and Cultural Affairs formally transmit the report ... to A. I. D. and other interested Federal agencies... with the request that A. I. D., in collaboration with other agencies, ... develop a set of concrete proposals... In the development of these proposals, particular attention should be given to A. I. D.'s relationship to the new program in view of its structure, mission, and expertise..."

B. Referral of Task to A. I. D. Administrator

1. In a letter of December 9, 1969, (TAB C), Acting Assistant Secretary Irving informed Dr. Hannah, the A. I. D. Administrator, of the Council's approval of the working group's recommendation and requested that A. I. D. take the lead in developing the proposals indicated.
2. Secretary Rogers, in a letter to Dr. Hannah on January 30, 1970, (TAB D), stated: "At present there is no adequate institutional mechanism for identifying ... opportunities and

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for facilitating relationships at the technical level among Government agencies, universities, industrial concerns and other private organizations of the U. S. and the post A. I. D. countries. . . I consider the repair of these deficiencies to be a matter of some urgency." The Secretary requested that action proposals be developed as quickly as possible.

C. Consultations with Federal Agencies

Dr. Hannah assigned responsibility for this task to Dr. Stern, Assistant Administrator for Program and Policy Coordination, A. I. D., and asked C. Tyler Wood, one of his Special Assistants, to head a working group to develop the necessary action proposals. He, with the assistance of Hyde Buller of the Technical Assistance Bureau of A. I. D., held a series of meetings with representatives of the principal agencies concerned. A list of the key questions covered in the discussions (TAB E) and a chart summarizing the views of these agencies (TAB F) are attached. The following conclusions emerged from these discussions:

1. All the agencies believe that technical cooperation with non-A. I. D. countries in fields with which they are concerned would be worthwhile and in the national interest.
2. They do not, however, except in special cases, consider such technical cooperation closely enough related to their particular missions to warrant using their regular funds or approaching the Congress for additional funds.
3. Justification for engaging in such activities would have to be based mainly on consideration of U. S. national and international interests, rather than on the domestic responsibilities of the agencies.
4. They would be eager to carry on such activities in order to broaden their own experience and knowledge if some other agency of the Government would present and defend the request for the necessary funds.

5. Practically all the agencies are engaged in providing some technical services to non-A. I. D. developing countries but when they do, only a small portion is financed with their own money, and the main sources of funding are the countries themselves, international organizations, foundations, and excess foreign currencies. In the last case, the currencies are used chiefly to support research and are usually charged against the agencies' dollar budgets.
6. The impediment most often cited by the agencies, in cases where funds are available from other sources, is the personnel ceiling imposed by the Executive Office.
7. Most of the agencies make some use of private organizations in their overseas activities but recognize that more effective use of these assets could be made.
8. All the agencies favor the establishment of a focal point for U. S. technical cooperation with non-A. I. D. developing countries.

III. PROPOSALS FOR ACTION

A. Interim Action by A. I. D.

This consultation with the agencies indicated the desirability of immediate action:

1. To meet more adequately current requests for technical services on a cost-reimbursement basis.
2. To begin an active role in stimulating such requests.
3. To plan for the organization eventually needed to carry on a long-range program.

Pending development of appropriate legislative proposals and action on them, A. I. D. will undertake to carry on its present activities in this field. If funds and staff resources can be made available to A. I. D., it would be advisable to expand in the interim period from the present one-man operation to four, plus two secretaries. The

additional staff will be needed to deal with present inquiries, to start building up the various services outlined in their plan and to make preparations for the long-range operation.

B. Mechanism for Long-Range Program: Office of Reimbursable Technical Services (ORTS).

It is proposed that an Office of Reimbursable Technical Services (ORTS) be established to repair the deficiencies noted by Secretary Rogers in his memorandum.

1. Purposes

The main purposes of ORTS would be:

- a. To facilitate access by non-A. I. D. developing countries, on a reimbursable basis, to U. S. technical services, public and private.
- b. To help bring about, through such activities, additions to the U. S. knowledge base, and to strengthen the world-wide network of arrangements for sharing and developing knowledge;
- c. To promote American exports by providing technical services which would result in increasing demand for American technology, hardware and know-how in the non-A. I. D. countries, because of the presence of American technicians, and because of the training in the United States provided to nationals of those countries.
- d. To serve the U. S. national interest in promoting the political, economic and social development of the non-A. I. D. developing countries.
- e. To encourage and assist the governmental and private agencies in the development of their own resources for international technical cooperation.

2. Functions

To accomplish these purposes ORTS would:

- a. Identify opportunities for U.S. scientific and technical cooperation with non-A.I.D. developing countries and encourage American individuals and organizations to provide technical services relevant to the countries' development and of a quality in keeping with U.S. leadership in these fields;
- b. Maintain a clearing-house for exchanging information and experience on opportunities for technical cooperation with non-A.I.D. developing countries, including the routing of requests for reimbursable technical services from such countries to appropriate agencies for action;
- c. Maintain, in cooperation with other agencies, a network of locator services to help find sources of technical services in the U.S. ORTS would not maintain a central data bank, but would draw upon existing locator services available among the relevant public and private agencies for information on U.S. expertise in various fields; (To the extent that existing locator services are inadequate, ORTS would work with the agencies concerned to strengthen them.)
- d. Provide facilitating services to help U.S. governmental and private agencies with arrangements to supply technical services requested by non-A.I.D. developing countries;
- e. Provide facilitating services to help non-A.I.D. and other developing countries place technicians both in functional positions with appropriate U.S. agencies for on-the-job training and in other training programs.

f. Work with other agencies to reduce difficulties which now limit the agencies' capabilities to meet these requests, such as:

- (1) Personnel ceilings now imposed on the departments and other federal agencies by the Executive Office.

These make no allowance for the fact that, in the case of reimbursable technical services, the non-A.I.D. developing country has specifically requested the services and the U.S. Governmental personnel and is defraying all costs.

- (2) Higher salaries in U.S. than elsewhere:

In order to make U.S. technical services competitive, it would be necessary in some cases for the compensation of the American technicians to be "topped off", i.e., supplemented by payment of the difference between the going rate in the U.S. and that in the host country for foreign exports (TAB G).

g. Cooperate with the relevant offices in the State Department and the other Federal agencies to bring about a greater use, by the multilateral agencies, of U.S. private and public technical services in the non-A.I.D. developing countries.

- (1) By helping Federal agencies meet the statutory requirements for providing technical services to multilateral agencies on a reimbursable basis; and
- (2) By informing qualified American experts and organizations of opportunities for assignments and technical service contracts with the multilateral agencies in the non-A.I.D. developing countries, and helping to make the availability of these experts and organizations known to the multilateral agencies

and to countries seeking such services. In the case of experts from the private sector it may be desirable to finance topping off their salaries. (Recent legislation deals with this problem so far as federal employees are concerned (TAB G).

- h. Join with other A.I.D. offices in pre-phaseout planning, to determine the institutional and other arrangements that should be made to assure effective continuing technical cooperation with the U.S. after phase-out.

(The cooperative relationships developed between American universities and foreign institutions with A.I.D. financing are examples of the kinds of activities that should be reviewed to identify possibilities for maintaining continuity in desirable cases.)

- i. Provide funds, when necessary, for
 - (1) Field visits by individual experts or teams to review a country's requirements when that country has indicated its interest in reimbursable technical services from the U.S.;
 - (2) Participation by Federal agency and other experts in international scientific and technical conferences and symposia which are significant to the purposes of ORTS and for which the necessary financing is not available from other sources, such as NSF;
 - (3) International travel by such experts to make preliminary arrangements for implementing bilateral scientific cooperation agreements with developing countries; and

- (4) Supplementary financing to stimulate participation of private organizations and individual technicians in technical cooperation with non-A.I.D. developing countries. In some cases a small sum may facilitate the substantial involvement of U.S. private organizations or may make the difference between key foreign participants training in the U.S. or in other countries. An incentive grant to a private non-profit organization, for example, might constitute the seed money which would attract substantial continuing support from industry, foundations and other private sources.

3. Methods of Operation

- a. ORTS would perform these functions in collaboration with the Federal agencies, which would be relied upon to take the leadership and to provide the expertise in their technical fields. The technical service requested by a non-A.I.D. country, for example, may be available only from the agency responsible for Federal activities in the particular field. If so, and cost reimbursement or other mutually satisfactory arrangements can be made with the non-A.I.D. country, that Federal agency would provide the requested service. In other cases, the Federal agency may advise ORTS that the service is available in the private sector. The non-A.I.D. country would then be furnished with the information necessary to make arrangements directly with an appropriate private US. organization.
- b. ORTS would work with the Commerce Department and other Federal agencies to take advantage of opportunities, in connection with trade fairs and similar activities abroad, to make the availability of U.S. technical services better known to the non-A.I.D. developing countries.

- c. ORTS would serve as the mechanism for making allocations, from its resources to the Federal agencies when other sources of funding are not available. As more experience is gained by the agencies in providing reimbursable technical services to the non-A. I. D. developing countries, it is hoped that they would cover an increasing proportion of the supplementary financing needed within their own annual budget requests, justified as a necessary foreign dimension of their domestic functions.
- d. The effectiveness of collaboration between ORTS and the Federal agencies will depend in great part on the organizational arrangements that the agencies are able to make to assure prompt attention, at appropriate levels for decision, to request from non-A. I. D. developing countries for technical services in particular fields.
- e. ORTS would not interfere with effective working relations built up by U. S. public and private organizations with their counterparts in non-A. I. D. developing countries.

4. Location

- a. Among the possible locations considered for ORTS were the Commerce Department, the National Science Foundation and the National Academy of Sciences. Each of these commended itself on the basis of some important aspects of the task to be performed. But none of them covers a broad enough portion of the spectrum of pertinent responsibilities, capabilities and interests.
- b. The State Department and A. I. D. were also considered. Each has its advantages and its disadvantages. State has the important advantage of being best qualified to recognize and take into account the international

relations aspects of the wide range of interests, both public and private, involved in technical cooperation with other countries. Furthermore, since justification for carrying on the activities involved would have to be based chiefly on considerations of our broad national and international interests, State is the logical department to present and defend the case for authorization and appropriation of the necessary funds. But there is one serious disadvantage in locating ORTS in the State Department: it is not organized or staffed to carry on operational functions of the kind required.

- c. A.I.D. has the great advantage of possessing the necessary staff and the experience of carrying on technical cooperation programs with other countries and would be qualified to manage the operations of ORTS. However, its mission is to deal with developing countries which require assistance on concessional terms. A.I.D. could not, therefore, properly ask in its appropriations for funds to carry on programs in countries which are deemed no longer to require such assistance.
- d. The main advantages of each of these possible locations could be obtained if the State Department were to assume the task of presenting and justifying the request for authority and funds and then were to transfer to A.I.D. the funds and delegate to it the responsibility for implementing the program. This course would also avoid the major disadvantage of each. In addition, the assumption of leadership by the State Department would clearly distinguish the program as one of continuing, long-term importance to the foreign relations of the United States. At the same time, the program, if operating responsibility for it were placed in A.I.D., would have the benefit of A.I.D. staff competence, experience, interest in the subject, and motivation.

- e. It is therefore proposed that the State Department's FY 1971 legislative proposals request the necessary authority and funds for the Office of Reimbursable Technical Services, and that it be located in A.I.D.
- f. It is noted that the Task Force on International Development, chaired by Mr. Rudolph Peterson, in its report of March 4, 1970, recommended that a new U. S. International Development Institute be established for research and technical cooperation. If legislation providing for this institute should be recommended to the Congress, which in any event is not expected before the FY 1972 budget presentation, the possibility of having the institute assume responsibility for the functions of ORTS could be considered at that time.

In discussing the institute, the Task Force's report stated:

"The Task Force believes that the United States should change the current practice of terminating technical assistance programs whenever concessional development loans end. Terminating both programs at the same time fails to take account of a possible continuing need for professional collaboration and training and of the mutual benefits of continuing such cooperation. Financing arrangements for technical assistance programs can always be adjusted to a nation's ability to pay."

5. Organization and Staffing

- a. ORTS would supersede AID's interim unit for technical cooperation with non-A.I.D. developing countries, which it would absorb as the nucleus for the operation of the long-range program. The ORTS staff will specialize in identifying opportunities in the non-A.I.D. developing countries, and in relating these through the Federal agencies to U.S. technical resources. ORTS would be guided by a high-level interagency advisory panel, appointed by the Secretary of State. In order to strengthen its liaison with other Government agencies, ORTS might

have on its staff from time to time qualified representatives from the State Department and other key agencies.

b. A proposed table of organization is attached (TAB H). OETS would be headed by a Director and Deputy Director and consist of three basic divisions.

(1) The Operations Division would be responsible for the administration of the clearing house and locator and other facilitating services.

(2) The Liaison Division would be responsible for helping to overcome difficulties which now limit the capabilities of the Federal agencies to provide technical services to the non-A.I.D. developing countries. It would also have the promotional functions of making the availability of U.S. technical services better known to these countries and to the multilateral agencies; of identifying opportunities for U.S. public and private agencies to provide these services; and of encouraging increased participation by universities, business organizations, voluntary agencies, foundations and professional and scientific organizations in technical cooperation with these countries.

It would be important to have on the staff people who are able to discover worthwhile opportunities for using U.S. technical services abroad and to stimulate action to deal with these opportunities. Incoming requests and informational exchanges with Federal agencies and other organizations would be useful for this purpose.

(3) The Planning and Program Division would be responsible for the functions of: planning, programming and evaluation, analyzing requirements for "topping-off"

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and other supplementary financing, managing fund allocations, pre-phaseout planning for A. I. D. recipient countries and providing the Advisory panel with supporting services.

- c. It may eventually be found desirable for ORTS to have a small Washington-based group whose members could visit the field as required or to station representatives in those countries where interest in obtaining U.S. technical services is sufficient to warrant it. A decision on this point should await further experience.

6. Funding Requirements

- a. To do the job outlined, it is estimated that ORTS would need a budget of \$1.2 million for FY 1971, as shown in TAB I.
- b. Some of the expenditure for international travel and use of consultants are expected to be heavier in the first year of ORTS operations than in subsequent years because of the special need to make the establishment of ORTS and its functions known to our overseas Missions and to the non-A. I. D. developing countries, as well as to survey the technical service requirements of those countries.

Non-A.I.D. Countries

Listed below are 47 countries where U.S. bilateral development assistance programs have been phased-out or phased-down, together with countries where we have never had such bilateral programs but which have shown interest in obtaining technical services. The list excludes countries where our bilateral programs have been withdrawn, voluntarily or involuntarily, for political reasons.

I. <u>Graduate and Phased-Down Countries (19)</u>	II. <u>Other Phased-Down Countries - Regional and Self-help Project Support Countries (24)</u>	III. <u>Non-Recipient LDCs (4)</u>
Argentina	Botswana	Abu Dhabi
British Honduras	Burundi	Dubai
Burma	Cameroon	Kuwait
Ceylon	Central Af. Rep.	Singapore
Cyprus	Chad	
Greece	Dahomey	
Haiti	Gabon	
Iran	Gambia	
Israel	Guinea	
Lebanon	Ivory Coast	
Libya	Lesotho	
Malaysia	Malagasy Rep.	
Mexico	Malawi	
Saudi Arabia	Mali	
Spain	Mauritius	
Surinam	Niger	
Taiwan	Rwanda	
Trinidad-Tobago	Senegal	
Venezuela	Sierra Leone	
	Somali	
	Swaziland	
	Togo	
	Upper Volta	
	Zambia	

What the listed countries have in common is that they are developing countries and interested in obtaining technical services from the United States but do not have access, except possibly in very limited ways, to U.S. concessional assistance. Among these countries are the potential clients of the Office of Reimbursable Technical Services.

The list may change from time to time because of graduations among present aid-recipient countries and for other reasons. Moreover, even countries with on-going A.I.D. programs may become clients of ORTS to the extent that they desire technical services from the U.S. which cannot be accommodated in their on-going programs but which they are willing to fund themselves. As the authority and funds recommended for ORTS are obtained and the services available through it become known, it is expected that clients in all these categories will increase substantially.

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COMMENTS ON MEANING IN THIS REPORT OF THE FOLLOWING TERMS

Technical Cooperation

Technical Services

Technical Assistance

Technical Exchange

Phase-out

Technical Cooperation is used in a broad sense to cover technical assistance, technical services and technical exchange.

Technical Assistance is the conventional A.I.D. program for providing technical services to a developing country on concessional terms.

Technical Services is technical assistance on a reimbursable basis.

Technical Exchange is the exchange between countries, on a basis of mutual benefit, of professional personnel and information.

Technical Assistance programs are terminated from time to time in individual countries because there are no longer grounds for our providing development assistance on concessional terms. This does not mean that the countries involved no longer need technical services from the United States. They may be financially able to pay for the services but do not do so in many cases because they cannot determine the specific services needed or locate suitable sources for them or because they cannot justify the higher costs for U.S. services as compared with those from other countries. It is important for U.S. commercial, scientific and political interests that we overcome these obstacles to the use of American expertise overseas.

The proposed Office of Reimbursable Technical Services is designed to remove these obstacles by facilitating the sale of technical services to interested countries from the United States, i. e. by making it easy for those countries to buy technical assistance from us. This will involve encouraging more effective use of commercial and other non-governmental channels for the export of technical services from the U.S. and for their import by developing countries. Development of new channels may also be required. Some countries may only need leads as to non-governmental sources they could contact while others may need help in making arrangements when governmental sources are the only ones available. The services of ORTS should be available to all friendly developing countries, including A.I.D. countries, A.I.D. "graduates", and countries where we have never had an aid program.

Technical Exchange is a more mature, continuing relationship which characterizes the arrangements between the United States and the developed countries. The developing countries may be expected to approach such a relationship with the United States as they progress in their development. Developing countries may be ready to convert to this relationship in some fields while still needing technical assistance or technical services in others. This overlapping should be welcomed as healthy growth towards our ultimate development program objective when the developing country's dependency relationship to the U.S. is superseded by one of common contributions to projects of mutual interest.

In this advanced relationship, the links which our universities and other institutions have created with foreign institutions in the course of our aid programs are of prime importance. They add to the U.S. knowledge base in science and technology. They increase understanding of the development process and the relationship of science and technology to this process. They also strengthen the world network for sharing and developing knowledge. This network extends beyond these fields and development objectives, however, and is concerned broadly with improving international cooperation in all fields and with creating a favorable environment for U.S. security and economic and social development. These broader concerns should appropriately be the responsibility of some inter-agency mechanism other than the proposed Office of Reimbursable Technical Services.

Phase-out is the term which has been applied to the process of terminating A.I. D. programs in countries when they cease to be eligible for concessional aid. This name has negative connotations. Sometimes it is interpreted as withdrawal, not merely of U.S. concessional assistance to a country, but as loss of interest in the country's development. This is unwarranted. The U.S. retains its interest in helping the country to obtain needed services - the difference is that the recipient has progressed to the point where it can pay for these services.

COMMENTS ON MEANING IN THIS REPORT OF THE FOLLOWING TERMS

- Technical Cooperation
- Technical Assistance
- Phase-out
- Technical Services
- Technical Exchange

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SUBJ: EDU

DEPARTMENT OF STATE

WASHINGTON

December 9, 1969

Dr. John A. Hannah
Administrator
Agency for International Development

Dear Dr. Hannah:

On November 21, 1969 the interagency Council on International Educational and Cultural Affairs acted affirmatively on the principal recommendation of the report of its Working Group on Technical Cooperation that:

"The Council on International Educational and Cultural Affairs formally transmit the report of the Working Group to AID and other interested federal agencies which have formed part of the working group with the request that AID, in collaboration with other agencies, chair an informal group composed of those agencies to develop a set of concrete proposals, including alternative organizational arrangements, for decision in the FY 1971 budget process and perhaps for consideration of the President's Task Force on Foreign Assistance. In the development of these proposals, particular attention should be given to AID's relationship to the new program in view of its structure, mission, and expertise..."

The Council also endorsed the other provisions of the Working Group's report, with the modifications set forth in the enclosed statement, and deactivated the Group with sincere appreciation for a job well done.

As Acting Chairman of the Council in Assistant Secretary John Richardson's absence, I am enclosing a copy of the report with the request that AID take the lead in carrying out the principal recommendation as stated.

Mr. Curtis Farrar, AID's representative on the Council until recently, informed us on July 22, 1969 that you have an active interest in solutions to this problem of maintaining U.S. technical momentum in former AID and in non-AID countries. The problem is of major concern to member agencies of the Council as well as to over a dozen other agencies which participated in the development of the report of the Working Group. I am therefore hopeful that you will authorize AID to assume the recommended role of leadership in the development of

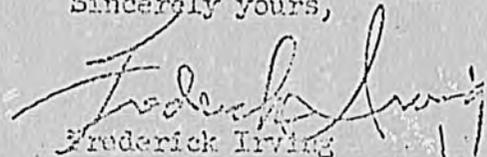
Further proposals as the Council has requested.

If you do so, the Council will appreciate a report from AID when it considers the undertaking completed and within the next three months if possible. We would be especially interested in an identification of any of the recommendations in the report on which no proposals could be developed. The Council is aware that there may be several recommendations in this category, particularly those relating to technical cooperation with countries which have never been involved with AID, and the members are prepared to reinstate them as problems for their consideration as soon as AID completes its task.

Under Secretary U. Alexis Johnson has expressed an interest in the technical cooperation problem, and I am sending him a copy of the report and this letter.

A representative of the Bureau of the Budget suggested at the Council meeting that a copy of the report also be sent to Mr. Rudolph A. Peterson, Chairman of the President's Task Force on International Development. In the event that you agree with this suggestion, I would appreciate your sending the enclosed copy on to him, together with the covering letter which I have signed.

Sincerely yours,



Frederick Irving
Acting Assistant Secretary for
Educational and Cultural Affairs

Enclosures:

1. "Modifications made on November 21, 1969 by the Council on International Educational and Cultural Affairs in the Report of the Working Group on Technical Cooperation"
2. Copy of memorandum to Under Secretary Johnson from Mr. Irving
3. Copy of letter to Mr. Rudolph Peterson from Mr. Irving
4. Report of the Council's Working Group on Technical Cooperation with Non-AID Countries

cc: Under Secretary U. Alexis Johnson
Assistant Secretary John Richardson, Jr.
Mr. Rudolph A. Peterson, Chairman,
President's Task Force on International Development
Members of the Council's Working Group on
Technical Cooperation
Members and Observers of the Council on International Educational and Cultural Affairs

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THE SECRETARY OF STATE
WASHINGTON

January 30, 1970

MEMORANDUM FOR: The Honorable
John A. Hannah
Administrator, AID

SUBJECT: Post-AID Relationships

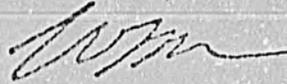
Our December 11 discussions with Lee DuBridge clearly illustrated that the United States is not now taking advantage of the increasing opportunities for useful technical cooperation especially with former AID and non-AID developing countries. Such association could serve to promote U.S. commercial interests as well as our interests in improved international relations and understanding while also being of value to a wide variety of U.S. Government Agencies and private organizations.

At present there is no adequate institutional mechanism for identifying such opportunities and for facilitating relationships at the technical level among Government Agencies, universities, industrial concerns and other private organizations of the U.S. and the post-AID countries. Furthermore, there is apparently a need for statutory authority and a funding source for such relationships. I consider the repair of these deficiencies to be a matter of some urgency. I understand that this problem is encompassed in an assignment levied upon AID last December by the Interagency Council on Education and Cultural Affairs, and that AID is currently chairing an interagency working group.

I am, therefore, taking this opportunity to confirm the task assigned to AID by the Interagency Council on this matter; and, I am requesting that action proposals be developed as quickly as possible for the conduct and financing of technical ties, especially with post-AID countries.

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I have asked John Richardson and Herman Pollack to work closely with you and to call upon any other offices of the Department that can assist in this effort.



William P. Rogers

TAB I

Questions to be Addressed by Federal Agencies
in Providing Information on Their Technical Co-
operation Activities with Non-A. I. D. Countries.

1. What technical cooperation activities is your agency carrying on in non-A. I. D. countries* with its own funds or with financing from those countries or other sources? This could be answered by up-dating the pages on your agency in the Appendix to the report of the Interagency Working Group on U. S. Technical Cooperation with Non-A. I. D. Countries, revised February 1969.
2. Are there any technical cooperation activities which your agency would consider so closely related to its Mission and of such priority as to justify its approaching Congress for authority or funds now lacking to carry them on? If so, please specify.
3. Are there any technical cooperation activities which your agency would not consider as justifying its seeking additional authority or funds but which it would be prepared to carry on if these resources were provided from some other source?
4. What other impediments, besides lack of authority and funds, does your agency see to carrying on effective programs of technical cooperation with non-A. I. D. countries? Have you any suggestions as to how to remove them?
5. What use do you now make of private organizations or individuals in technical cooperation activities in non-A. I. D. countries? What additional possibilities do you see for such use and what would be needed to realize these possibilities?

* Not including Western Europe, Japan, South Africa and the Soviet Bloc.

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6. The report of the Interagency Working Group recommended that a central focal point be set up for technical cooperation with such countries, essentially as a servicing point. There seemed to be substantial agreement in the group that such a focal point should not be concerned with control or management of operations, but that such functions should, to the maximum possible extent, be the responsibility of the relevant Federal agency. Do you think such a focal point should be set up and, if it were, which of the following or other specific functions should it have?

- a. Providing a clearing-house for exchange of information and experience among Government agencies and other U.S. organizations engaged in technical cooperation with non-A.I.D. countries.
- b. Maintaining a locator or finder service for U.S. expertise, both governmental and private in various fields.
- c. Receiving and routing requests for technical cooperation to appropriate agencies for action.
- d. Facilitating the relevant activities of Federal, other government and private agencies by taking the lead in working on common procedural, policy and legal problems which interfere with effective technical exchange between the U.S. and non-AID countries. Among such problems are lack of legal authority for engaging in technical exchange with other countries and inability to obtain funds for "topping off" salaries of U.S. experts.

- e. Attempting to fill gaps left when there seems to be no organization, governmental or private, equipped to deal with a particular type of technical exchange activity believed to be worth undertaking.

NOTE: The question of where the central focal point should be located, if it is set up, can be most usefully discussed after there is a clearer indication of what functions the focal point should perform.

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VIEWS OF AGENCIES ON THEIR TECHNICAL COOPERATION WITH NON-A.I.D. COUNTRIES (TC/NAC)

Tab F

(EXPLANATORY NOTES ON ENTRIES IN EACH COLUMN APPENDED)

AGENCY	CURRENT WITH OWN FUNDS (1a)	TC/NAC BY HOST COUNTRY (1b)	FINANCED BY OTHER SOURCES (1c)	WILLING ASK CONGRESS FOR TC/NAC FUNDS AND AUTHORITY (2)	WILLING UNDER-TAKE IF FUNDS OTHERWISE PROVIDED (3)	IMPEDIMENTS (besides lack of authority or funds) (4)	USE OF PRIVATE ORGANIZATIONS IN TC/NAC (5)	FAVORS FOCAL POINT (6)	
Agriculture	Yes	Yes	Yes	No	Yes	Personnel ceilings & employ't cond.	Yes	Yes	
AEC	Yes	Yes	Yes	No	Yes	None	Yes	Yes	
Commerce									
Census Bur.	Yes	Yes	Yes	No	Yes	Lack of field rep.	Yes	Yes	
ESSA	Yes	Yes	Yes	No	Yes		None	Yes	Yes
NBS	No	Yes	Yes	No	Yes		None	Yes	Yes
Patent Off.	Yes	Yes	Yes	No	Yes		None	Yes	Yes
W I	Yes	Yes	Yes	(HEW is not prepared to supply information on these items before review of its international programs and activities).					
D	Yes	Yes	Yes	No (Changed from "yes" 4/23/70)	Yes	Personnel ceilings	Yes	Yes	
Interior	Yes	Yes	Yes	No	Yes	Personnel ceilings	Yes	Yes	
Labor	Yes	Yes	Yes	Yes	Yes	None	Yes	Yes	
AS	Yes	Yes	Yes	Not applicable	Yes	*	Yes	Yes	
F	Yes	Yes	No	Yes	Yes	Personnel ceilings	Yes	Yes	
Smithsonian	Yes	Yes	Yes	Yes	Yes	None	Yes	No	
Transportation									
BPR	No	Yes	Yes	No	Yes	Personnel ceilings	Yes	Yes	
FAA	Yes	Yes	Yes	Yes	Yes		"	Yes	Yes
Treasury									
IRS	Yes	Yes	Yes	No	Yes	Personnel ceilings	Yes	Yes	

*Questions re foreign government paying travel and per diem of Federal employees.

4/24/70

EXPLANATORY NOTES ON CHART SUMMARIZINGVIEWS OF AGENCIES ON THEIR TECHNICAL COOPERATION WITH NON-A.I.D. COUNTRIESCOLUMN 1aAgriculture, Department of

For ARS services and research when directly related to U.S. agriculture, e.g. assisting in control of hoof and mouth disease in Mexico, and for provision of technical publications by National Agricultural Library. Also absorbs costs of informal consultation and observation tours of USDA facilities by technicians from non-A.I.D. countries.

Atomic Energy Commission

For information exchange programs with nuclear energy organizations in Argentina, Israel, Mexico, Spain and other countries; for replies to individual requests for information on U.S. atomic energy program; and for loans of food irradiation, other equipment or special materials to other countries which provide U.S. with resulting research data.

Commerce, Department of

Census Bureau - for some of the costs of exchanging publications and information on methods with statistical institutions throughout the world.

ESSA - for providing expendable and maintenance services for seismograph stations in cooperative programs to furnish data ESSA needs to fulfill its mission.

Patent Office - for patent document exchange. Also authorized to waive fees for training in Patent Office Academy for employees of foreign governments.

Health Education & Welfare, Department of

For distribution of technical information materials, grants and fellowships to visiting scientists, cooperative research, and recruitment for UN agencies.

Housing & Urban Development, Department of

For support staff to program training of participants; for consultation, limited attendance at conferences, and advisory services to multilateral organizations; for documentation and other information services; and for recruitment of professionals from private sector for UN urban development programs. Provides similar information, advisory and recruitment services for U.S. private organizations.

Interior, Department of

Costs sometimes absorbed by Department bureaus for (a) information exchange; (b) short-term assignments to international organizations; (c) programming training for UN fellows; and (d) salary and per diem of OSW personnel assigned abroad under that organization's special authority.

Labor, Department of

For technical research and consultation abroad to enrich U.S. manpower programs with foreign experience; for technical information services in labor field for developing countries; for programming requested by American labor organizations for training of foreign participants; and for research on foreign labor conditions.

National Science Foundation

For exchange of scientists between U.S. and Eastern European and other countries; for grants to U.S. institutions for research and educational activities abroad; and for cooperative programs with Japan and Italy, involving research, exchanges of scientists and scientific meetings. NSF used to lack authority to engage in technical service activities overseas unless purpose was to strengthen science in the U.S. P.L. 90-407 now enables NSF to engage in such activities even when this purpose is not directly served, if necessary funds are available.

Smithsonian Institution

For implementation of Iran-US Scientific Cooperation agreement and exchange of publications between U.S. and foreign institutions. Also absorbs costs of making its exhibit labs available for training museum specialists from developing countries.

Transportation, Department of

For research to identify low cost technology in all modes of transportation. FAA - for loan of equipment.

Treasury, Department of (IRS)

Cost of Foreign Tax Assistance Staff (FTAS) was originally line item in IRS budget but is now lumped with other items. This covers overall administration and backstopping of technical cooperation, including programming of training and orientation for foreign visitors and provision of technical information. In cases of FTAS participation in international seminars, costs are shared with other countries or organizations.

COLUMN 1bAgriculture, Department of

For travel, per diem and other direct costs for trainees.

Atomic Energy Commission

For sister laboratory programs with university in Taiwan and for expenses of long-term assignments and short visits by foreign nationals to AEC facilities.

Commerce, Department of

Census Bureau - for international statistical training programs.

ESSA - for training students in meteorology and related fields on-the-job, in ESSA courses, or at universities.

NBS - for costs of foreign guest workers for extended periods. These are fully competent scientists who are collaborating on a research project or learning new techniques.

Patent Office - for travel and subsistence of participants in patent and trademark training courses.

Health Education & Welfare, Department of

Travel, per diem, and other direct training costs for participants.

Housing & Urban Development, Department of

For travel, per diem and other direct costs for trainees; and for reimbursable details of HUD technicians.

Interior, Department of

For travel and subsistence costs of trainees, and advisory services.

Labor, Department of

For advisory services and travel and subsistence costs of trainees.

National Science Foundation

For travel, per diem and other direct costs of trainees.

Smithsonian Institution

For travel and per diem costs for trainees.

Transportation, Department of

For advisory, procurement, and training services.

Treasury, Department of (IRS)

For advisory services and travel and subsistence of trainees.

COLUMN 1cAgriculture, Department of

International organizations, foundations and excess foreign currencies.

Atomic Energy Commission

For technical programs funded by the International Atomic Energy Agency and the Inter-American Nuclear Energy Commission.

Commerce, Department of

Census Bureau - international organizations and foundations.

ESSA - international organizations and foundations and excess foreign currencies

NES - international organizations and foundations and excess foreign currencies

Health Education & Welfare, Department of

Self-financed trainees, international agencies, foundations and other private organizations, and excess foreign currencies.

Housing & Urban Development, Department of

Self-funded trainees and UN and other organizations.

Interior, Department of

International organizations and foundations.

Labor, Department of

International organizations, DOD, USIA, foundations, and excess foreign currencies.

National Academy of Sciences

Government agencies (through contracts for advisory services), foundations,

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and Academy's endowment. All these sources (besides the host country) are used to finance workshops and related programs to enable American scientists and engineers to consult with their counterparts in developing countries in formulation of national science policy, development of institutions for science, transfer of technology, improvement of science education, and development of programs and assignment of priorities for research related to national needs.

National Science Foundation

No current cases but can accept financing from international organizations and foundations.

Smithsonian Institution

International organizations, foundations, and excess foreign currencies (for cooperative research projects).

Transportation, Department of

Multilateral organizations.

Treasury, Department of

Multilateral organizations and foundations.

COLUMN 2

Commerce, Department of

NBS - would like to increase activities with national standards laboratories of major advanced countries for purposes of its own mission.

Housing & Urban Development, Department of

(Note shown here in 3/31/70 edition was changed on 4/23/70 to apply to column 3 only.)

Interior, Department of

Negative because non-A.I.D. developing countries involved, cooperation with which would have to be justified on foreign policy grounds. Answer would be "yes" if benefits to be derived from cooperation with other countries were sufficient in relation to Interior's domestic program. This would be likely only in the case of non-A.I.D. developed countries, e.g. Japan. On other hand, Interior also needs to be able to cooperate with

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A.I.D. countries on projects that cannot be accommodated in the on-going A.I.D. program but which the host country is willing to finance itself and which would also be beneficial to the U.S.

Labor, Department of

Provided that the foreign affairs agencies (State, A.I.D. etc.) assign a high priority to these activities and actively support its budget requests, the Labor Department is eager to seek its own funds and authority.

National Science Foundation

Already has authority but lacks funds for more than limited pilot program.

Smithsonian Institution

2,3&5 - In case of Iran-US Scientific Cooperation Agreement, Smithsonian has proposed special appropriation but BOB has advised against approach to Congress. Smithsonian still believes this approach preferable because it is already relying on private sources as much as it should and that Federal Government, having generated Iran-US agreement, has prime responsibility for financing it.

Transportation, Department of

For maintaining FAA's Regional Aviation Assistance Group (RAAG), which A.I.D. will no longer fund, to provide a readily available pool of technicians from which A.I.D. and the developing countries can quickly recruit for urgent projects on a world-wide basis. Also for establishing a pool of transportation economists for use by A.I.D., international lending institutions, and developing countries for feasibility studies and planning overall transportation programs for a country or region.

Treasury, Department (IRS)

Because of risk of reducing funds for domestic responsibilities. But IRS recognizes value of exposing its personnel to unique tax administration problems in other countries.

COLUMN 3

Agriculture, Department of

Suggests central funding to cover increased obligations of Federal agencies as result of recent amendments to Federal Employees International Organization Services Act.

Atomic Energy Commission

Additional funds, if available, would be used for: training of foreign scientists in U.S. through scientist-in-residence grants; assistance in raw materials exploration and processing; assignment of scientists to AEC national laboratories engaged in development of nuclear power and desalting; initiation of a regional training course in nuclear instrument maintenance; use of radiation for preservation of food products; promotion of use of radioisotopes in industry; provision of U.S. reactor experts; and reactivation of sister laboratory program with such countries as Korea and Philippines.

Commerce, Department of

Dr. Tribus, Assistant Secretary for Science and Technology, strongly favors program for TC/NAC but feels that (a) State, rather than individual Federal agencies, should seek necessary appropriations; (b) Federal agencies need to prepare themselves for large demand for U.S. technical services on reimbursable basis that could result from aggressive programs; and (c) U.S. should take a cost-sharing approach and bear a larger proportion of the costs of these services than through merely "topping-off."

Census Bureau - would use additional funds for follow-up services to former trainees by furnishing them with up-dated statistical materials; for expanded training opportunities by financing scholarships for participants and university faculty members from non-A.I.D. developing countries; and for intermittent short-term and longer-term advisory services to these countries on particular statistical problems. Believes there is extensive potential demand for such statistical and data-processing services in non-A.I.D. countries if available on concessional terms, i.e. topping-off. Similar problem exists with respect to assignments with international organizations.

ESSA - if funds were available, would take advantage of mutually beneficial opportunities which are continually arising for furnishing other countries with equipment or training in oceanography and many other fields.

NBS - would expand specialized training program and cover logistics costs and costs of intellectual diversion from "mission" projects that may be involved. Also for sending teams of experts on short follow-up visits to phased-out countries to maintain continuing relations. This would contribute significantly to encouraging two-way flow of personnel, providing calibration of physical standards, etc.

Patent Office - with additional resources, Patent Office would (a) establish branch of Patent Office Academy geared to training needs of developing countries; and (b) increase support of international organizations like BIRPI and UNIDO in their efforts to develop stronger industrial property systems.

Housing & Urban Development, Department of

Domestic and A.I.D.-funded program needs must take priority over technical cooperation with non-A.I.D. developing countries at this time. But HUD would consider when its available personnel exceed these demands and permit expansion of international cooperative activities.

Interior, Department of

Additional funds would be used as follows:

Bonneville Power Administration - To provide technical expertise for development of large hydro-electric power systems and high-voltage transmission, particularly in thermal power generation, and including environmental concerns; and to provide opportunities for foreign technical staff to train with BPA staff.

Bureau of Mines - To provide technical services to LDC's in establishing priorities in mineral research and development and organizing local agencies for purpose; and in minerals utilization, pre-reduction of iron-ores, ground support and rock mechanics, pollution and solid waste disposal, improvement of statistical services, and related training.

Bureau of Reclamation - To intensify kinds of overseas programs it is now carrying on; for training programs and studies to develop local institutional base for community water supply and sewerage installations; for solution of agricultural water problems; for large-scale demonstration and training projects for coordinated development of water and land resources; for regional centers, teams and short-term institutes for vocational training and for training technicians in water resources field; for teams of U.S. experts to engage in joint research with other countries on regional and international problems of water conservation and management; for helping LDC's, with new techniques, to work toward common goal of compatible surveys of their water and land resources; and for developing related basic-data networks.

Job Corps Civilian Conservation Center Program - To enable visits by foreign leaders in this field to Job Corps Centers and visits by Job Corps Center personnel to developing countries to train people to initiate similar programs in those countries.

Bureau of Commercial Fisheries - To assist in developing: fish protein concentrate systems in additional countries; fish processing and inspection technology; related training programs, including exchange of scientists, and institutes on fishery management and other disciplines needed in development of fisheries industries. There is also need to develop capability to make quick surveys of fishery resources.

National Park Service - To implement law on cooperating with other countries to preserve fish and wildlife species threatened with extinction.* To involve U.S. expertise in development of regional tourism programs; and to exchange and disseminate U.S. and other country experience in park management.

OSW - To provide appropriate technical assistance to countries interested in developing desalting projects.

* responsibility of Bureau of Sport Fisheries and Wildlife

USGS - To provide data on foreign mineral resources necessary to satisfy U.S. requirements; to extend domestic earth-sciences research into geologic environments not found in the U.S.; and to make U.S. scientific and technical resources available to other countries on a collaborative, rather than grant or loan basis.

Labor, Department of

For expanded use of excess foreign currencies for overseas conferences, internships with foreign labor organizations, research and translations in labor field; for increased assistance to U.S. private firms with respect to their industrial relations abroad; and for increased efforts to provide larger American presence in technical cooperation activities of ILO and other international organizations by more involvement of Labor Department expertise in design and execution of relevant multilateral projects, in monitoring and reporting on such projects, and in U.S. approval of budgets for such projects. A small fraction of the U.S. contribution to UNDP might be withheld to finance these activities. Labor believes its technical assistance corps (DOLITAC) is a unique and effective instrument and would be willing to advise other agencies that would be interested in developing similar institutions.

Transportation, Department of

If adequate financing available from another source, DOT prepared to use it instead of asking for new legislation.

Treasury, Department of (IRS)

Subject only to limitations of available manpower needed for domestic operations and U.S. policy on assisting non-A.I.D. countries.

COLUMN 4

Agriculture, Department of

Improvement of conditions of employment, including health and medical benefits, to make them comparable to those of State/A.I.D./USDA personnel, might encourage needed technicians to take overseas assignments.

Atomic Energy Commission

AEC has authority to assist in TC/NAC but lacks funds for purpose when there is no AEC program justification.

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X.

Commerce, Department of

Census Bureau - Lack of local subject-matter specialists to identify needed technical services for host country officials and to advise on how to obtain these services. Lack could be met by sending advisors on periodic (possibly annual) visits to counterpart organizations and by having experienced officer on Embassy staff in non-A.I.D. developing countries to deal with requests for technical services.

Patent Office - Lack of training programs which are (a) specifically directed to improvement of foreign patent systems under which U.S. companies must operate, e.g. present regulations restrict participation to employees of foreign governments and (b) tailored to special needs of LDC's in field of patent and trademark systems for protection of industrial property rights. Another impediment - appearance of selfish motives on part of U.S. in direct assistance programs - could be avoided by working through international organizations like BIRPI and UNIDO.

Housing & Urban Development, Department of

Personnel ceilings are even more severe restriction for HUD on TC/NAC than budgetary limitations.

Interior, Department of

Need permanent ceilings. Suggests allocation by BOB of a working "pool" of 200 ceilings that could be dedicated exclusively to this work.

National Academy of Science

Appropriate procedure should be determined for foreign government's financing travel and per diem of Federal employees in view of prohibition against their accepting funds directly.

Transportation, Department of

Besides exemptions from personnel ceilings, of reimbursable details to other countries, DOT would like authority to "top-off" salaries of U.S. technicians going to non-A.I.D. countries.

Treasury, Department of (IRS)

Competent personnel in some tax fields available, when needed, from state and municipal taxing authorities. Retired tax officials at all levels also provide source for personnel.

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COLUMN 5Agriculture, Department of

USDA works closely with agri-business community to develop training programs for participants from non-A.I.D. countries and to expand these activities.

Atomic Energy Commission

Much of AEC assistance abroad is done by AEC private contractors.

Commerce, Department of

Limited uses at present but policy favors.

Census Bureau - if funds were available for TC/NAC, Bureau would recruit, as necessary or desirable, from private firms or institutions, specialists in statistics and data processing for specific overseas advisory assignments.

Patent Office - believes excess foreign currencies could enable greater use of private organizations.

Housing & Urban Development, Department of

To degree possible, HUD provides information and advisory services for private industry and non-profit organizations, and recruits from private sector for programs in both A.I.D. and non-A.I.D. developing countries. If resources become available, these services could be expanded to promote urban-oriented U.S. business abroad.

Interior, Department of

NPS and other bureaus are now making limited use of private organizations or individuals in technical cooperation with non-A.I.D. countries. They have in mind possibilities for increasing use. NPS exploring use of foundations to finance such cooperation.

Labor, Department of

Continuing long tradition of direct participation by trade union organizations in wide variety of international activities. Also expects to work more with American overseas employers and to involve various relevant professional organizations more actively.

National Academy of Sciences

NAS can play more significant role by undertaking projects on which it can be most effective because of its non-governmental character, operating either with governmental or private funds. NAS does not pay fees to member scientists drawn from universities, private firms and other organizations for particular advisory assignments; only their per diem and travel costs are covered.

National Science Foundation

Employs, as necessary, universities and other private organizations and individual consultants for research and educational projects.

Transportation, Department of

DOT provides clearinghouse service to put competent U.S. firms and individuals in contact with developing countries and development organizations needing such expertise.

Treasury, Department of (IRS)

Cooperates with private organizations. Has located retired IRS officers for employment by IESC and Ford Foundation and assisted developing country in arranging for tax study by private consultants under direct contract. Also developing regional associations of tax officials and private experts as vehicles for exchange of experience in tax administration. IESC approach has limited application because it usually provides personnel for only six months or less.

COLUMN 6Agriculture, Department of

Central focal point should not serve as locator service since non-A.I.D. countries can contact relevant agencies directly for required expertise.

Atomic Energy Commission

Sees no need for new focal point in its own field, but recognizes that other agencies may have such need.

Commerce, Department of

Census Bureau - But should not duplicate locator service available through Federal agency in particular field. Functions should also include help in negotiating technical service agreements with non-A.I.D. developing countries because they involve questions of common interest to Federal agencies involved, e.g. privileges and immunities of U.S. employees overseas.

ESSA - if focal point established, would prefer to use it on voluntary basis. Sees little advantage for it from focal point because of excellent relations it already has in many countries.

Patent Office - proposes international center for both proprietary and non-proprietary technology to maintain documents relevant to developing countries, together with advisory services on implementation.

Housing & Urban Development, Department of

Feels focal point should be State responsibility, delegated to A.I.D., and include mechanism for systematic cooperation with private sector as well as Government agencies.

Interior, Department of

Focal point should perform staff functions, including providing basic information on needed training programs to be organized and administered by responsible agencies in technical fields; working with such agencies in conceiving and developing cooperative projects; applying systems analysis and other modern techniques to development problems; assigning priorities to them; and obtaining high level guidance for technical cooperation programs.

Smithsonian Institution

So far as needs of other agencies are concerned, but focal point would have limited usefulness to Smithsonian because of its own emphasis on science rather than technology.

Transportation, Department of

Focal point should not control or manage operations.

Topping-Off

The use of U. S. technical services by non-A. I. D. developing countries is limited by the lower costs at which these countries can obtain the services elsewhere. These countries often would prefer to hire American experts but may not do so because of the cost differential. Even when they can afford the higher U. S. level, they are frequently deterred by the possibility that the differential would make for invidious comparisons with the lower rates paid to their own officers and to advisers from other countries and thus would impair morale or prove politically embarrassing. In order to make U. S. technical services competitive in such cases, it would be necessary for the compensation of the U. S. experts to be topped off, i. e. supplemented by payment of the difference between the rate which the host country is prepared to pay and the rate which the U. S. experts would require if they are to accept the assignments. Topping-off would be used highly selectively in cases where significant U. S. commercial, political or professional benefits are expected to result. ORTS, in collaboration with the Federal agencies concerned, would establish criteria for topping-off and would take measures to insure consistency in their application.

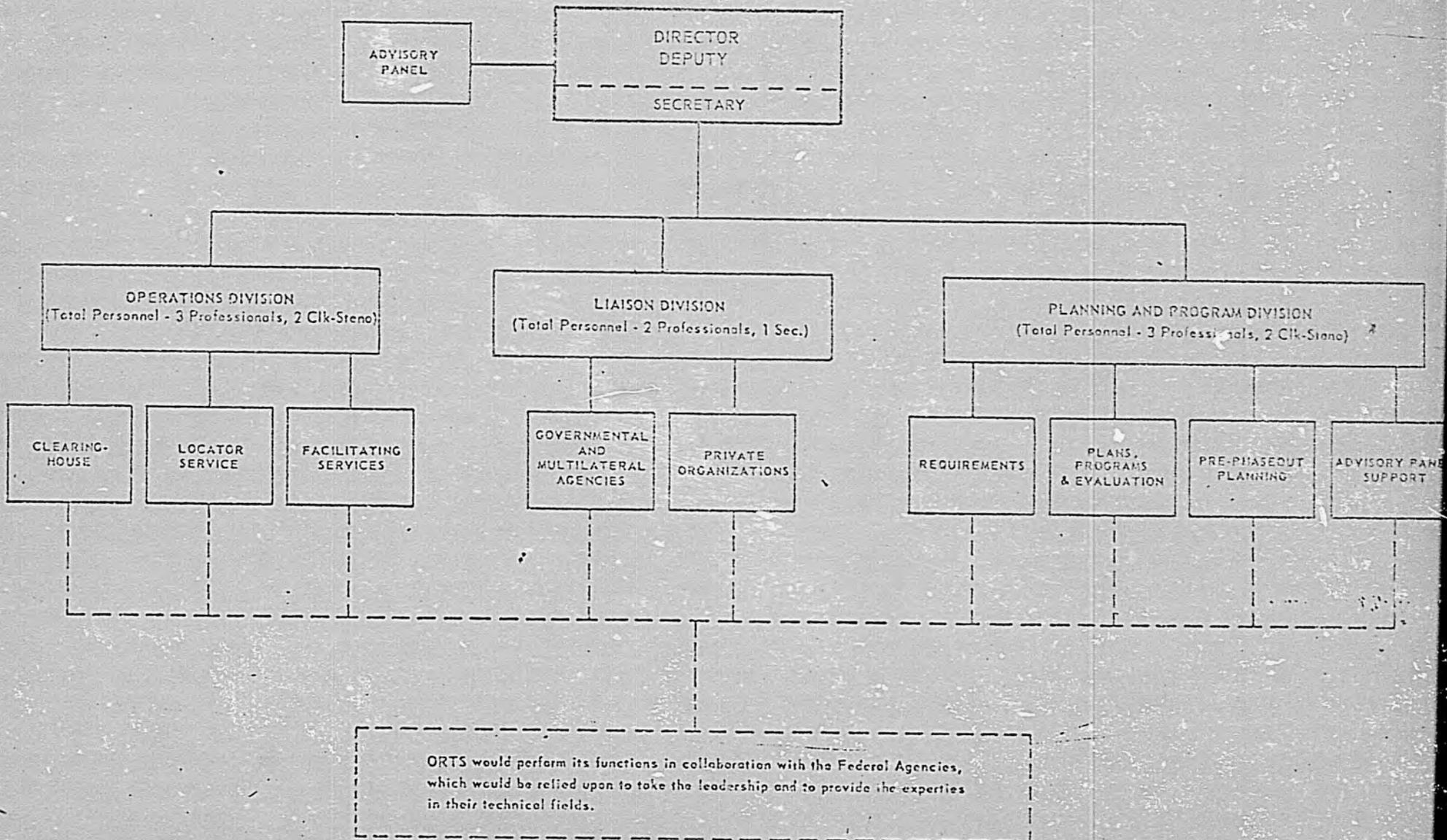
The employment of U. S. Government personnel by international organizations has been facilitated by the recent amendment to the law relating to the rights of personnel who transfer to international organizations. This amendment now authorizes the payment:

"on reemployment** and from appropriations of funds of the agency from which transferred, (of) an amount equal to the difference between the pay, allowances, post differential, and other monetary benefits paid by the agency had he been detailed to the international organization under Section 3343 of this title." (5 United States Code)

Similar authority should be provided for the transfers of employees of Federal Agencies to organizations in other friendly governments. This would greatly simplify the problem of topping-off the salaries of U. S. Government personnel when necessary.

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PROPOSED TABLE OF ORGANIZATION OF OFFICE OF REIMBURSABLE TECHNICAL SERVICES (ORTS)



ORTS Budget for FY - 1971

Salaries

Director and Deputy	\$ 60,000
8 Officers	200,000
7 Secretaries	
steno-clerks	70,000
Staff consultation in field	50,000
Topping-off funds	350,000
Field visits by experts to review requirements	50,000
Participation - international technical conferences	50,000
Overseas consultation to arrange scientific cooperation	100,000
Supplementary financing including incentive grants -	150,000
Consultatnts	100,000
Total	<u> </u>
	\$1,180,000

ASPECTS OF ONES WITH WHICH THE CONCEPTUAL
FRAMEWORK OF THE SPECTED IS COMPATIBLE.

A. Features of ONES proposal

1. The program activities of ONES would have to be broad enough to cover all requests for reimbursable technical services that may be made by non-A.I.D. developing countries - not only training and science and technology, but the whole spectrum of activities under our conventional technical assistance programs.
2. The March 31 report to the Administrator proposed that the State Department seek the necessary funds and authority for ONES in FY-1971 and then have A.I.D. implement the program. This approach is now impracticable for FY-1971 and would be unnecessary for FY 1972 if the legislative base and appropriation structure recommended for the IDI (or Bank) can provide for the functions of ONES. (The amount of funds needed for ONES in its first year of operation was estimated at \$1.8 million.)
3. The proposed organization of ONES (p. 13 and Tab II, March 31 report) calls for a high-level interagency advisory panel appointed by the Secretary of State to guide the activities of ONES. Because inter-agency relations are all-important in ONES' operations, the advisory panel feature should be retained even in the IDI (or Bank) setting.

* The March 31 report is attached as Tab A to this set of papers.

4. ORES would perform its functions in collaboration with the Federal agencies which would be relied upon to take the leadership and to provide the expertise in their technical fields (p. 10 March 31 report). Similar arrangements would be made to assure coordination of ORES with JFDE and related Government programs.
5. ORES would cooperate with relevant officers in the State Department and other Federal agencies to bring about a greater use by the multilateral agencies of U.S. private and public technical services in the non-A.I.D. developing countries.
6. Through its information clearing house, network of locator services, "topping-off" funds and other facilitating services, ORES would seek out and help to arrange for U.S. public and private agencies to implement requests for technical services from non-A.I.D. developing countries (pp. 10-11 March 31 report). ORES would have a special liaison division concerned with making the availability of U.S. technical services better known to the non-AID developing countries and to the multilateral agencies; with identifying opportunities for U.S. public and private agencies to provide these services; and with encouraging increased participation by universities, business, non-profit, and other organizations in technical cooperation with these countries.
7. Technical services provided by the U.S. under the ORES program would, in most cases be paid for by the requesting country except where topping-off, incentive grants and other supplementary

financing is justified by significant U.S. benefits (pp. 9-10, March 31 report).

8. In order to strengthen its liaison with other Government agencies, ORES might have on its staff from time to time qualified representatives from the State Department and other key agencies.
9. It was originally contemplated that ORES would have a special division that would be concerned with monitoring and evaluating its operations. If ORES is included in the IDI or the Bank, however, some aspects of these functions could probably be integrated with similar functions for other organizational units of the IDI or Bank.

h. Broader Potential of ORES

1. The pre-phaseout planning work of ORES will help to determine the institutional and other arrangements that should be made for assuring effective continuing technical cooperation with the U.S. after phaseout. Such pre-phaseout planning will help to assure timely changes in emphases in on-going programs of IDI and the Bank. It will support some of the institution-building activities of IDI and indicate possibilities for the Bank to reduce concessional assistance.
2. The locator service network to be maintained by ORES would obviously be useful in recruiting expertise from the public and private sectors for IDI and the Bank programs, as well as for non-A.I.D. developing countries. ORES would be making a special

effort at enlisting the interest and participation of private organizations in technical cooperation with non-A.I.D. countries and there is no reason why this effort should not also serve our more general interest in overseas development work.

4. ORPS could serve a two-fold purpose in monitoring and evaluating U.S. foreign assistance programs in particular countries. In "graduate" countries ORPS will have opportunities to obtain information on success and failures of institutions whose development A.I.D. supported before phaseout. This information could be helpful in connection with on-going A.I.D. programs, as well as for other non-A.I.D. developing countries. Conversely, a close relationship of ORPS with the operation of the Bank or IDI, whichever is given responsibility for programs of technical assistance, would enable ORPS to identify current experiences which would be helpful to other countries where post-A.I.D. technical relations with the U.S. are now or may become a problem. This would help fill gaps in our present setup for evaluating and transferring significant experience in one country or from one to another.

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Pros and Cons of Locating ORTS in IDI or Bank

(The following is based on the assumption that the Bank will be responsible for Technical Assistance programs and the Institute will be confined to research dealing with technical assistance and institution-building.)

IDIPros

1. The Peterson Task Force seemed to suggest this location; and Dr. Hannah has endorsed the March 31 report favoring its consideration.
2. The present work in technical cooperation with non-A. I. D. developing countries is being carried on in TAB because there seems to be no better location in A. I. D. as now constituted. If that Bureau's research and related activities are to make up most of IDI, it would seem logical for IDI to absorb this work along with the other TAB activities.
3. The distinction between reimbursable technical services and conventional bilateral assistance will be clearer and more credible if the services are provided by IDI, a source without conflicting responsibility for concessional assistance.

Cons

1. The Peterson Task Force envisaged an IDI with technical cooperation as well as research responsibilities. If the assumption that IDI would be broadly concerned with technical assistance fields of activity is not correct, then the March 31 report's favorable reference to IDI and Dr. Hannah's endorsement of it as a possible location may no longer be valid.
2. Because of the higher priority it has had to assign to its principal non-operational tasks, TAB has been unable to devote more than minimal resources to the "phase-out" work. Merely absorbing TAB in IDI would not change this situation.
3. The possibility can be exaggerated that the host country would find provision of concessional and non-concessional assistance from the same source as conflicting or blurring the distinction between the two. The LDC's are now fairly well sophisticated in dealing with the same source for development loans and other forms of aid at different rates of interest or sizes of concessional element.

IDI

Pros

Cons

4. Institution-building will be an important IDI concern; and ORTS will be involved in such activity with respect to helping to develop mechanisms in non-A. I. D. developing countries for procurement of technical services from the U. S.

5. ORTS will have opportunities to observe results of A. I. D. projects in graduate countries in connection with its activities. These observations will be useful to TAB in its research and evaluation work on technical assistance.

4. It's not clear that IDI's institution building activities will go beyond "research on" institution-building. In any case, the Bank will have to be concerned with the contributions its operations can make to institution-building.

5. ORTS' observations on TA successes and failures in non-A. I. D. developing countries would also be useful to the Bank and would have the added advantage of the possibility of being fed immediately into on-going country program operations.

Bank

1. If the Bank is to have the full range of technical assistance, as compared to IDI, then the Bank would be the better location for ORTS which will also be involved with all activity fields.

2. ORTS' functions, like the Bank's, would be largely operational and grouping both together would facilitate sharing of mutually beneficial experience.

3. Pre-phaseout planning work of ORTS would help to determine institutional and other arrangements that should be made for assuring effective continuing technical cooperation with the U. S. after phaseout. Such pre-phaseout planning would help to assure timely changes in emphases

3. While not as operational as the Bank, IDI would also be concerned with on-going programs and with indications of needed adjustments in its research and institution-building program.

Pros

Cons

in on-going programs of the Bank. It would support some of the institution-building activities of the Bank and indicate possibilities for reducing concessional assistance.

4. The locator service network to be maintained by ORTS should be located in the Bank because of its usefulness for recruiting expertise from the public and private sectors for the Bank's programs, as well as for non-A. I. D. developing countries. The Bank could also benefit from the special effort ORTS would make to enlist the participation of private organizations in technical cooperation with non-A. I. D. countries.

5. Locating ORTS in the Bank would enable ORTS to identify current operating experiences which could be helpful to other countries where post-A. I. D. technical relations with the U.S. are now or may become a problem.

6. If U.S. bilateral aid representation in LDCs is to be met through Bank missions, ORTS would be better placed in the Bank. This would facilitate pre-phaseout planning & realizing opportunities to provide technical services on a reimbursable basis in aid-recipient countries. It would also facilitate assignment of Bank Mission personnel to represent ORTS when necessary.

4. The locator service would be useful to IDI in the same ways. In fact, most of the work in developing talent locator material is now going on in TAB,

5. IDI would also be interested in filling gaps in our present set-up for evaluating and transferring significant development experience from one country to another.

6. In most cases reconnaissance and evaluation visits by ORTS Washington-based representatives, as required, should be sufficient. In some countries, such representation might also be effected through a staff member of our Embassy. From the standpoint of field representation, therefore, ORTS could work effectively if located in IDI.

The above comparison balances out in favor of locating ORTS in the Bank. The consideration that weighs the most heavily on this side is that the Bank would have the full range of technical assistance function whereas IDI would be largely limited to research. If this assumption were changed, however, and IDI were given those technical assistance functions which are not related to the Bank's lending operations, the balance would definitely shift in favor of locating ORTS in IDI.

IDI would then provide a more favorable context for ORTS than the Bank. It would have most of the important advantages pointed out for the Bank plus an additional one, namely, elimination of the possibility that development lending would be the dominant program if it and technical assistance were placed in the same organization, thus interfering with the functioning of an effective technical assistance program, with its unique values. Locating ORTS in IDI on this basis would seem to best meet the criteria stated at the outset. ORTS would then be most likely to have the special staff competence, experience, interest in the subject, and motivation required.

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W. J. P. 1010, The Technical Institute

February 10, 1960

To: A. Scott L. Robinson

Outside Technical Institutes

1. Having had the benefit of your paper on "Outside Technical Institutes," along with the two other comments on it, plus the opportunity to examine the 1959 Executive Staff Discussion Paper, I would like to add a few comments of my own.

2. Feasibility is a complex thing. The study exercise featured was designed to be a study, and not a survey one, but one which is so broad that it should not be hurried to a decision, in one organizational direction or another, without more careful testing of the various hypotheses and assumptions that have been made in the various papers we have seen. There seems to be two underlying concepts or underlying programming, organization and staffing, which, if I understand them, I would tend to share as well.

a. The first is that the social development function could be transfered to the outside (Outside Technical Institutes) leaving A.I.D. with a largely "economic development" role. The Title III objective and the "social development" objectives are both broad, although wide enough to fit in concept at this stage. I believe both groups (A.I.D. and any Outside Technical Institutes) must plan to be clear to concern themselves with social development (Title IV). The Outside Technical Institutes might become the "cutting edge" for the U. S. Government in this process. That the concept of social development as a collateral objective and dimension of economic aid and development is a valid, and as increasingly necessary as funds for economic development are reduced, that it could also be an identified programming ingredient of any successor agency to A.I.D. Vietnam, after military "Vietnamization", is a good case in point where social development will be a more crucial than economics.

b. A second misconception seems to be that TDI's, apparently the Outside Technical Institutes would not do "country programming". Scientific problems with this phrase aside, I don't believe this can or should be avoided. However, it is a good idea to be clear to the outside (Title IV).

Best Available Document

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"... The private would be made an organizer of the parameters of any situation. PDB would have to be a "manager" only in the broadest sense of the word. It would get its country organizations and ideas organized with respect to organizations in every one of its programs. At times, it would receive and support sound social and other developmental activities planned and implemented by others and it would bring opportunities to the attention of those independent operating organizations for their distribution. PDB could finance these activities through loans as well as grants, but would, at least initially, get only minor profits."

This may be logical for the Latin American area (I doubt it) but it would certainly not go over so in the Asia and Africa areas. An such institutions come into being, they would immediately be faced with such questions as "What countries could we most likely succeed in? What countries should we concentrate on? If there is a limited amount of funds available, which sectors - labor, crops, technology, etc., should be given the most emphasis, and on the basis of what criteria -- is anything could be some "title III grant?" If several private foundations or voluntary agencies could reasonably do a job, which one might be expected to do it best in a particular case?" etc.

In order to make progress a world probably be faced with a variety of planning models whether they just the option to fund some voluntary agency which might do a certain job somewhat related to the social development objectives or Title I objectives we might have for a particular country. An Institute should not be an all-time, passive grant-making institution doing unlearned "good", but instead should be prepared to play a more active quarterbacking, coaching, innovative, and catalytic roles. To assist the analysis, one might compare the 600 or so foundations and voluntary agencies available to the Institute to the keys of a piano. The U. S. Government, as a policy making agency with regard to our social development objectives, and the Institute as the activist implementer, must be the composer and pianist selecting the right combination of "social development and" chords from the 600-key piano in front of him, and from others that don't yet exist but ought to be helped into creation. Different combinations of "chords" will be needed for different country situations, no as to achieve an optimal social development effect with the inevitably limited funds which would be available. Once there has been an input within the U. S. Government on our strategy of social development in Country X, it will then presumably be necessary to select and hit the right keys and combinations to get the planned effect.

4. Future Location of the Section 214 American Schools and Hospitals (ASHA)
 The Board for International Education (BIE) should produce a decision on the location of the Section 214 American Schools and Hospitals (ASHA) program. There is no question concerning the program. The Board would like to get off to what extent an organizationally sound program could be established. The nature of the organization, its contribution, and its management, and the nature of the program, should be studied in all member countries, in the light of each world region, on a day-to-day or less basis. What we have upon general mandate to the BIE legislative body or a committee varied examples of what this is possible, and of how general and specific to be found in any three national conversations. We could take any, from an example of a phased-out country in which we still have a major political and this is possible, and an established African country such as Morocco, to "bring along" through our possible approach to the organization and budgeting of an outside technical institute program. Only by laying a day-to-day basis, with some five years, could we hope to obtain any real feel for what a more realistic operation and budget might be. This exercise could be completed in a few weeks here in Washington. We could then discuss and extrapolate the results, and then institute any desirable organizational change, such as the establishment of an interim office of Private International Programs (PIP?) within A.I.D., by May or June.

During this process, we could also test the extent to which we would be coordinating "under with development," which Mr. Hood has cautioned against. Not all our problems may be we do not always agree on the difference between an agency application and agency support. The Voluntary Agency program could be considered for inclusion in the Outside Technical Institute concept because it has recently become a, and could be even more so, a dynamic social development and this is force. It is sometimes regarded as a "social" activity -- a role which it dropped several years ago, except in Nigeria. Mr. Hood for Work activities and its Hood for Peace activities (the latter catch phrase use means handicaps and obsolete) can have a real multiplier effect in the social development area, and can constitute a dynamic social force. With a proper thrust and strong philosophical direction, the Voluntary Agency program could assume a significant, world role in an "Outside Technical Institute". On the other hand, if the number of countries reached by an OIT were closely the Hood, the Voluntary Agency program could, with equal logic, sity with A.I.D.'s successor.

4. Future Location of the Section 214 American Schools and Hospitals (ASHA)
 The Board

In the recent FY 1970 appropriations exercise AIA asked for \$12.0 million for the ASHA program and got a surprising \$3.0 million, plus \$3 million

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RELATIONSHIPS OF THE INSTITUTE WITH PRIVATE ORGANIZATIONS

I. ASSUMPTIONS

The specific assumptions concerning the Institute which underlie this paper are:

- that an Institute will be created;
- that the responsibilities of the Institute will be for long-term institution building research (on a bilaterally-agreed basis), grants to private development programs and for domestic U.S. development institution building;
- that a Bank for International Development will be created;
- that U.S. bilateral aid representation abroad will be met primarily through Bank missions with the Institute having responsibility for analytical and evaluative visits abroad;
- that those assistance programs, including military, whose primary motivation is security or political will be the responsibility of an international security bureau in the State Department.

Beyond these assumptions, two related but secondary proposals advanced in the Peterson Report are immediately relevant and are addressed in this paper.

1. That welfare, disaster and emergency relief programs and refugee assistance be placed under the administrative authority of the Department of State. Welfare programs are understood by the Task Force to include (a) the agricultural commodities distributed through the nutritional, maternal and child-feeding and school food programs, aimed at raising nutritional levels, and (b) research projects focused on protein deficiencies and food supplements.

2. The proposal concerning food-for-work programs recommends that these grant commodity assistance programs used to stimulate community development be administered by the Institute.

II. DEFINITIONS

The term "private organizations" is used in this paper as shorthand to describe private, nongovernmental organizations (excluding universities, overseas schools and hospitals, and religious groups). However, within this broad definition are several important distinctions.

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A. Nonprofit Organizations

1. Nonprofit, Nongovernmental. Private, nonprofit, nongovernmental organizations are those existing outside the initiative and programming authority of the state; their program, administrative and communications decisions are made independently of the government. Their power base is the fact that they exist to pursue the goals of those individuals who voluntarily formed the organization. Ultimate decision-making authority resides with their board of trustees.

Nonprofit, nongovernmental organizations receiving federal contracts and/or grants remain nonprofit, nongovernmental unless the proportion of federal funds in their budget transforms them into private service agencies (existing in the private sector, but providing a public service). The ultimate power and responsibility for such organizations continues to reside with their boards of trustees.

2. Nonprofit, quasi-governmental. The nonprofit, "quasi-nongovernmental" organization ("quasi" is used strictly as a descriptive term) is differentiated from the nonprofit, nongovernmental organization by the following characteristics:

- it was created either as the result of legislative or administrative action;
- it depends on Congress and the government for its financial support;
- its accounts are audited by both federal and private auditors;
- its authority flows between its staff and a federal office;
- it is strictly accountable to the public, a factor which may reduce its freedom of action as compared to that of a private, nongovernmental organization;
- while maximum private citizen participation is called for, ultimately that participation falls short of the absolute power possessed by trustees of a fully private, nongovernmental organization.

Quasi-nongovernmental organizations, a phenomenon of the past two decades, have been created and utilized by, among others, the AEC, NASA, AID, The Departments of State and Defense, OE and OEO because they provide (1) specialized services not elsewhere available, (2) independent judgment and (3) creative flexibility in probing for fresh approaches and solutions.

3. Registered Voluntary Agencies. In discussing nonprofit organizations, the term "Registered Voluntary Agencies" has independent significance. This term refers to eighty-two private, nonprofit, nongovernmental voluntary agencies working in the international foreign relief and aid field. Each organization is registered by and with the Advisory Committee on Voluntary Foreign Aid. In essence, "Registration" means they are nonprofit, have a board of directors, an established voluntary aid program, are audited annually and are tax-exempt. Registration is an essential prelude to qualifying for P.L. 480 agricultural surplus commodities, ocean freight funds and excess USG commodities. Thus, the Registered Voluntary Agencies are a specific group of organizations within the broad private, nonprofit, nongovernmental category.

B. Commercial Organizations

The distinction made by Paul Deutschman in his statement on "developism" is pertinent here because of its emphasis on the developmental role of all nongovernmental organizations: "This emerging new system might be called 'Developism' for want of a better term. It embraces all those economic and social projects initiated by various elements of the private sector in accord with their own ideas and long-range interests, projects which equally serve the long-range interests of the indigenous people and the areas with which they are involved. The private sector, of course, embraces not only private industry but also foundations, universities, labor unions, religious groups, voluntary organizations -- wherever and however private citizens shape institutional forms".

The scope of this paper includes those commercial organizations whose nature and purpose automatically equip them to be directly relevant to developmental assistance problem-solving, e.g., consulting firms, research organizations and educational and training organizations.

1. Consulting firms are designed to provide professional assistance to managers in identifying and solving managerial and/or substantive problems. The category includes firms capable of serving as consultants and/or operators.

2. Research organizations are those concerned with basic or applied or applied research undertaken to establish facts or principles on topics related to priority developmental problems.

3. Educational and Training Laboratories and Organizations outside the established academic sphere have amassed considerable experience and expertise in recent years in training individuals for action-oriented roles in cross-cultural settings. These organizations are frequently, though not always, divisions of larger corporations.

III. THE ADVISORY COMMITTEE ON FOREIGN AID - THE REGISTERED VOLUNTARY AGENCIES

A. Background

The "Registered" Voluntary Agencies exist because of the necessity of meshing supply and demand in the international relief and welfare arena. The supply: P.L. 480 Title II food commodities, ocean freight reimbursement funds (for agricultural commodities and privately donated goods destined for use abroad), excess property, and excess currency funds available abroad for self-help projects designed to eliminate the need for P.L. 480 commodities. The demand: hunger, reflected through American private, nonprofit, voluntary organizations conducting overseas relief and welfare programs.

Historically, this dynamic was meshed by the President's War Relief Control Board established during WW II. Subsequently, in 1946, President Truman, in a letter to the Secretary of State commented that "it appears desirable that provision be made for (a) coordinating relationship with voluntary relief agencies". He suggested that "a new Committee on Voluntary Foreign Aid" be appointed, "to be made up of outstanding citizens, to tie together the governmental and private programs in the field of foreign relief..."

The Advisory Committee on Voluntary Foreign Aid, created to fill this void, has played a critical role. The Committee, along with its staff arm within AID, the Voluntary Agencies Division, has meshed demand and supply via a systematic registration and validation process.

Registration, a voluntary procedure, means that the organization in question (a) has as its primary purpose to further or engage in voluntary foreign aid, (b) is U.S. based, (c) is controlled by an active and responsible body composed principally of U.S. citizens serving without compensation, (d) is tax-exempt, (e) only engaged in activities consistent with the fulfillment of its purposes and objectives, (f) obtains and expends its funds and resources in conformity with accepted ethical standards, and (g) submits (to the VAD) an annual financial statement including a CPA audit.

Registration, in and of itself does not qualify an organization for the "supplies" -- known as The Subventions. Eligibility for the Subventions is extended only to those registered organizations with validated country programs, projects or services. Country program validation depends on assurances (a) by the host government that the program is acceptable, the supplies will be granted duty-free entry and, to the extent possible, inland transportation and warehousing costs will be defrayed, and (b) by the organization that the supplies will be distributed without regard to race, color, religion or national origin under the supervision of a U.S. citizen or by non-U.S. citizens approved by the Committee. . .

Presently eighty-two private, nonprofit, voluntary U.S. organizations are registered; twenty-nine have validated programs. Through the calendar year ending December 31, 1968, nine organizations received P.L. 480 Title II commodities, seven excess USG commodities. Twenty-nine received ocean freight either for shipment of goods donated within the U.S. and/or P.L. 480 Title II food commodities.

B. Options for the Future

The central issue in considering the realistic options is the dual role played by the Registered Voluntary Agencies: their programs encompass both relief/emergency and substantive development efforts. The Advisory Committee registers organizations for both purposes to the extent the Subventions are used for substantive development assistance.

OPTION ONE: Disband the Voluntary Agencies Division and the Advisory Committee. PRO: Entirely new institutional arrangements could be initiated. CON: The loss of experience and background would be incalculable. The registration and validation process are the outgrowth of legislation and subsequent AID administrative procedural determinations. The system performs an essential function.

OPTION TWO: Part 1 - Combine the Voluntary Agencies Division with the Office of Refugee and Migration Affairs, Department of State; the new office to have responsibility for disaster and emergency relief and refugee assistance, ocean freight and excess commodities. The Advisory Committee on Voluntary Foreign Aid to report to the Secretary of State, the new office serving as a staff arm, with continuing responsibility for registration of organizations planning to obtain the Subventions. Part 2 - The Institute to be made responsible for sustained nutritional (maternal and child feeding and school food programs) feeding programs conducted by Registered Voluntary Agencies under P.L. 480 Title II, food research and food-for-work programs. PRO: Part 1 reflects recommendations of the Peterson Task Force and the Advisory Committee on Voluntary Foreign Aid, insures full utilization of the resources and capabilities of the VAD and the Advisory Committee, provides central responsibility and coordination of disaster and emergency relief, and places responsibility for responding to emergency humanitarian needs with an agency with world-wide scope. Part 2 reflects the substantive programming nature of the sustained nutritional feeding and related programs (education, public health, population), which logically places them within the authority of the Institute, along with the research and food-for-work programs. CON: Voluntary Agencies would be faced with the necessity of dealing with two separate U.S. government agencies and would be placed in a more distinctly political setting when responding to emergencies.

OPTION THREE: Place the Voluntary Agencies Division and the Advisory Committee in the Institute, the responsibilities of the latter to be expanded to include registration of organizations interested in

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development assistance grants and/or contracts. PRO: Enables all contact on the part of Voluntary Agencies to be with one U.S. government office; facilitates coordination of relief efforts with development assistance; takes advantage of the experience and ability of the Committee in evaluating the managerial and financial characteristics of nonprofit organizations; provides Institute personnel and the private community with an independent review of applicants. CON: Institute staff would be delegating program authority to a semi-independent body with concomitant reductions in programming autonomy and flexibility. Existing difficulties in coordinating worldwide U.S. government and private emergency relief efforts would be exacerbated. The capabilities of the VAD and the Advisory Committee lie in (a) registering and validating organizations interested in conducting sustained feeding and/or emergency relief programs, and (b) administering ocean freight and excess commodity allocations. This option would place them in the position of discharging responsibilities beyond present capabilities.

IV. NONPROFIT, NONGOVERNMENTAL ORGANIZATIONS

The depth and diversity of the human and financial resources represented by the nonprofit, nongovernmental organizations is staggering. Nonprofit organizations of national scope including trade associations, professional societies, labor unions, fraternal and patriotic organizations and other types of groups consisting of voluntary members total over 13,500! This group includes over 450 Public Affairs organizations, and 1700 Educational and Cultural organizations. Additionally, there are over 3,200 university related and other nonprofit research units. Foundations represent a fourth major category: in 1967 there were 6,803 with either assets of at least \$200,000 or that annually made grants totalling at least \$10,000. Total Foundation assets in 1967 were \$19,927,000,000, while grants totalled \$1,212,000,000, of which \$170 million was devoted to international activities.

Specifically in the international arena, it is presently estimated that the Registered Voluntary Agencies alone operate programs of about \$600 million in cash or in kind (including \$200 million worth of P.L. 480 Title II commodities, ocean freight, and excess commodities).

AID (as of 6/30/69) had contracts and grants with 94 (only 76 as of 12/31/66) nonprofit, nongovernmental organizations with a cumulative total of over \$130 million. Organizations with AID contracts or grants worked in Latin America, Africa, NESAs and/or East Asia, and every major field of program activity. The primary instrument used to date has been the contract; grants accounted for just over 21 of the \$130 million total.

OPTION ONE: Continue private nonprofit grants and contracts at present levels utilizing same proportion of grants to contracts. PRO: A solid

program relationship between AID and the private, nonprofit community would be continued. CON: The creative potential of existing and new organizations would not have been influenced to expand operations in development assistance.

OPTION TWO: Encourage and facilitate the expansion of private, nonprofit participation in development assistance through the increased use of grants, incentive grants and contracts, with increased reliance on the grant instrument. PRO: There are not only experienced and established nonprofit organizations with a backlog of innovative, responsive program ideas and capabilities, but new organizations with enthusiastic, creative spirits are constantly entering the arena. These organizations can tap not only significant numbers of volunteers (in addition to their professional staffs), but are also able to mobilize substantial financial resources as well. This opportunity should not be overlooked. CON: Private nonprofit organizations are independent and wish (and should) remain so; meshing program activities with country program plans is a time-consuming process, with low economic payoff.

OPTION THREE: Establish a second stage "program" accreditation process in the Institute to follow "registration" by the Advisory Committee on Voluntary Foreign Aid (assuming the Advisory Committee is placed in the Department of State). PRO: The present background and capabilities of the Committee and the VAD would be optimized. Institute staff could be confident of the basic managerial and financial soundness of organizations with whom they dealt. CON: The Institute would be delegating part of its operational authority and autonomy to an advisory committee.

OPTION FOUR: Establish an information clearinghouse within the Institute capable of disseminating to constituents of the Institute, the Bank, Missions abroad and interested governments (a) information concerning the scope, capability, performance and financial status of private, nonprofit organizations, and (b) up-to-date country program information including individual foreign country requirements, economic status, development plans and priorities, human resource capabilities, and the plans and priorities of bilateral and multilateral development agencies. PRO: As long ago as 1965, private, nonprofit organizations unanimously indicated that such information would be valuable and relevant in their program planning and execution. CON: This is a costly operation, difficult to maintain current with little immediate direct payoff to the Institute.

OPTION FIVE: Restudy present terms of financial accountability to establish standards which assure accountability without undue burden on organizations practices, and which distinguish (a) among types of participating organizations, (b) among purposes for which grants/contracts are awarded. PRO: Present financial accountability standards

impose elements of program and management control which impair the essential independence required by private organizations. CON: Present standards are adequate and require no changes.

OPTION SIX: Substantive programming contracts/grants with private organizations would be the responsibility of the substantive operating elements of the Institute, with selected substantive and worldwide programs remaining the specific responsibility of a private programs office. PRO: Present individual offices would be assigned responsibilities consistent with their capabilities. CON: Redefinitions of purpose may lead to new organizational patterns which require new delegations of responsibility.

V. COMMERCIAL ORGANIZATIONS

The resources in this category are impressive. Between 60-70 management and/or technical assistance consulting firms, plus over 40 engineering and architectural consulting firms, 15-20 technical research organizations and an expanding number of education/training organizations operate abroad.

AID has traditionally drawn on these private, nongovernmental resources for specific substantive tasks.

OPTION ONE: Continue contracting at the present level in existing geographic and program areas. PRO: No budgetary increase would be required. CON: The use of such technical resources should be permitted to expand if the demand so dictates and costs are reasonable.

OPTION TWO: Seek an expanded role in development assistance for such qualified organizations provided their capabilities are clearly responsive to foreign demand and are economically competitive. PRO: Relevant human capabilities would be contributed to developmental problem solving while broadening our own social and economic problem solving capabilities. CON: Additional funds should be spent through multinational organizations rather than with profit making, American organizations which may not be fully qualified.

OPTION THREE: Support the selective use of highly experienced and qualified, financially competitive organizations on a few internationally recognized priority worldwide or regional problems. PRO: Might have the advantage of maintaining same level of expenditures with higher returns while permitting the maximum utilization of specialized human resources. CON: Individual capabilities relevant to specific countries or lower priority problems would not be utilized.

OPTION FOUR: Advocate the use of qualified and competitive organizations by multinational agencies and organizations, with costs to

be borne by either (1) the multinational body, (2) the host country, or (3) the Institute. PRO: Has the distinct advantage of placing programming authority in multinational hands in conjunction with the host country. Additionally, costs would have to be internationally competitive. CON: The pace at which such resources could be programmed into relevant tasks might proceed more rapidly through bilateral channels.

MEMORANDUM FOR: A/AID, Mr. James R. Fowler

FROM: AA/A, Scott L. Behoteguy

SUBJECT: American Schools and Hospitals Abroad (Section 214) -
Possible Future Role in the International Development
Institute

This is in response to your memorandum of May 15 requesting a staff paper on this subject. The paper is organized in three sections:

Assumptions on ASHA programs
Issues
Organization and Staffing Implications

As a bit of background, you might bear in mind that this program has a fairly large activity pipeline as of the end of the fiscal year. Due to the large number of new capital type grant projects added to this program in FY 1970 by Congress, plus other capital project activities in various stages of construction, plus obligated Mondale local currency funds, the ASHA program will be carrying over into FY 1971 an appropriations and obligations pipeline of more than \$50,000,000 (dollars and local currencies). In addition to at least a portion of the FY 1971 obligations, much of this pipeline will carry into FY 1972, FY 1973 and beyond--given the construction lead-times involved. The ASHA program is one for which Congress has developed a special, somewhat periodic, fondness. Like the elephant, we tend to develop a certain period of pregnancy and gestation every two years. This pattern is likely to continue. (FY 1968 saw five congressional add-ons; FY 1969 only one; FY 1970 brought nine add-ons, raising A.I.D.'s appropriation request from \$12.9 million to \$25.9 million plus \$3.0 million equivalent in local currency. Even this total was subsequently raised an additional \$1.5 million from the Contingency Fund, with congressional support).

A. Assumptions

1. The American Schools and Hospitals Abroad program will continue (as Dr. Hannah has assured Senators Fulbright and Javits in recent letters).

(a) It will be assigned to the IDI as an integrated "world-wide" program, with possible modifications in scope and approach as discussed below.

(b) As to keeping the ASHA program intact as an integrated activity, I believe the observations in my memorandum of February 19, 1970 to Mrs. Crowley and Mr. Wood on this point, are still appropriate. (Copy in Attachment A.)

(c) In the last paragraph of that memorandum I referred to the possibility of a new International Educational and Cultural "Foundation", which was being considered by Senators Javits and Fulbright, to which the ASHA program might theoretically be transferred. There has been no further discussion of this recently to my knowledge, so I assume that alternative is not germane to A.I.D.'s immediate problem of organizational restructuring.

2. The basic legislative objectives of Section 214 are to assist American sponsored schools abroad to serve as study and demonstration centers for American ideas and practices, and to assist American hospital centers in medical education and research outside the United States. These objectives are basically sound. However, as Section 214 is now worded, they are rather loosely expressed and open-ended, thereby providing temptations for log-rolling and special pleading which can weaken the quality and usefulness of the program as a tool of economic development. At a later date, we will be prepared to suggest some new language for Section 214 activities which will be clearer and more specific--hopefully serving to reduce pressures both on Congressmen and the IDI for questionable, low-priority projects.

3. Grants for institutions presently not participating in the Section 214 program will be considered, with the emphasis on assisting innovative or demonstrative type institutions of high potential. Any assistance given should not imply long-term financing on the part of the U. S. Government. Aid given should strengthen a school's long-term ability to better meet national or regional manpower needs--not merely provide help for the institution to survive.

4. In general, preference should be given to capital-type activities--including equipment and library books, rather than to budget (operational) support. The latter tends to carry on indefinitely; and the use of operational support funds for innovative purposes is difficult to bring about.

While we should steer away from new activities involving U. S. operational support, for planning purposes it should be recognized that there is a hard-core of old ASHA institutions: American University of Beirut, Robert College, American University in Cairo, and Project HOPE, which are dependent on A.I.D. for annual subsidies and which may be expected to remain with the Section 214 successor organization for the indefinite future.

5. Under IDJ, Mondale funds should continue to be legally available--in selected instances--for ASHA institutions. We have only gone this route once--in the case of the American University in Cairo; however, this funding device should continue.

6. Aid to American hospitals abroad--of a nature to be more sharply and narrowly defined--will continue. There should be renewed emphasis on medical education and research, and particularly for areas of special U. S. Government interest such as support of population control activities.

7. It is too soon to have an aid level recommendation for FY 1972, but we assume it will be in the \$10-12 million range unless important new demands for further capital construction develop as they did in FY 1970, as noted above.

8. Assistance to church-connected institutions overseas will not be ruled out, as they have been by A.I.D. heretofore. This results from Congress' own willingness to take a broad view of this factor in domestic support to church-supported schools and specifically in Section 214 appropriations recently. (FYI: All of the recent Israeli schools added by Congress are religiously oriented (Orthodox Jewish) institutions, as is the Chemke Mercy Hospital (Catholic) in Nigeria.)

B. Issues

1. Future Funding for the American University of Beirut - AUB is one of the key regional training and U. S. cultural institutions in the Middle

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East. It has been heavily supported by A.I.D. State/A.I.D. policy-- with strong Congressional support--is for A.I.D. to continue to do so. In 1970 AUB received about 45 percent of its gross operating income (not counting extensive A.I.D. capital support for the Medical Center) from three different A.I.D. sources: the ASHA program under Section 214 (\$5,500,000 for operating support); NESAs regional training projects (about \$2,380,000), and various individual African US AID's training grants (about \$60,000-\$70,000). AUB would like to receive more African students, but AA/APP's present policy of requiring each US AID to fund its own trainees at AUB (instead of using NESAs regional funding approach) has tended steadily to reduce the number of African students at AUB. This is unfortunate from the point of view of maximizing AUB's regional impact and its utility for the U.S., and is a decision expected to be re-examined shortly.

If both IDI and a Development Bank are set up, it might well be desirable to centralize funding of future AUB activities out of only one of these institutions. This would presumably be the IDI, as it will have primary responsibility for dealing with private voluntary institutions, of which AUB is one. The question then arises as to how many "spigots" in IDI should fund projects benefitting AUB or, conversely, whether all such educational activities benefitting a single institution should be funded from a single IDI office. Until IDI's organizational structure becomes clearer, I have no strong views on this, but there would seem to be some merit in treating AUB as one integrated project or U. S. asset, funded from a single IDI source. Both IDI and Congress might be able to get a clearer "fix" on AUB's potential utility for both the NESAs and Africa regions by programming funds for it from such a single source.

2. Field Staffing - One problem you will be considering later is overseas staffing for the IDI. ASHA does not have any of its own full time staff overseas working on Section 214 activities. However, wherever there has been a 214 grant project, it has involved some A.I.D. or Embassy time: the Area Operations Officer in Beirut and his staff; the Economic Section of the Embassy in Israel; the field auditors; the Embassy USDOs, and various ad hoc consultants. In the interest of effective project implementation, some provision should continue to be made for such manpower to be available to IDI, (ASHA project planning would continue to be handled by IDI/Washington).

C. Staffing and Organizational Implications

In my memorandum to Mrs. Crowley of February 19 (Attachment A, page 4), I indicated that, while the immediate staff of the office of the Director, American Schools and Hospitals Staff, is small (five persons), this is deceptive of ASHA staffing and workload in A.L.D. We also have lawyers, contract officers (grant implementation officers), engineers, accountants and auditors, and secretarial and administrative assistants all now nicely tucked away in somebody else's personnel ceilings. In addition are the field personnel referred to in the previous paragraph.

Excluding overhead administrative personnel and some miscellaneous staff activities around the Agency, the total personnel (or man-years) involved in FY 1971 full time in ASHA activities will be about as follows:

	<u>Personnel or Man Years</u>
Director, ASHA Staff and immediate office	5
General Counsel (lawyer and secretary)	2
Engineer and Secretary	1 1/2
Contract Office (A/PROC) - Grant Implementation (2 Grant Officers, Secretary, File Clerks, Flexo-writers, Audit report review, etc.)	5
Controller's Office (Voucher Examination and Accounting)	3
Ad Hoc Consultants - From ISDI or outside Education (man-years) 1 1/2 Hospitals (man-years) 1/2	2
Other staff activities, and overhead	<u>N.E.</u>
Washington - Total	18 1/2 +
Beirut - Area Operations Office (AAO and Staff- relative to all operations in connection with AUB, per Issue No. 1.)	4 (3 locals)
Field Audit Staff	2 +
Total - Washington and Field	<u>24 1/2 +</u>

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The organization of these personnel within IDI can be considered later when decisions are tentatively made with regard to provision of central staff services for the new Development Bank, IDI, and the security assistance organization.

cc:
AA/A, LDwinell
A/AID, CTWood
TA/RUR, EJLong
PPC/POL/TIXD, PNLyman
PRI, JAULinski

July 17, 1970

INFORMATION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: EXSEC

FROM: AA/TA, Joel Bernstein

SUBJECT: Technical Services Provided A.I.D. by Contractors and Federal Agencies

In April, Mr. Poats asked this office to determine the important development advisory subject areas in which A.I.D. can and cannot currently find U.S. contractors to undertake A.I.D.'s technical assistance work in the LDC's; and to consider what should be done to encourage the creation of the missing or weak competence. This mandate does not include the question of program intermediaries and the report does not consider which of the contractors listed have the potential to perform this role. The a priori judgment appears warranted that their number is likely to be small.

On receipt of this request, a working group was established in TA/SSS, which devoted full time to the matter for nearly three months. The product of their efforts will be found in the attachments to this memorandum. The working group made a number of recommendations for policy and action which will require review. After appropriate consultation and clearance, I shall report to you farther on these. (See Discussion of Tab A below.) In the meantime, I am providing copies of the report to Jim Fowler, for his use.

Tab A presents findings and conclusions which have implications for Agency action or policy. These have no official status at present, but they include a number of suggestions which appear to be useful. I intend to ask the Evaluation Staff and A/PROC to review the report and comment on it, and to submit both report and comments to the TA Executive Committee for consideration.

Tab B explains how the list of favorably rated contractors (Tab C) was compiled, and where the evaluation material on these contractors is to be found.

Tab C presents a list of currently active contractors whose work is favorably regarded in the Agency. It is based on a card file assembled in TA/SSS, alphabetically by contractors, and by functional areas. These cards contain information about the contractors' activities, and references to available evaluative material. The establishment of this file provides a new resource of potential value to A.I.D. and its successor Agencies.

Tab D summarizes PASA arrangements by participating agency and by principal fields of activity. The working group made no attempt to evaluate performance of participating agencies.

For your convenience, I summarize below the principal findings and recommendations of the working group concerning A.I.D. contractors and the Agency's practices in dealing with them and recording their activities.

1. By and large, contractors are available in all the important functional areas in which the Agency has sought services. In some cases, representation is rather thin, and in the field of labor there appears to be a monopoly by one institution. In areas where the Agency has not been active in the past, but may become so in the future (e.g., urban development), there is naturally, no record. Although quantity is adequate in almost all areas of past Agency activity, the same cannot be said for quality.

2. Principal shortcomings of contractors are:

a. Shortage of area knowledge and language skills.

Although there are assignments which can be effectively performed by personnel who lack either of these attributes, and there are contractors adequately equipped on both counts, this is one of the commonest complaints about contractor performance. Among A.I.D.'s University contractors this deficiency could be corrected by deliberately using the 211 d grant for the purpose: i.e., by incorporating wherever appropriate, a requirement for language and area studies. No comparable instrument is available to increase the competence of private firms. It might be desirable to experiment with a contract which stipulated a minimum degree of area and language competence on the part of the contractor as a condition of eligibility to bid.

b. Some admixture of temporary employees may, of course, be useful in providing specialized skills not otherwise available. The fact that some contractors are overly-dependent on temporary employees is perhaps a natural consequence of the discontinuity of employment opportunities afforded by A.I.D. contracts. If the deficiency is to be overcome, the reason for it will have to be dealt with. If A.I.D. successor agencies are to make increasing use of program intermediaries they will have both the opportunity and need to provide continuing employment for certain firms, and this will permit the development by the firm of a permanent cadre with area knowledge and language skill.

c. Ineffective team leadership. This deficiency has caused difficulties and delays in a large number of contracts.

Techniques have been developed, based on the use of biographic data, for predicting the degree of success individuals are likely to have in a particular type of enterprise. Consideration should be given to the possibility of applying these techniques to the selection of team leaders.

3. There are serious shortcomings on the A.I.D. side, as well. These are summarized below.

a. Record keeping. Contract reporting and project reporting employ different systems of reference numbers, so that it is difficult to relate one to the other, and research and operations are handicapped. This could be easily corrected by entering the appropriate project number on each contract, in addition to its normal contract number.

b. Evaluations. The system of evaluations, which should be of cardinal importance in eliminating inefficient firms from consideration and identifying those best qualified for particular jobs, does not make the contribution it should to the effectiveness of Agency operations. The principal reasons for this failure are: i) There are overlapping forms for reporting contractor evaluations - the PARs and the U-307s - with no logical demarcation of functions or indication of relationships. ii) Although double reporting on contract performance is required, the number of reports actually filed in some Bureaus is grossly inadequate (in one Bureau the number amounts to no more than 20% of those due). The Agency would clearly be better off if it reduced the number of required reports, and saw to it that the reduced number were thoroughly prepared and promptly submitted. iii) A.I.D./Washington does not make effective use of the reports it has, for the reasons indicated below.

c. The inadequacy of central files. Evaluation materials are widely scattered throughout the Agency, so that it is extremely difficult to make a systematic check of the performance of a contractor which has operated in two or more regions. Until the assembly of the materials from which the list at Tab C was drawn, contractors which had done business with the Agency had never been classified by the functional fields in which they operate, and there had been no systematic effort to inventory the evaluations available on each. These materials could become the nucleus of a system useful to A.I.D., and perhaps even more so to its successor Agencies. If this rudimentary system is to be maintained and perfected, however, responsibility will have to be vested in a central staff.

d. Deficiencies in contracting procedures. The record indicates that avoidable delays and extra expense have been caused

in many cases by poor project planning. A possible way to avoid this problem would be to apply to private contractors the recommendations made in the "Institutional Development Agreement" - i.e., to involve the contractor in the actual planning of the project.

Enclosures:

- Tab A - Findings of the Review of Contractor Services and Some Possible Implications for Policy and Action
- Tab B - Information File on Technical Services - Contractors and PASAs
- Tab C - A List of Currently Active Contractors
- Tab D - PASA Fields of Activity

Drafted by: ^{AD}ABDaspit:paz:TA/SSS
13 July 1970

A

Findings of the Review of Contractor Services
and some Possible Implications for Policy and Action

TAB was requested by the Deputy Administrator to determine the adequacy of contractor services available to the Agency in important development advisory subject areas and to propose measures to encourage the creation of competence in those areas where private contract assistance seemed inadequate.

In order to prepare an adequate response to this request a working group was established which made an extensive review of documents, and interviewed a significant number of contract officers, and Bureau technicians in the principal functional fields. This review permits a definite response to the Deputy Administrator's question. It has also produced some findings about the Agency's present method of keeping records of contracts and evaluative materials and conclusions about how the system could be improved which extend beyond the scope of the original request. In the belief that these findings may be useful to A.I.D. and to possible successor Agencies, they are included in the present report.

The Availability and Adequacy of Contractor-supplied Technical Services

The review found that technical service contractors are available in all the important functional fields in which the Agency has sought them. The evidence supporting this proposition was obtained both from the written record and from oral interviews with contract officers and Bureau technicians. A list of about 250 firms which have performed satisfactorily under Agency technical services contracts since 1967 is presented at Tab C. No areas were discovered where there was a con-

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plete lack of contractor services, but in some, the number of firms utilized appeared to be too small to encourage effective competition. A few of the fields - agricultural cooperatives, labor and housing - are apparently treated as natural monopolies, with one institution consistently awarded all Agency contracts. So far as the working group was able to determine, "minority" firms had received no contracts at all. The resources of other Agencies of the Federal Government available under PASAs increased the supply of technical services on which A.I.D. can call. (The voluntary agencies, which lie outside the scope of this review are an additional source, further increasing the range and depth of the available supply.)

While the quantity of available services seems to be fairly adequate in almost all fields, the same cannot be said of the quality. There are several deficiencies which show up repeatedly in reports of contractor performance. Probably the most important of these are the lack of knowledge of the country or area and of its language. In many cases, these weaknesses slow operations and hamper their effectiveness. Other weaknesses frequently reported are a disproportionately high ratio of temporary employees; and, even more strikingly, a deficiency in the quality of team leadership. In a significant number of cases, this latter deficiency has been so glaring as to result in the original leader's removal; where this occurred, his replacement usually turned out to be more effective. The frequency with which inadequate leaders are chosen suggests that contractors give insufficient attention to matching the requirements of the job with the qualities of the individual chosen.

The AID "System" for Supervising, Evaluating and Recording Contracts

The faults in contract operations are by no means one-sided; AID's own record in this area merits a measure of criticism. The principal deficiencies are briefly summarized below:

1. Record Keeping. The Agency's project reporting and its contract reporting cannot be used together. The Office of the Controller groups reports on technical assistance projects, by field of activity within country, and identifies them by project number. So, too, does the Office of Statistics and Reports, though the two reports cannot always be related. The Contract Services Division, on the other hand, reports on contracts by country. These reports are not organized by field of activity, and they are identified by a contract number in no way related to the project number. Failure to show the project number on contracts and related documents hampers research, results in the exclusion of contract information from the Agency's financial reporting system, and limits the utility of that system to contract monitors.

2. Contracting Procedures. A review of the record reveals that performance under a significantly large number of contracts was handicapped by poor project planning. This deficiency is frequently cited in the U-307 reports. Even when not specifically cited, poor planning can be legitimately inferred when, as is often the case, the contract is repeatedly amended and the funding level constantly revised. (In one case, during a period of sixteen years, the contract was amended more than 20 times, and the funding level multiplied by a factor of fifty.)

3. Evaluation of Contractor Performance. There are two regular reporting documents in which evaluation of contractor performance is required - Form U-307, Evaluation of Contractor Performance, a semi-annual document adequately described by its title, and the annual PAR, a relatively recent innovation in over-all project evaluation, which includes a section on contractor performance. As general guides to the quality of contractor performance, the Agency's files of these documents are not satisfactory. The section of the PAR dealing with contractor performance has frequently been sketchily dealt with and/or basically misinterpreted by the officers who draft the response. The U-307, on the other hand seems well designed to provide an evaluation of contractor performance. Its utility to AID/Washington has been impaired by three factors, however. 1) In many cases the evaluation of contractor performance has been subordinated to a comprehensive review of the project to which the contract contributes. 2) In many cases the reports have never been submitted at all, and 3) Those which are submitted are not properly organized and their potential for improving the Agency's contract operations is not effectively utilized.

A canvass of regional bureaus reveals that the percentage of reports due which are actually filed ranges from a high of 90% to a low of around 20% - a showing which is manifestly unsatisfactory. The number of those readily available in a central file is lower still. In fact, no effort has ever been made to assemble the semi-annual interim U-307 reports, and they can be found - if at all - only by searching

the project files of the regional bureaus. Although an effort has been made to assemble copies of the final U-307 reports in the Office of Small Business (A/PROC) this effort has not been fully successful. Under these circumstances, it is easy to understand how a contractor who has received bad marks from one bureau can find employment with another. It is simply a case of the left hand not knowing what the right is doing - or having any regular means for finding out.

The fact that the Agency's record for hiring appropriate contractors is not considerably worse, is due not to the operation of the formal evaluation system, but to the informal network of contacts among contract and technical officers in the several bureaus. The effectiveness with which this ad hoc arrangement functions depends on the longevity of tenure and retentiveness of memory of those involved. Even under present circumstances, this arrangement is bound to yield chancy results, given the continual rotation of assignments in AID. With the anticipated division of the Agency into several separate units, and the resultant dispersion of personnel, the need for a regular system of contractor evaluation which does not depend on personnel contacts and individuals' memories will become acute.

For the reasons noted above, existing files of evaluation reports do not provide an adequate basis on which to establish such a system. Judgments concerning the adequacy of contract performance on which the list at Tab C is based could in many cases be obtained only by personally interviewing Agency officers familiar with the contractors' work. Although the U-307s are helpful, they are incomplete, those filed are

not organized to contribute to Agency-wide use, and at least in some cases they tend to play down adverse criticism. The PARs, whatever their other merits, are of little, if any, value as instruments for contractor evaluation.

It is important to bear in mind that the U-307s and PARs are only the formal recording instruments of an active system of contract monitoring. Discussions with Bureau officers suggest that deficiencies in contract performance, are frequently corrected by the Mission, (sometimes with Washington support) without leaving any formal record. This system of continuing surveillance has clearly had an important influence on the level of contractor performance; it is not possible to assess the effects its withdrawal will have, but they seem likely to be significant.

The Establishment of a More Efficient System in Washington

Present auguries point to a future in which more technical services are going to be provided by contractors, with less supervision by field personnel. Given these impending developments, it becomes increasingly important to have a readily accessible and effectively organized file of contractors who have proved their competence and demonstrated their reliability.

1. A Central File. The consolidated "white list" of contractors at Tab C could become the nucleus of such a central system: in it contractors with effective performance records are grouped according to functional area, with accompanying references to evaluation documents wherever available. This is a beginning, but much more needs

to be done. The present file needs to be reviewed, refined, and elaborated. Additional information is required, and these data need to be systematically integrated with those already available.

2. Evaluations of Performance. Insofar as contractors are the implementing agents of projects, Section II-B of the PAR overlaps the U-307 report to a very considerable extent: many of the factors considered are, in fact, identical. This has led to the suggestion that the PAR might replace the U-307, or at least one of the two U-307 reports required each year. In the view of the Working Party, this would be a mistake. For the PAR, as now established, encourages skimpy reporting on contractor performance (less than half a page is provided for the purpose, and though there is nothing to prevent the use of a continuation sheet, there is also nothing to suggest that the space provided will not be adequate for the Agency's purposes), and most reporting officers appear to have been pleased to accept the invitation. For the purposes of establishing an effective central contractor file the U-307 is definitely a better document. To avoid duplication, it is proposed that the PAR and one of the two semi-annual U-307 reports required be submitted together. The U-307 would constitute a complete report in itself and could stand alone. But it would also serve as the narrative part of Section II-B of the PAR, (where the contractor is the implementing agency) and could be incorporated in the document by reference. (The need for the U-307 reports for year-end performance examined; the elimination of one of these would make for a tidier system.

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and making it a part of the PAR should make it easier to insist on timely submission.)

The revision of form U-307 now in process should, in the view of the working group, take account of the above considerations. The new U-307 should serve both the purposes of the PAR and the requirements of an effective contractor information file. Moreover, the revised U-307 form should be designed to contribute to a system which will serve the needs of both the proposed development bank and technical assistance institute. Its distribution to the field should be accompanied by an explanation of the comprehensive uses it will be expected to serve and determined effort made to assure its submission in satisfactory form.

3. A Central Staff. The proper development and maintenance of this central file will require both a small staff charged specifically with the task, and the cooperation of all relevant parts of the Agency. The staff is needed to refine the material collected for this report, to help insure that required materials are forthcoming from the field, and to organize all relevant data so that it can be readily found. This job has never been satisfactorily performed in the past; it will not be done in the future unless responsibility for it is clearly established. The existence of this essential central staff will not, of course, replace the officers of the regional bureaus who have established responsibilities in this area. But such a staff could reinforce the efforts of the several bureaus and bring their product

together in a single Agency-wide system, valuable to all of AID and probably even more valuable to its successor agencies.

Further Improvements

1. Improved Contracting Procedures. Probably the most effective way to establish a new contract on a basis which is understood in all its implications and requirements by the contractor is to generalize the recommendation in the "Institutional Development Agreement": on-site participation by contractors in project planning and conception. Under this arrangement initial costs would be increased, but ultimate savings would probably be substantial.

2. Better Team Leaders. Techniques have been developed by a non-profit organization, Biographic Indicators, and possibly by other institutions, as well, which enable them to establish criteria by which to judge the probable effectiveness of individuals in defined areas of activity. In view of the clearly demonstrated importance of effective team leadership to the success of contractor performance, the working group recommends that an effort be made to contract for the development of an objective test which would provide a relatively effective standard by which to judge leadership potential. A preliminary estimate has indicated that such a test could be developed for \$50,000 or less. (Consideration should also be given to the development of criteria for judging the potential of consultants for service overseas.)

3. Area Knowledge and Language Competence. Among the most common and important of contractor deficiencies noted above were lack of country- or area-specific knowledge and lack of language competence

The remedy of these deficiencies among consultants should be relatively easy. Younger men can be given exposure to a region by attaching them initially as supernumerary personnel to teams doing surveys, research, or feasibility studies; if they are interested in specializing in the region, they will have an incentive to learn the language and might be offered some inducement to do so (e.g., higher fees as consultants). For Universities, the 231 d grant is a potent and flexible instrument, and could be utilized effectively to develop specialized area knowledge and accompanying language skills. For private firms, however, there are no simple and obvious solutions. The Agency could, by deliberate planning, tend to concentrate a given firm's work in one geographical area and thus increase its staff's experience in the area. In some cases, it might be possible to stipulate language knowledge of some team members as a condition for eligibility to bid on a contract. This practice would exert pressure on firms to recruit some staff members with language competence. (If AID personnel ceilings are to be progressively lowered there will be a pool of well-qualified personnel on which firms could draw.)

4. Expanding the List of Qualified Contractors. As indicated earlier in this report, there is need to expand the list of qualified contractors. The first logical step would be to extract from the Contractors' Index information of firms claiming competence in the functional fields in which we are particularly interested. If this does not yield what we consider a sufficient added reservoir of competence, we could solicit expressions of interest from firms with particular

functional capability, or area and language competence. A preliminary reconnaissance should be made of the more promising firms termed up by this procedure; those which appear to be well qualified should, where possible, be tried out on contract assignments with relatively limited objectives and modest costs, located in countries where Mission supervisors of proved competence are available. These new contracts should be for relatively short periods, and a special effort made to obtain comprehensive, critical appraisals of the quality of work performed under them.

Action for Field Missions

The importance of enlisting the cooperation of field Missions in fleshing out the Agency's files of contractor evaluations by doing a complete and thorough job on the revised U-307s has been pointed out above. In those countries which are likely to continue to receive assistance but which will not have fully staffed USAIDs, Missions should make a determined effort during the "phase-down" period to increase indigenous capacity to supervise contractor performance. This might be accomplished by arranging for counterpart personnel to work with Mission monitors, in reviewing contractors performance, consulting with contract team leaders, and preparing the U-307 reports.

Information File on Technical Services

Contractors and PASAs

The compilation of material summarized in the attached list of AID contractors forms a companion piece to the file of consultants circulated with the TA/SSS memorandum of June 9, 1970, "List of Consultants Useful to AID."

What the Contractor File Does and Does Not Include

The attached list (Tab C) attempts to include all U.S. contractors for technical services which meet the following criteria: a) included in the current files of the Contract Services Division of A/PROC; b) have performed technical service overseas for AID in one of the substantive fields listed in the Agency's standard code; c) have been favorably evaluated in U-307 Reports, PASAs, and/or by knowledgeable personnel in the Agency. They are listed under what this office has considered to be the appropriate AID code number, as set forth in M.O. 1095.2 though this does not in all cases correspond with the number officially assigned the contract. It does not include voluntary agency or personal service contracts, or those for training, or construction, or feasibility studies for construction projects.

Procedures for Developing the List and its Back-up File

1. As indicated above, the starting point for compiling this list was the Contract Services Division file of current contracts for technical services; from this list, contractors which did not qualify under the criteria stated above were eliminated. It is

analysis of Participating Agency Service Agreements was prepared by PROC/PAS for use in this paper. These data are summarized at Tab D, and the detailed breakdown showing the extent of PASA activity in the various categories of the AID activity code is available in the files. (See below.)

Components of the "Talent Bank"

The file of AID consultants whose names were included in the list circulated by TA/SSS June 9, 1970, will also be organized to conform to the standard code, as are the contractors listed at Tab C. When this job is completed, the Agency will have a file in which it will be possible to find in each category of professional and technical services, a list of the consultants and contractors whose work has been favorably evaluated, plus references to the evaluation documents and other sources of information, as well as a list of Government Departments which have provided services in these fields. These files are maintained by Mrs. Adeline Tilly, TA/SSS, and are available in room 2941, Main State.

LIST OF

A.I.D.--FINANCED

AMERICAN CONTRACTORS

1967-1970

July 1970
TA/SSS

100 FOOD AND AGRICULTURE

- 110 Agricultural Education, Extension and Research
- 120 Land and Water Resources
- 121 Land Resettlement
- 125 Rural Wells and Potable Water
- 130 Crop and Livestock Development
- 140 Agricultural Economics, Farm Org. & Agric. Credit
- 150 Agricultural Marketing & Processing
- 160 Home Economics
- 165 Rural Youth
- 170 Forestry
- 180 Fisheries
- 190 All Other Food and Agriculture

200 INDUSTRY AND MINING

- 210 Mining and Minerals
- 220 Power
- 225 Communications
- 230 Manufacturing and Processing, n.c.e.
- 231 Fertilizer Production
- 232 Pesticides and Other Plant Chemicals
- 233 Food Processing and Fortification
- 234 Food Storage and Refrigeration
- 240 Service Industries
- 250 Engineering and Construction
- 260 Marketing and Distribution
- 270 Industrial Management
- 280 Industrial Training
- 290 All Other Industry and Mining

300 TRANSPORTATION

- 310 Highways n.c.e.
- 311 Intercity Highways
- 312 Rural Farm to Market Roads
- 320 Urban Transit & Traffic Engineering
- 330 Railways
- 340 Port Facilities and Harbor Improvement
- 350 Inland Waterways
- 360 Ship Operations
- 370 Air Transport
- 390 All Other Transportation

400 LABOR

- 410 Labor and Trade Union Leadership
- 420 Apprenticeship and In-Service Training for Workers
- 430 Labor Productivity
- 440 Labor Management Relations
- 450 Labor and Social
- 460 Manpower Utilization
- 470 Industrial Safety and Hygiene
- 480 Workers' Cooperatives--Housing and Trade Union Welfare Activities
- 490 All Other Labor

500 HEALTH AND SANITATION

- 510 Control of Specific Diseases, n.c.c.
- 511 Malaria Eradication
- 520 Environmental Sanitation
- 521 Urban Potable Water
- 530 Health Facilities-Operation of & Advisory Services to
- 531 Maternal/Child (Infant & Preschool Children)
- 540 Health Training & Education
- 550 Health Facilities, Construction, Remodeling, Equipment
- 560 Nutrition
- 570 Population Studies
- 580 Family Planning
- 590 All Other Health & Sanitation

600 EDUCATION

- 610 Technical Education, n.c.c.
- 620 Vocational Agriculture Education
- 630 Home Economics Education
- 640 Elementary Education
- 650 Secondary Education
- 660 Professional and Higher Education
- 670 Fundamental Adult and Community Education
- 680 Educational Administration
- 690 All Other Education
- 691 Central Book Fund

700 PUBLIC SAFETY AND PUBLIC ADMINISTRATION

- 710 Public Safety
- 720 Government-Wide Organization and Management
- 730 Public Personnel Administration
- 740 Organization and Management of Particular Ministries
- 750 Public Budgeting and Financing Administration
- 755 Development Planning
- 760 Administrative Services
- 770 Organization and Administration of Institutes or Schools for Public or Business Administration
- 780 Statistics - General and Census
- 790 All Other Public Administration

800 COMMUNITY DEVELOPMENT, SOCIAL WELFARE AND HOUSING AND URBAN DEVELOPMENT

- 810 Community Development
- 820 Social Welfare, Institutional
- 821 Social Welfare, Noninstitutional
- 822 Refugees
- 823 Emergency Assistance, n.c.e.
- 825 Youth
- 830 Housing and Urban Development
- 850 Supporting Projects, Housing
- 890 All Other Housing

900 PRIVATE ENTERPRISE PROMOTION

- 910 Development and Investment Centers
- 920 Development Banking & Investment Credit Facilities
- 930 Surveys of the Private Investment Situation and Specific Opportunities
- 950 All Other Private Enterprise General, n.c.e.
- 960 Communications Media
- 970 Supply Services
- 995 All Other General & Misc.

100 FOOD AND AGRICULTURE

110 Agriculture Education, Extension, and Research

California, Regents of the University of
California State Polytechnic College
Colorado State University

Educational and World Affairs

Florida, University of

Georgia, University of

Hampton Institute

Illinois, University of
International Research Institute, Inc.
International Rice Research Institute

Kansas State University

Kentucky, University of

Louisiana State University

Massachusetts, University of
Minnesota, University of
Mississippi State University

Near East Foundation
Nebraska, University of
North Carolina State University

Ohio State
Oklahoma State University

Pennsylvania State University

Stanford Research Institute

Tennessee, University of
Texas A & M
Tuskegee Institute

Washington State University
West Virginia University
West Virginia University, Board of Governors
Wisconsin, University of
Wyoming, University of

120 Land and Water Resources

Aero Service Corporation

Development and Resources Corporation

International Training Consultants, Inc.

Parsons, Ralph M.Co.

Rural Research, Inc.

Stanford Research Institute

121 Land Resettlement

None

125 Rural Wells and Potable Water

Tippetts - Abbett - McCarthy - Stratton

130 Crop and Livestock Development

Agricultural Cooperative Development International

American Factors

Arizona, University of

Cornell University

Florida, University of

International Cooperative Development Association, Inc.

International Corn & Wheat Improvement Center

International Rice Research Institute

International Voluntary Services, Inc.

Michigan State University

Minnesota, University of

Mississippi State University

Oregon State University

Pacific Vegetable Oil Corporation

Pan Con Development Co. Inc.

Puerto Rico, Commonwealth of

Tuskegee Institute

Uniroyal, Inc.

Utah State University

140 Agricultural Economics, Farm Organization and Agric. Credit

Agricultural Cooperative Development International (ACDI)

Cooperative League of the U.S.A., The
CUNA International

Florida, University of

International Cooperative Development Association, Inc.
International Voluntary Services, Inc.
Iowa State University of Science and Technology

Mississippi State University

Organization for Social and Technical Innovation, Inc.
Organization of Cooperatives of America

Texas A & M

150 Agricultural Marketing & Processing

Agricultural Cooperative Development International

Cargill Inc.

Cecchi & Company

Cooperative League of the U.S.A., The
Cornell University

Michigan State University

Texas A & M

Thorstensen Laboratory

Utah State University

Weitz Retuelsaler Engineers

Wildman Agricultural Research, Inc.

160 Home Economics

None

165 Rural Youth

None

170 Forestry

Fairchild Camera and Instrument Co.

180 Fishing

Auburn University

United States Consultants, Inc.

190 All Other Food and Agriculture

Agricultural Cooperative Development International
California State Polytechnic College
Organization for Social and Technical Innovation, Inc.

200 INDUSTRY AND MINING

210 Mining and Minerals

Pierce Management Corporation

220 Power

American Public Power Association

Commonwealth Associates, Inc.
Cornell, Hewland, Hayes & Herryfield
Crisp, Twigg, and Wells

Detroit Edison Company, The

Ebasco Services, Inc.

Gibbs and Hill, Inc.

Harza Engineering Company

Main, Charles T. International, Inc.
Middle West Service Co.

National Rural Electric Cooperative Association

Stanford Research Institute
Stanley Engineering Company of Africa

White, J. C. Engineering Corporation

225 Communications

Checchi and Company
Consulting Communications Engineers

Far East Technical Services, Inc.

Landis, R.B. and Co.
Lear Siegler Inc.

Page Communications Engineers, Inc.

230 Manufacturing and Processing, n.e.e.

Battelle Memorial Institute
Bovay Engineers, Inc.

Thorstensen Laboratory

231 Fertilizer Production

John Van Der Volk and Associates

232 Pesticides and Other Plant Chemicals

None

233 Food Processing and Fortification

None

234 Food Storage and Refrigeration

None

240 Service Industries

American Technical Assistance Co., The

Checchi and Company
Cooperative League of the U.S.A., The

250 Engineering and Construction

None (Excluded from this review)

260 Marketing and Distribution

Clapp and Mayne, Inc.

International Marketing Institute

270 Industrial Management

Council for International Progress in Management, Inc. (CIPM)

Fry Consultants, Inc.

Illinois, University of

Jacobs, J.L. and Company
James Chemical Engineering

280 Industrial Training

Council for International Progress in Management, Inc. (CIFM)

General Motors Corp., Allison Engine Division

Little, Arthur D., Inc.

Porter International Company

Systems Research, Inc.

290 All Other Industry and Mining

Bevay Engineers, Inc.

Ciccchi and Company

300 TRANSPORTATION

310 Highways, etc.

Afro-American Purchasing Center

Berger, Louis, Inc. and Systems Associates, Inc.

Deloit, Gether International, Inc.

Pacific Architects & Engineers, Inc.

Planning Research Corporation

Research Analysis Corporation

Sanders and Thomas, Inc.

Sverdrup & Parcel & Assoc., Inc.

Systan Inc.

Trans-Asia Engineering Associates, Inc.

311 Intercity Highways

None (Excluded from this review)

312 Rural Farm to Market Roads

None (Excluded from this review)

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320 Urban Transit & Traffic Engineering

Smith, Wilbur & Associates, Inc.

Voorhees, Alan M. & Associates, Inc.

330 Railways

None

340 Port Facilities and Harbor Improvement

Porter International Company

Quinton-Budlong

350 Inland Waterways

None

360 Ship Operations

None

370 Air Transport

Air America, Inc.

Pan American World Airways

390 All Other Transportation

Afro-American Purchasing Center

Berger, Louis, Inc. & Systems Associates

Colorado Department of Highways, State of

Dillingham Corporation

U.R.S. Research Company

400 LABOR

410 Labor and Trade Union Leadership

African American Labor Center

Asian American Labor Education Center

Asian American Free Labor Institute

202

420 Apprenticeship and In-Service Training for Workers

Dunwoody Industrial Institute

Philco-Ford Corporation, The

Vinnell Corporation

430 Labor Productivity

None

440 Labor Management Relations

None

450 Labor and Social

None

460 Manpower Utilization

American Asian International, Inc.

American Institute for Free Labor Movement

Bi-National Development Corporation

470 Industrial Safety and Hygiene

None

480 Workers' Cooperatives - Housing and Trade Union Welfare Activities

None

490 All Other Labor

African American Labor Center

500 HEALTH AND SANITATION

510 Control of Specific Diseases, n.c.e.

None

511 Malaria Eradication

None

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520 Environmental Sanitation

Alvard Burdeck Howson

Battelle Memorial Institute

Commonwealth Services, Inc.

Pipe Lining, Inc.

521 Urban Potable Water

International Water Corporation

Parsons, Ralph M. Co., The

Tippetts - Abbott - McCarthy - Stratton

530 Health Facilities-Operation of & Advisory Services to

Albany Medical College

American Medical Association

American Hospital Association

Association of American Medical Colleges

California, The Regents of the University of

Kaiser Foundation International

United States Catholic Conference, Inc.

531 Maternal/Child (Infant & Preschool Children)

Council for International Progress Management

540 Health Training & Education

American Dental Association

Illinois, University of

People-To-People Health Foundation, Inc.

Research Foundation of State University of New York

550 Health Facilities, Construction, Remodeling, Equipment

None (Excluded for this review)

201

560 Nutrition

California, The Regents of the University of
Cantor, Sidney M. Associates, Inc.

Foster Parents Plan, Inc.

General Oceanology, Inc.

Harvard University

International-Milling Company

Medical Assistance Programs, Inc.

Virginia Polytechnic Institute

570 Population Studies

Chicago, University of

Population Council, The

580 Family Planning

American Public Health Association

East-West Center

International Planned Parenthood Federation

John Hopkins University

Michigan, University of

New England Medical Center Hospital, The

North Carolina, University of

Northwestern University

Notre Dame, University of

Population Council

590 All Other Health & Sanitation

Pope, Evans & Robbins, Int. Ltd.

U.R.S. Research Company

205-5

600 EDUCATION

610 Technical Education, n.c.e.

American Ort Federation

California State Polytechnic College
Cal Poly Kellogg Unit Foundation, Inc., The
Control Data Corp.

Dunwoody Industrial Institute

Missouri, University of

North Carolina, University of

Oklahoma State University

Philco-Ford Corporation, The

Southern California, University of
Systems Research, Inc.

Western Michigan University

620 Vocational Agriculture Education

Colorado State University

Florida, University of

Minnesota, University of

630 Home Economics Education

None

640 Elementary Education

National Education Association
New Mexico, University of

Southern Illinois University

Tuskegee Institute

650 Secondary Education

American Ort Federation

California, The Regents of the University of
California, Univ. of in Los Angeles (UCLA)
Columbia University Teachers College

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Harvard University
Hawaii, University of
Hispanic-American Development Corp.

Massachusetts, University of

New Mexico University

Ohio State University

660 Professional and Higher Education

American Association of Colleges for Teacher Education
American Council on Education
American Institutes for Research

Bucknell University

California State Polytechnic College
California, The Regents of the University of
Colorado State College
Colorado State University
Columbia University Teachers College
Cornell University

Eastern Michigan
Education Development Center, Inc.

Harvard University
Houston, University of

Institute of International Education
Institute of International Training
International Legal Center
International Voluntary Services

Kansas, University of

Michigan State University
Midwest University Consortium

National Education Association
Northwestern University

Ohio State University
Ohio University
Oklahoma State University
Oklahoma, University of

Pennsylvania State University
Pittsburgh, University of

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St. Louis University
San Jose State College
Southern Illinois University
Stanford University
Syracuse University

Utah State University
Utah, University of

Vanderbilt University

Washington State University
West Virginia University, Board of Governors
Wisconsin State University Stevens Point Foundation, Inc.
Wisconsin, University of
Wyoming, University of

670 Fundamental Adult and Community Education

Overseas Education Fund for League of Women Voters

680 Educational Administration

American Institutes for Research

California State College, The Trustees of the
California, The Regents of the University of

Indiana University Foundation

Michigan State University

Oklahoma, University of

Pennsylvania State University

Wolf Management Services

690 All Other Education

Academy for Educational Development Inc.
African American Institute
American Institutes for Research
American Library Association

California State College, The Trustees of the
Cooperative League of the U.S.A.

Education and World Affairs

Franklin Book Programs

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National Education Association

Resources Development Corporation
R.T.V. International, Inc.

Washington County, Board of Education of
Wisconsin, University of, The Regents of the

691 Central Book Fund

Franklin Book Programs

700 PUBLIC SAFETY AND PUBLIC ADMINISTRATION

710 Public Safety

Devcon Inc.

General Motors Corp., Allison Engine Division

Systems Development Corporation

720 Government-Wide Organization and Management

Bi-National Development Corp.

California, The Regents of the University of
Council for International Progress in Management

F.C.H. Services, Inc.

Institute of Public Administration

Louisiana State University

Nathan, Robert R., Associates, Inc.
National Planning Association

Public Administration Services

Vanderbilt University

730 Public Personnel Administration

California State Personnel Board

740 Organization and Management of Public Administration

Air America, Inc.

Council for International Progress in Management

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Stanford Research Institute

White, J.G. Engineering Corp.

750 Public Budgeting and Financing Administration

Clapp and Hynes, Inc.

Griffenhagen-Kroeger, Inc.

Harvard University

Jacobs, J.L. & Co.

Kearney, A.T. and Company

Public Administration Service

Rand Corporation

Young, Arthur, and Company

755 Development Planning

Battelle Memorial Institute

Berger, Louis, Inc. and Systems Associates, Inc.

California, The Regents of the University of
Checchi and Company

Development and Resources Corporation

Institute for Defense Analysis

Michigan, University of

Nathan, Robert R. Associates, Inc.

Public Administration Service

Rand Corporation

Rural Research Inc.

760 Administrative Services

None

775 Administrative Services, Divisions of General Reg
Public of Business Administration

Brigham Young University

Council for International Progress in Management

International Training Consultants, Inc.

New York University

Oregon University of

Pittsburgh, University of

Tennessee, University of

Wisconsin, University of, The Regents of

780 Statistics - General and Census

Public Administration Services

790 All Other Public Administration

Council for International Progress in Management

Griffenhagen-Kroeger, Inc.

Syracuse University

800 COMMUNITY DEVELOPMENT SOCIAL WELFARE, AND HOUSING AND URBAN DEVELOPMENT

810 Community Development

Credit Union National Association, Inc. (CUNA)

Devcon Inc. (Development Consultants, Inc.)

Institutional Development & Economic Affairs Service, Inc.

International Development Foundation, Inc.

International Voluntary Services

Loyola University

N.T.L. Institute for Applied Behavioral Science

820 Social Welfare, Institutional

Cooperative for American Relief Everywhere, Inc. (CARE)

Hispanic-American Development Corporation

Philco-Ford Corporation, The

- 821 Social Welfare, Noninstitutional
International Voluntary Services
- 822 Refugees
American National Red Cross
International Recreation Association
- 823 Emergency Assistance, n.c.e.
None
- 825 Youth
None
- 830 Housing and Urban Development
F.C.H. Services, Inc.
National League of Insured Savings Association
Planning & Development Collaborative Inc., The
World-Wide Consultants, Inc.
- 850 Supporting Projects, Housing
F.C.H. Services, Inc.
- 890 All Other Housing
None
- 900 PRIVATE ENTERPRISE PROMOTION
- 910 Development and Investment Centers
Checchi and Company
Little, Arthur D. Inc.
- 920 Development Banking & Investment Credit Facilities
American Savings & Loan Institute
Amerconsult Corporation
Credit Union National Association (CUNA)
New York University

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930 Surveys of the Private Investment Situation and Specific Opportunities

Agribusiness Council, Inc., The
Allied Land and Livestock Co.
Arizona Agro-Chemical Corp. and Early Calif. Foods, Inc.

Brown, Chester B. Company
Bucknell University

California-Ethiopia Dev. Co., The
Chase International Investment
Clapp & Mayne, Inc.
Continental Seafoods, Inc.
Conway Research, Inc.
Council for International Progress Management, Inc.

Duda, A. & Sons Inc.

F.M.C. International

Hesston Corporation

Illinois Agricultural Association

Little, Arthur D., Inc.

Mid-American International Development Assoc. (MIDA)
Miner, Thomas & Associates

National Planning & Construction Corporation

Pacific Vegetable Oil Corporation
Peavey Corporation

Union Development Company

Zinder, H. & Associates, Inc.

950 All Other Private Enterprise General, n.e.c.

Cargill, Inc.
Council for International Progress Management Inc. (CIPM)

Freeman, Cole and Associates

960 Communications Media

Missouri, University of

R.T.V. International, Inc.

970 Supply Services

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995 All Other General & Misc.

Air America, Inc.

Cornell University

Fairchild Camera & Instrument Co.

Techdata, Ltd. (wholly owned subsidiary of Tiledyne, Inc.)

U.R.S. Research Company

PASA FIELDS OF ACTIVITY

The data furnished by FROC/PAS on PASAs filed with that office during the last three fiscal years (FY-1967, 1968 and 1969) shows that:

1. An average of about 375 PASAs with other Federal agencies were issued per year for a three-year total of 1190 man-years of technical services at a cost of \$36 million.
2. No less than 19 Federal Agencies provided technical services to AID in the period reviewed. Of these the USDA, HEW, Interior, DOT and Treasury were the most important in terms of numbers of PASAs, man years of service and costs. (The DOD is excluded from this list because its services, though extensive, were largely limited to construction and engineering projects in Southeast Asia.)
3. Latin America made the greatest use of PASAs.
4. The USDA supplied services of wide variety, with a particularly heavy concentration in agricultural research, agricultural economics, soil conservation, agricultural credit. In the case of HEW, practically all of the PASAs were implemented by PHS. More than 2/3 of the PASA activity of Interior was accounted for by the Bureau of Reclamation and the USGS. Practically all DOT service was by the Bureau of Public Roads and the Federal Aviation Agency; in the Treasury, by the IRS and the Customs Bureau.
5. Almost 60% of total PASA activity was in Food and Agriculture (Code 400), Health and Sanitation (500), and Public

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Safety and Public Administration (700). The other 40% was divided among Industry and Mining (200), Transportation (300), Labor (400), Education (600), Community Development, etc. (800) and General and Miscellaneous (999).

A breakdown of PASA activity by participating Agency, and by principal fields of activity, according to the AID standard code, was prepared for this report by PEOC/PAS. This analysis is summarized in the following pages.

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FIELDS OF ACTIVITY

(FY 1967 - 1968 - 1969)

TECHNICAL CODE

- 000 Direct Military Support
- 100 Food and Agriculture
- 200 Industry and Mining
- 300 Transportation
- 400 Labor
- 500 Health and Sanitation
- 600 Education
- 700 Public Safety and Public Administration
- 800 Community Dev. Social Welf. & Hous. & Urban Dev.
- 960)
- 999) General and Miscellaneous

<u>Codes</u>	<u>000</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>960-999</u>
<u>GRAND TOTAL</u>	<u>3</u>	<u>142</u>	<u>38</u>	<u>33</u>	<u>25</u>	<u>99</u>	<u>18</u>	<u>96</u>	<u>19</u>	<u>108</u>
		<u>73</u>	<u>4</u>	<u>1</u>		<u>8</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>11</u>
AFR		22	1				1			5
EA		3	2							
IA		17	1				2		1	
HESA		18				3		2	1	5
VI		7		1		1		1		1
NON-REG.		6				4				
<u>AEC</u>			<u>1</u>							
LA			1							
<u>COMMERCE/Bus. & Dev.</u>										<u>1</u>
AFR.										1
<u>COMMERCE/Dev. Admin.</u>					<u>1</u>				<u>1</u>	
LA					1				1	
<u>COMMERCE/Census</u>			<u>1</u>			<u>6</u>	<u>1</u>	<u>25</u>		<u>6</u>
AFR								6		1
EA						1	1	3		1
IA			1			2		9		1
HESA						3		5		1
VI								2		
NON-REG.										

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<u>Codes</u>	<u>000</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>900-999</u>
<u>HEW</u>	<u>1</u>	<u>4</u>	<u>1</u>		<u>2</u>	<u>81</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>11</u>
AFR		2	1			15				2
EA						11		1		1
LA		1			1	26			1	3
NE		1			1	16	1			5
VN						2				
NON-REG.	1					11		1		
<u>HUD</u>		<u>2</u>						<u>2</u>	<u>11</u>	<u>3</u>
AFR									4	
EA									1	1
LA								2	6	2
NESA		2								
<u>INTERIOR/Fisheries</u>		<u>8</u>								
AFR		2								
EA		1								
NESA		1								
NON-REG		4								
<u>INTERIOR/USFS</u>		<u>21</u>	<u>13</u>				<u>1</u>	<u>1</u>		<u>10</u>
AFR.		8	1					1		1
EA			3				1			3
LA		3	4							1
NESA		10	5							5
<u>INTERIOR/Land Mgmt.</u>		<u>1</u>			<u>1</u>					
AFR.		1			1					
<u>INTERIOR/Mines</u>		<u>2</u>	<u>6</u>		<u>1</u>					<u>2</u>
AFR		1								
EA			1							
LA										1
NESA		1	5		1					1
<u>INTERIOR/PARK</u>		<u>2</u>	<u>1</u>							
EA		1								
NESA		1	1							
<u>INTERIOR/Reclamation</u>		<u>8</u>	<u>2</u>							
AFR		2								
EA		1	2							
LA		1								
NESA		4								

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Codes	<u>000</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>950-</u>
<u>INTERIOR/Secretary</u>		<u>2</u>			<u>1</u>					
LA		2			1					
<u>INTERIOR/Water Res.</u>										<u>1</u>
NESA										1
<u>USIA</u>			<u>1</u>							<u>2</u>
AFR			1							2
<u>JUSTICE</u>								<u>2</u>		
EA								1		
LA								1		
<u>LABOR</u>					<u>19</u>		<u>2</u>	<u>3</u>		<u>1</u>
AFR					1					1
EA					1			2		
LA					11		2	1		2
NESA					3					1
VF					2					
NON-REG.					1					
<u>NASA</u>			<u>1</u>					<u>2</u>		<u>1</u>
AFR								1		
NESA								1		
<u>NSF</u>							<u>4</u>			
LA							1			
NESA							2			
NON-REG.							1			
<u>SMITHSONIAN</u>		<u>1</u>								
NESA		1								
<u>TVA</u>		<u>6</u>	<u>4</u>						<u>1</u>	<u>1</u>
AFR		1								
EA										
LA		1								
NESA		4	3						1	
NON-REG.			1							

<u>Codes</u>	<u>000</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	<u>700</u>	<u>800</u>	<u>960-999</u>
<u>DOT/Coast Guard</u>										<u>3</u>
EA										3
<u>DOT/FAA</u>				<u>16</u>						<u>2</u>
AFR				2						1
LA				7						
NESA				6						1
VN				1						
<u>DOT/FPR</u>		<u>1</u>		<u>9</u>				<u>5</u>		
AFR				2						
EA				1						
LA		1		5				5		
NESA				1						
<u>TREASURY/Customs</u>								<u>14</u>		<u>1</u>
AFR								2		1
EA								1		
LA								9		
VN								2		
<u>TREASURY/IRS</u>								<u>35</u>		<u>4</u>
AFR								1		
EA								3		
LA								26		3
NESA								3		1
VN								2		

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MEMORY BANK

AGENCY CONSULTANTS

MAY 1970
TA/SSS

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FIELD OF ACTIVITY

AGRICULTURE	TEXTILES
COLLECTIVE ECONOMY	TRANSPORTATION
COMMUNITY DEVELOPMENT	URBAN DEVELOPMENT
COOPERATIVES	WATER RESOURCES
ECONOMICS	
EDUCATION	
ENGINEERING	
FORESTRY	
INDUSTRY	
INTERNATIONAL TRADE	
INVESTMENT	
LABOR	
LEGAL	
MANAGEMENT	
MARKETING	
MINING	
PERSONNEL	
PEST CONTROL	
POPULATION PLANNING	
POWER	
PUBLIC ADMINISTRATION	
PUBLIC HEALTH	
PUBLIC SAFETY	
REGIONAL DEVELOPMENT	

Alton, Edward W.

Raskin, R.
Reitz, Louis

Baker, Frank
Bayer, Leonard
Bell, Wilson
Borlang, Norman

Steiner, Loren
Stewart, Roger
Sutton, J.

Carter, Meril
Cummings, Ralph

Vigils, R.
Vogel, Orville

Davidson, Verne
Davis, William
Douglas, John

Woodbury, George
White, E.
Williamson, John
Wilson, C.

Felton, Mathias

York, E. Travis

Goetze, Norman
Gowen, Frederick
Grey, Charles
Gopp, Leonard

Hansen, Ralph
Harne, Evelyn
Horner, C. Kenneth

Jackson, T.
James, J. R.
Johnson, Ray

Kelso, Thurman
Kronstad, Warren

Litwiller, William

Mason, Ned
McColloch, Carrick
McCune, Donald
McKnight, Ralph
Moseman, Albert H.

Overby, Felton

Parker, Frank

COMMUNICATIONS

Schrama, Wilbur

COMMUNITY DEVELOPMENT

Beays, Howard
Brown, Lucy

Cousins, William

Faulkner, Boyd

Minkel, Clarence W.

Okada, Ferdinand

VonLazar, Arpad J.

COOPERATIVES

Battles, Ralph

Davis, Ray

Hampton, Robert
Hughes, Stephen

Miles, Harold

Rose, James

Thornburg, David
Tootell, Robert

Von Seggern, William

Abel, Martin
Adeliran, Anna
Aliber, Robert Z

Baldwin, Ira
Barnett, Vincent
Barss, Lawrence
Bell, David E.
Bloomfield, Arthur
Bochenski, Feliks G.
Bogue, Donald J.
Brown, Robert C.
Chenery, Hollis B.
Cline, William R.
Cohen, Benjamin
Cooper, Charles

Despres, Emile
Dorfman, Robert

Eicher, Carl
Ezekiel, Mordecai

Falcon, Walter
Fippin, William
Forker, Olan
Frank, Charles
Frederick, Kenneth D.

Gittinger, J. Price
Glassburner, Bruce
Golay, Frank
Gordon, Kermit
Green, James L.

Hageron, Lawrence J.
Harberger, Arnold C.
Harriman, John W.
Haviland, H. Field
Heymann, Hans
Hofmeister, Ralph
Huntington, Samuel

Johnson, Glenn
Johnston, Bruce
Jones, Will

Kaysen, Carl
Kelly, Bruce
King, Richard
Knetsch, Jack L.
Koo, Anthony
Kravis, Irving B.
Kramer, Anna

Leonard, Richard G.
Lewis, Stephen B.

Linn, Alan S.
Lison, Edward S.
McKinnon, Ronald
McMinnig, Vernon
Neehan, Eugene
Neller, John
Miracle, Marvin
Montgomery, John D.
Mosher, Art

Plank, John
Please, Stanley
Pool, Ithiel D. S.
Pye, Lucian W.

Ranis, Gustav
Rigney, Jack
Ruggles, Nancy
Ruggles, Richard
Ruttan, Vernon

Schmidt, Wilson E.
Scoville, Orlin J.
Senti, Fred
Shambarger, Howard F.
Shaw, Edward S.

Thompson, L. L.
Thompson, W. Scott
Thorbecke, Erik

Wehrle, Leroy
Weigel, Dale
West, Robert L.
Wichmann, Arthur
Wriggins, W. Howard

Zasloff, Joseph J.

EDUCATION

Barnett, Stanley
Bigelow, Karl
Brooks, Robert

Clarke, Richard

Darby, Francis C.
DeKiewiet, C. W.
Dixon, James P.

Fitz, John
Flanagan, John C.

Gagne, Robert M.
Groebli, John M.

Harbison, Frederick H.
Harris, Fred
Henley, Dan

Inkelles, Alexander

Johnson, Eldon L.
Jung, Christian

Kelly, E. Howell

Lewis, Arthur J.

Matthew, Eunice S.
McClelland, David C.
Moore, Forrest G.
Morgan, Elmo R.
Morgan, Robert M.

Newsom, Carroll V.

Olivo, C. Thomas

Purdy, Ralph D.

Schumaker, Willard G.
Scruggs, Baxter S.
Sinkin, Fay M.

Taggart, Glenn
Taggart, Joseph H.
Thomas, R. Murray

Vittrup, Russell L.

Young, Hugh E.

Zeigler, Warren L.

ENGINEERING

Baity, Norman
Barrow, Joseph
Bryant, Oliver

Hummel, John

Ladd, Royce

Mussetter, William

Taylor, L.

FOREIGN

Craven, Jay

Short, Laurance
Spaur, George

Zehngraff, Paul

INDUSTRY

Corbett, Jack

Feigen, Aaron

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Frank, Isaiah

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Langlois, John

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Grant, James P.

Eldridge, Clarence L.

Hammond, Henry

Kaplan, Milton
Karlen, Delmar

Manson, Julius J.

O'Donnell, Joseph
Oliver, Eli

Meagher, Robert F.
Morris, George M.

Roberts, Adrian

Tucker, George R.

Schultz, Lawrence
Simon, Herbert

Young, Dudley

Zempel, Arnold

MANAGEMENT
MARKETING
MINING

MANAGEMENT

Allen, Thomas

Berlew, David
Brown, J. Cudd

Cook, Edward

Harr, John

MacPhail, Donald

Robinson, H.

Sheppard, William

MARKETING

Canterberry, E. R.

Kutish, Francis

Samuels, Kenneth

MINING

Alico, John

del Rio, Salvador

Torgerson, Earl O.

PERSONNEL

Aronson, Albert H.
Berman, Benjamin
Casper, Barry
Delavigne, Dorsey H.
Engelherdt, Leonard
Harvey, Donald R.
Weiss, Mary

PEST CONTROL

Fugua, Charles
Jones, Sloan
Riley, George
Ward, Justus
Wilson, Edward

FOUNDATION PLANNING

Alderfer, E. Gordon
Beasley, Joseph
Cavanaugh, Joseph
Corsa, Leslie
Cutler, John
Enke, S.
Freyman, Meye
Hauser, Philip Morris
Hellen, Louis
Merrill, Malcolm
Nason, Rachel
O'Connor, Ronald
Roseman, Alvin

Augustus, G. L.

McClendon, Donald J.
Bash, Arthur

Dinner, R. F.
DeBoer, B. J.

Bowley, E.

Hart, D. E.

Kushing, J. W.

McClellan, L. H.
McGill, W. J.

Reasoner, H. C.

Slichter, Francis B.

Teuber, Harry
Threshar, M. J.

Walker, John R.

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Caldwell, Lynton
Carlson, William
Corcoran, John D.

Daniels, John
Descartes, Sol L.
Dunham, Richard

Eisman, Milton J.

Fisher, John
Fletcher, Charles

Garletti, John
Gilliland, Charles E.
Gould, Floyd

Herder, Robert
Hinrichs, Harley H.
Hornung, John R.

Iverson, Robert

Levin, Richard I.

Maffrey, August
Mahoney, James E.
Martens, Harvey
Mosher, Frederick C.

Peach, Nelson

Reamy, William W.
Reining, Henry
Rosenfeld, Albert A.

Seidman, Harold

Welch, Ronald B.
Wolcott, Leon O.
Wolle, C. Packard

Zwingle, James

PUBLIC HEALTH

Anderson, Janet

Behrman, Samuel
Blasingame, Francis
Bowles, Grover

Center, Sidney
Cooper, Paul
Cornelly, Paul

Gehrig, Leo
Goerke, Lenor
Graham, George
Green, Melvin
Hendon, John
Henderson, D.
Hilborn, Elizabeth
Hughes, James
Humphreys, James
Hyde, Henry

Kirk, Dudley
Kirkwood, Samuel

Logan, John A.
Lowry, Walter

May, Jacques
McDermott, Walsh

Miller, William

Palmer, Alice
Phair, John G.

Rusk, Howard

Stare, Frederick
Stebbins, Ernest

Wiechman, Gerald

PUBLIC SAFETY

Gross, Martin L.

Snook, Russell
Stewart, C. Allen

Thurston, Arthur M.

Vesely, Erik J.
Vincerb, Clark E.

REGIONAL DEVELOPMENT

Nez, George

TEXTILES

Tillett, Leslie
Towery, Jack

TRANSPORTATION

Aldrich, Chauncey

Banner, Paul H.

Cannell, Rogers S.
Cawthon, Frank
Coleman, Otto

Glore, James

Klemmer, Harvey

MacMannis, Thomas E.

Partee, Paul

Smith, Carl B.
Shumate, Charles

Wiley, Lyle

URBAN DEVELOPMENT

Altschulter, Alan

Morris, Cynthia

Nelson, Joan

Alden-Mur, E. A.
Adams, Oscar L.
Anderson, Carl

Barnett, Preston T.

Clark, Frank E.
Cooke, J. Henry
Criddle, Wayne D.

David, Albert R.
Deheimer, W. A.

Giroux, Carl H.

Hagan, Robert M.
Hall, Warren
Hansbarger, John W.

Lewis, Reed
Love, William E.

Hickell, Frank A.
Huttley, Van E.

Ochs, Walter
Okun, Daniel

Peterson, Dean

Signell, Lloyd G.
Spencer, John N.

Watts, George
Weller, Harvill E.

19-09-12

U.S. Role in Programming

We are to rely more on the international organizations in the future for program guidance and for negotiating major policy changes with the LDCs.

FAM

Our remaining bilateral assistance should be provided largely within a framework established by the international institutions. These institutions and groups like the CIAP in Latin America will provide leadership in the development process and work out programs and performance standards with the lower income countries themselves.

PR

Under an international system of development, international agencies would assume primary responsibility for analyzing conditions and policies in developing countries, for establishing close working relations with appropriate officials in these countries, and for determining total capital and technical assistance requirements and the policies necessary for effective use of investment resources. This would set the framework for the bilateral assistance programs of the United States and other industrialized countries.

[Within the new framework, the U.S.] could assume a supporting rather than a directing role in international development.

[The U.S.] should rely heavily on international organizations to work out programs and performance standards with developing countries and should provide most of its assistance within that framework. This will mean a fundamental change in the conduct of U.S. bilateral programs.

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U.S. Relationship to LDCs

The LDCs have the primary responsibility for developing their programs, setting priorities, and taking the self-help steps which can make outside assistance effective.

FAM

With the experience that the lower income countries have gained in mobilizing their resources and setting their own development priorities, they now can stand at the center of the international development process -- as they should, since the security and development which is sought is theirs.

[The IDC would] enable us to deal with lower income nations on a businesslike basis.

PR

New Capacities in the Developing Countries. Many developing countries now have the capacity and the experience needed to establish their own development priorities and a strong and understandable determination to do so. They are mobilizing more investment resources themselves, and they have many more well-trained, competent professionals and technicians. The developing countries themselves, therefore, should be at the center of the international development effort. The policies they pursue will be the most important determinant of their success or failure. What the United States and other industrial countries do will have only a secondary, though essential, influence on the outcome,

... international agencies would assume primary responsibility ... for establishing close working relations with appropriate officials in these countries.

Multilateralizing Aid

In addition to the larger future role for international organizations, U.S. assistance should be provided within a multilateral framework wherever possible. New consortia or consultative groups should be created where they do not now exist.

FAM

In order to promote the eventual development of a truly international system of assistance, I propose that our remaining bilateral development assistance be coordinated wherever feasible with the bilateral assistance of other donor countries, through consortia and consultative groups under the leadership of these international institutions.

[The IDC] will rely strongly on the international institutions to provide the framework in which to consider individual plans and will participate in the growing number of international consortia and consultative groups which channel assistance to individual lower income countries.

Method of Operation - Personnel

Overseas staff should be reduced as a result of greater reliance on international organizations for analysis, private organizations for technical services and modification of the kind of advisory service provided.

FAM

[The creation of the new institutions] will enable us to phase out the Agency for International Development and to reduce significantly the number of overseas U.S. Government personnel working on development programs.

For example, our program planning for consortia will be based more on analysis and general guidance developed in country studies prepared by the World Bank and other international institutions. Greater utilization of international institutions will permit us to reduce the number of government personnel attached to our assistance programs particularly overseas and make major changes in our present method of operation.

PR

With this new institutional framework, the United States government would need fewer advisors and other personnel abroad.

The current practice of employing large numbers of technicians and advisory personnel in many fields and in many countries should be changed. It has required high overhead and large field missions. Advisory personnel should be used far more selectively and only where a careful assessment indicates that they would be useful,

The above guidelines [on IDI] would mean ... considerably lower expenditures for American technicians and overhead services.

2/10

Country Concentration

Multilateralizing aid should result eventually in the reduction in the bilateral aid program. In the meantime, we should be more selective in the countries we assist.

FAM

Depending upon the success of this approach, I expect that we shall eventually be able to channel most of our development assistance through these institutions.

PR

U.S. interests call for differing priorities among nations and programs. Insofar as U.S. contributions to international organizations are concerned, the uses of resources are determined on a multinational basis. In its bilateral programs, the uses of U.S. resources should depend on U.S. interests in particular countries or particular areas, on where other industrial countries are providing resources, and on where the international institutions are concentrating their efforts.

U.S. lending under such a system would be concentrated in selected countries and selected programs.

[A bilateral lending program] would enable the United States to continue to take up its share, with other nations, of programs in India, Pakistan, Indonesia, and selected African countries and to support Latin American development, which is of special concern to the United States.

But the United States should change the current practice of terminating technical assistance programs whenever concessional development loans end. Terminating both programs at the same time fails to take account of a possible continuing need for professional collaboration and training and of the mutual benefits of continuing such cooperation. Financing arrangements for technical assistance programs can always be adjusted to a nation's ability to pay.

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Program Concentration

The U.S. should reduce the range of activity supported.

FAM

We will concentrate our activities in sectors in which we can make a significant contribution and in areas where long-term development is of special interest to the United States.

The Institute will concentrate on selected areas and focus U.S. technology on critical problems.

PR

U.S. lending under such a system would be concentrated in selected countries and selected programs -- particularly in agriculture and education -- and in multinational projects where long-term development is of special interest to the United States.

The Task Force sees a new role and a new organization for U.S. bilateral lending. If the international agencies are to carry expanded responsibilities for development, the U.S. program must assume a supporting role and not become involved in the entire range of country development policies and programs.

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Program Criteria - Loans

The fundamental objective of the lending program is to help move countries rapidly to self-reliance. Within this context we should seek innovative approaches to supporting a narrower range of objectives primarily in agriculture, education and support of local private sector. Such approaches should combine capital and technical assistance where appropriate.

FAM

A U.S. International Development Corporation [is proposed] to bring vitality and innovation to our bilateral lending activities and enable us to deal with lower income nations on a businesslike basis.

PR

... the U.S. program must not become involved in the entire range of country development policies and programs.

U.S. lending ... would be made on the basis of development criteria:

... the lending program [should] encourage countries demonstrating ability to move rapidly toward self-reliance.

Some countries already have become self-reliant and are beginning to help others; U.S. policies should aim at hastening this process.

U.S. lending ... would be concentrated in ... selected programs, particularly in agriculture and education and in multi-national projects ...

The U.S. program should emphasize loans in support of the local private sector and promote broad popular participation in development. It could include program loans, loans to development banks and regional private investment companies, and loans for infrastructure and other projects. The United States could also finance training institutes, such as vocational schools and scientific centers.

... development of the private sector in developing countries can be encouraged by appropriate domestic policies, by foreign investment, and by an adequate infrastructure and public services. U.S. programs in the past have tended to concentrate too much either on public services or on stimulating private investment.

942

Internal policies that stimulate initiative and domestic investment should be a primary objective of international development efforts.

The United States should invest more capital in local development banks. This is a tested way of getting a multiplier effect in the private sector from the use of public funds. These banks provide equity and loan capital for private firms and underwrite their security issues.

The United States should contribute more actively to the evolution of capital and credit markets in developing countries.

The United States should encourage other governments and more private firms to support regional private investment companies, such as ADELA for Latin America and the Private Investment Corporation for Asia (PICA).

The U.S. lending agency should be able to finance pre-investment and feasibility studies. It also should finance training and expert advisors to strengthen the managerial and technical competence of the borrowing institutions.

In making loans for development purposes, the United States should recognize that development is more than an economic process. It should take into account not only the extent to which a loan will contribute to economic growth but also the extent to which it will encourage social and civic development and will result in a wide dispersion of benefits.

Loan Terms

Loan terms should be hardened selectively.

FAM

[The IDC should have] authority to provide loans with differing maturities and differing interest rates, tailored to the requirements of individual borrowers.

PR

The United States should be able to provide a range of development lending facilities with the terms of specific loans adjusted to individual country circumstances. Terms should range from the most concessional interest rates and repayment terms to near-market rates. The latter would be appropriate for countries that no longer need concessional lending but that do not yet have independent access to private capital markets. For these countries, the United States could provide, or join in providing, guaranty facilities that would enable them to borrow on international capital markets.

Research and Technical Cooperation - Program Concentration

Research and technical cooperation programs need to be further concentrated on critical problem areas.

FAM

The Institute will concentrate on selected areas and focus U.S. technology on critical problems.

The Institute will fill a major gap in the international development network.

PR

The Task Force recommends a basic change in the composition ... of the current technical assistance program.

It would be more effective for the United States to concentrate on a limited number of specific problems, particularly those having regional or worldwide significance.

2/16

Research and Technical Cooperation - Areas of Program Concentration

More funds should be spent on research, population programs, strengthening local development institutions, and support of social development. Programs should be structured so that the LDC takes activity over within a given period of time, which would place premium on innovative activity.

FAM

A U.S. International Development Institute to bring the genius of U.S. science and technology to bear on the problems of development, to help build research and training competence in the lower income countries themselves, and to offer cooperation in international efforts dealing with such problems as population and employment.

The Institute could help develop institutional competence of governments to plan and manage their own development programs, support expanded research in population, cooperate in social development and training programs.

PR

A new U.S. Institute would concentrate on four major areas:

-- Programs to deal with the population problem, which should be carefully designed and worked out with private groups, national authorities, and international agencies,

-- Research, both in the United States and abroad, with a heavy emphasis on strengthening local institutions in the developing countries. New technologies are urgently needed to provide breakthroughs in a variety of fields essential to broad-based development. They must be adapted to the needs of the developing countries and related to programs and local institutions that can ensure practical applications and evaluation of results. The successful combination of the development of new seeds for rice and wheat, and the programs to apply them, are a model. The United States should strongly support similar long-range efforts in agriculture, health, education, and other fields through national, regional, and international projects,

-- Training, both in the United States and in the developing countries. Strengthening local institutions for improving vocational, commercial, agricultural, industrial, scientific, and professional skills is of vital importance for modernizing societies.

-- Support of social development, designed to assure popular participation through organizations such as cooperatives, labor groups, trade associations, and civic associations and through community development programs.

[The IDI] would mean greater expenditures than under the present program for research, population programs, training and support of local institutions and the U.N. Development Program and considerably lower expenditures for American technicians and overhead services.

In each program, [IDI] should seek agreement with the participating country or agency on specific goals, on cost-sharing arrangements, and on plans for the country to take over the program at some time in the future.

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Research and Technical Cooperation - Method of Operation

Present programs need to be modified to reduce direct hire project staff and to increase number of grants made directly to government or to U.S. private organizations for service abroad. Financing for the life of the project should be made wherever possible. New grant agreements may need to be developed.

FAM

[Successful operations] requires flexibility, imagination and a minimum of red tape. If we can provide this Institute with the operational flexibility enjoyed by our private foundations, we can make a major contribution to the lower income countries at modest expense.

PR

The Task Force recommends a basic change in the ... method of operation, and current system of administration of the current technical assistance program.

The United States should seek to operate these programs more as a private foundation would.

An increasing proportion of the work should be carried out largely through private channels -- universities, scientific organizations, business firms, voluntary agencies, and special-purpose organizations in people-to-people and institution-to-institution programs. The program should rely heavily on scientific and professional experts from private institutions for specific assignments, rather than on permanent employees. This would permit the United States to draw on a broad range of talent around the country.

FAM

[The IASDI] will provide grant support for innovative social development programs in Latin America undertaken primarily by private non-profit organizations, and will be aimed at bringing the dynamism of U.S. and Latin American private groups to bear on development problems and at broadening the participation of individuals in the development process.

Mr Parks

October 6, 1970

INFORMATION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: EXSEC

FROM: A/CONT, C. F. Flinner *C.F. Flinner*

SUBJECT: Controller Structure for Implementing Foreign Assistance
in the Seventies

You asked me to consider what would be the controller structure for administering bilateral development assistance under the concepts outlined in the Peterson Task Force report and the President's Foreign Assistance for the Seventies message. You requested that I submit to you my recommendations as to how the proposed U.S. International Development Corporation and Institute should be organized to provide controller services and meet the objectives set forth in the President's message.

In the last several months I have given considerable thought as to how the controller function can be effectively performed utilizing a minimum of staff and with a limited number of U.S. Government personnel located overseas. I have prepared three papers relating directly to this subject which are attached.

- Tab I Organizing for Bilateral Development Assistance, dated September 30, 1970
- Tab II Field Mission Organization: Analysis of Alternatives - Controller Function, dated August 27, 1970
- Tab III Common Services Task Force Paper - Finance Function, dated July 2, 1970

I will be referring to certain portions of these papers in the comments and proposals outlined below.

1. Washington Operations

The July 2, 1970 paper - Common Services Task Force Paper - Finance Function (Tab III) presents alternative means of providing the "Finance Function" service to the five development "entities" proposed to be established in Washington. Pertinent parts of that paper are:

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- Basic Assumptions - Paragraph II, pages 1 and 2
- Alternative D - Paragraph III D, page 4
- Recommendation - First subparagraph IV, pages 4 and 5

In summary this paper recommended that each entity should have a controller, vice-president for finance or other senior member of the top management group who would have the staff responsible for providing the finance functions service for that particular entity with the possibility of some cross-servicing being done for the Supporting Assistance Bureau and OPIC.

The comments made in paragraph IV in support of recommending Alternative D are still valid and I strongly recommend that the Corporation and the Institute each be organized with a controller or vice-president for finance reporting to the president or director and having responsibility for conducting the finance sub-functions outlined in Attachment A to Tab III.

2. Field Operations

a. Long-range and Ultimate Structure - The September 30 memorandum, Subject: Organizing for Bilateral Development Assistance (Tab I) lists what I believe to be the President's major objectives and propositions concerning bilateral development assistance programs and also identifies major work steps or operations involved in administering development assistance. Attachment A to September 30 memorandum suggests who should be assigned the responsibility for performing each of the work steps or operations and where the staff performing the operation should be located.

The attachment supports the proposition that the Corporation or Institute will be primarily responsible for "financing" and "brokering" U.S. private initiative, skills, and resources into the lower income countries with subsequent responsibility for surveillance and monitoring to insure that the projects are properly carried out and terms of the financing agreements are met. The lower income countries would have responsibility for program development and project identification and preparation with the Corporation or Institute financing consultant or advisory assistance when required. The countries would also be responsible for the implementation and management of projects again with the Corporation or Institute financing consultants or contractors to assist them in the implementation and management process when needed.

If the organizational responsibility suggested in Tab I is accepted, and when it in fact becomes operative, I would recommend that there be no controller organizations located in the lower income countries. The Corporation and Institute office in Washington would be staffed to do the budgeting, accounting, disbursing, financial reporting and other ministerial functions associated with

the controller. The Washington office would also have the staff available to assist in project appraisal, agreement formulation and negotiation, procurement selection and funding, and project surveillance and monitoring. This staff would perform these functions in Washington and be available to make periodic visits to the lower income countries and to the projects in order to obtain additional information needed to carry out their assigned responsibilities.

I want to again emphasize that this objective of no controller organization can be accomplished only if the new agencies are established with the concept that they are financing agencies and the borrowers and grantees have project implementation and management responsibility. If field missions are established which assume responsibility for project management, then controller staffs will have to be assigned to the field and accounting records maintained in the field.

b. Transitional Structure - Recognizing that there will need to be a transition from the way A.I.D. operates today in the lower income countries to what may be the ultimate method of operation, consideration must be given to how it is best to organize for the controller service in this interim period. The August 27, 1970 paper, Subject: Field Mission Organization - Analysis of Alternatives - Controller Function (Tab II) outlines some ways in which controller staff reductions overseas can be accomplished. While some ministerial functions can be consolidated, centralized or performed by U.S. Embassy staffs, it is important to remember that the substantive part of the Mission controller's function is in support of the major work steps or operations necessary in administering development assistance. The staff needed to give this support has to be located where the staff assigned the responsibility of performing the operation is located. Therefore, when the responsibility for performing the operational step is moved from the lower income country to Washington the controller supporting staff can also be removed from the lower income country.

c. Current Action Being Taken to Reduce Overseas Staffs - While there has been very little done to date in the way of moving substantive program operations or decision making from lower income countries to Washington, the Office of the Controller has anticipated that this should be the trend and has taken the following actions toward reducing American and Local controller staffs overseas:

(1) Controller function in Burma has been satellited onto Thailand without an increase in Thailand's staff.

(2) Controller function for Jamaica and Haiti, previously performed in Haiti, has been closed out and now being performed out of Washington.

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- (3) Plans are underway to close out the controller function in Venezuela and Argentina soonest.
- (4) Agreement has been reached with Africa Regional Bureau to move The Central West Africa controller function from Dakar, Senegal to Washington effective February 15, 1971.
- (5) Controller function for Southern Africa (OSARAC) will be moved from Lusaka, Zambia to Washington approximately February 15, 1971.
- (6) A study is in process which will consolidate the ministerial controller functions now in the five Central American countries and ROCAP into one office in Central America with the possibility of also consolidating the substantive program support functions.
- (7) Consideration is being given to also moving the controller function for RTAC in Mexico to the consolidated Central America Office.

Each of the above moves are relatively small as far as numbers of staff; however, overall it is making some reductions in overseas staff and more important is giving the Washington Office of the Controller an opportunity to test and experiment in devising effective means to perform on a centralized basis.

3. Reductions in Reporting Workloads in Missions

The Office of Management and Budget has recently instituted a government-wide requirement that each Department and Agency undertake a review of all of its reports to assure that each report is necessary and fully serves the purpose for which it is intended.

The Office of the Controller has coordinated with DS/MSD and has reviewed each of the controller reports (both Washington and Field) to ascertain the man-hours required in the report preparation and distribution, as well as the input data and source for each of the reports. We are now starting a review in depth of each report to see if the data of one or more reports can be consolidated, if the report is necessary, and what will be needed to eliminate, either the report or some of the report requirements. I plan to have one or two of our experienced field controllers now on rotation here in Washington take a hard-nosed look at all the field to Washington reports to see what they believe can or should be eliminated or revised to reduce the workload of the Mission controller staffs. At the same time that reports are reduced we will see if related accounting records in the field can be eliminated or reduced.

I expect the above exercise to help eliminate some reporting and accounting workload of the Mission. It appears to me, however, that a major reduction

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in maintaining accounting records and preparing financial reports can best be achieved if and when we can get the Agency out of the implementation and management of projects and programs and place this responsibility on the countries and contractors. Such a change in concept would change considerably the type of accounting that is being done. Different and probably much less accounting information will be needed if responsibility is for monitoring and surveillance than is needed when it is for implementation and management.

I will be very happy to discuss in more detail or furnish you additional information on any of the above topics, if you so desire.

Enclosures

A/CONT:CFFlinner:rmc:10/7/70

cc: AA/A, LDwinell
AA/A, WLParks

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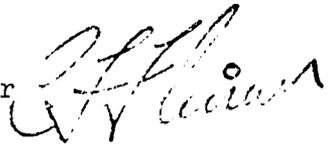
UNITED STATES GOVERNMENT

Memorandum

TO : AA/A, Gov. Lane Dwinell

DATE: September 30, 1970

FROM : A/CONT, Charles F. Flinner



SUBJECT: Organizing for Bilateral Development Assistance

Now that the President has submitted his message to Congress on Foreign Assistance for the Seventies I am sure thought is being given to the best way organizationally to implement the President's objectives. I recognize that there is to be active discussion of his proposals with the Congress and the final legislation passed by Congress may differ in part from the proposal. It appears, however, that putting down on paper some thoughts that I have had would not be wasted at this time and might be helpful at least in starting a dialogue. It is with this in mind that I would like to submit the following comments and organizational proposal, applicable only to the bilateral development assistance programs, for the consideration of yourself and others.

Many times new organization design is really a reorganization of the existing structure. Such a design tends to be influenced by current organizational standards, procedures, personalities and self interests. A better approach to organization design is to develop the new structure by identifying the primary work or operations of the organization in terms of its new objectives without considering current organizational structure. The President encourages that approach when he stated, "our assistance program, like the rest of our foreign policy, will be changed to serve the future rather than simply continued to reflect the habits of the past."

Presidential Objectives and Propositions

In the President's Foreign Assistance for the Seventies message, as well as in his A New Strategy for Peace message and the Peterson Task Force report, the following objectives and propositions, which must be considered in developing the new organizational structures, are mentioned many times.

- Need to fix responsibility more clearly
- Ability to assess the success of programs
- Measure achievement of specific objectives
- Bilateral assistance provided largely within an international institution framework
- Establishment of a U.S. International Development Corporation



- Establishment of a U.S. International Development Institute
- Deal with lower income nations on a business-like basis
- Bring the genius of U.S. science and technology to bear on problems of development
- Build research and training competence in the lower income countries themselves
- Reduce significantly the number of overseas U.S. Government personnel working on development programs
- A logical framework for separate but interdependent programs
- Bilateral funds made available through multi-year appropriations
- A mechanism to plan and coordinate all U.S. foreign economic policies and programs

Development Assistance Primary Operations

The primary operations or steps that are involved in conducting economic development assistance programs, whether the funds are made available in the form of loans or grants and whether the type of assistance furnished be capital, program or technical, can generally be stated as follows:

- Policy Formulation
- Program Development
- Project Identification and Preparation
- Project Appraisal
- Agreement Formulation and Negotiation
- Procurement Selection and Funding
- Project Implementation and Management
- Project Surveillance and Monitoring
- Program Evaluation and Audit

These steps appear to be generally accepted and are used by all engaged in development assistance activities whether they be multilateral institutions, governmental agencies or private foundations.

Having identified the primary operations which need to be performed in conducting U.S. bilateral development assistance programs, it then becomes a matter of course to decide where, and by whom these operations should be performed in order to effectively carry out the President's objectives and propositions. The attached chart with explanatory comments indicating work steps, assignment of responsibility and the location of the staff performing the work is suggested as one way to achieve the objectives of the Peterson Task Force Report and the President's message.

Enclosures

ORGANIZING FOR BILATERAL DEVELOPMENT ASSISTANCE

WORK STEP	ORGANIZATION RESPONSIBLE	LOCATION OF STAFF
1. Policy Formulation	U.S. Government Coordinating Staff or Council	Washington, D. C.
2. Program Development	Lower Income Country assisted by Economic Development Attache	Lower Income Country
3. Project Identification and Preparation	Lower Income Country Assisted by Economic Development Attache	Lower Income Country
4. Project Appraisal	Corporation or Institute	Washington, D. C.
5. Agreement Formulation and Negotiation	Corporation or Institute	Washington, D. C.
6. Procurement Selection and Funding	Corporation or Institute working with Borrower or Grantee	Washington, D. C.
7. Project Implementation and Management	Borrower or Grantee with their Contractors and Consultants	Lower Income Country
8. Project Surveillance and Monitoring	Corporation or Institute	Washington, D. C.
9. Program Evaluation and Audit	Corporation or Institute and/or Coordinating Staff or Council	Washington, D. C.

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Policy Formulation:

Responsibility - Coordinating Staff or Council
Location - Washington
Comments - The Peterson Task Force recommends U.S. International Development Council to formulate basic international development strategy and policy and to coordinate related aspects of international development. The President indicated in his message that he would establish a new mechanism to plan and coordinate foreign economic policies. Obviously this mechanism will be located in Washington.

Program Development:

Responsibility - Lower Income Country assisted by Economic Development Attaches
Location - Lower Income Country
Comments - It is suggested that a senior development economist with a small staff be attached to the U.S. Embassy to assist the lower income countries with development programming and project identification and preparation. In the major emphasis countries where the direction is toward assistance being furnished under consortium or consultative group arrangements the development economist would be working with other members of the group assigned to the country. If the country reached the competence to plan its own development program or one of the international institutions were developing the country's program, the development economist's role may be primarily to coordinate the bilateral portion, obtain the U.S. Ambassador's comments or concurrence, identify and prepare the projects or programs and submit them to the Corporation or Institute for analysis and financing.

Project Identification and Preparation:

Responsibility - Lower Income Country assisted by Economic Development Attaches
Location - Lower Income Country
Comments - As indicated above the development economist and small staff attached to the U.S. Embassy would be responsible for identifying and preparing projects (capital and technical) for Corporation or Institute financing. Since most of the lower income countries do not have well-prepared, high priority projects ready for financing this staff would be available to assist the government in this operation. They would see that the projects not only fit into the development program planned for the country but also fits into the policy and strategy formulated by the Washington Council. In some instances where considerable bilateral assistance is being given the development economist's staff may be augmented by an engineer, development services officer (primarily responsible for technical assistance projects), and a financial analyst. In instances where the staff of the Economic Development

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Attache's office is not of sufficient size or has the capability to do the project identification or preparation work, the Corporation or the Institute may finance the cost of a pre-financing study of a project or sector on a grant basis contracting with consultants to make the study.

The employees assigned in the economic development attache office would be employees of the Corporation or Institute assigned to the U.S. Embassy for specific tours of duty. While attached to the Embassy they would receive support from the Embassy. Since this staff, even at the largest assistance countries would not be more than six or eight and their function limited to assisting the government on program development and project identification and preparation, there would be no need for the Corporation or Institute to have any administrative or financial support staff located in the country.

Project Appraisal:

Responsibility - The Corporation or Institute
Location - Washington
Comments - Projects (capital, technical and program) identified and prepared by the lower income countries or with the assistance of economic development attache offices would be submitted to the Corporation or the Institute in Washington for appraisal prior to financing. The degree and intensity of the appraisal will depend on the type of project proposed. Appraisal would include the investigation of various aspects of the project such as economic, technical, managerial, organizational, commercial and financial. To the extent possible these appraisals would be made in Washington from the data and information submitted by the country in support of the project. If required, individual specialists or a team of specialists would go to the country in order to obtain additional information to complete the appraisal process. In certain instances contracts could be let with engineering, management, accounting or other specialized consulting firms to work on specific aspects of the appraisal.

Agreement Formulation and Negotiation:

Responsibility - The Corporation or Institute
Location - Washington
Comments - Once the projects submitted by the governments have been appraised and it is determined that a project is to be financed, the Corporation or the Institute would have the responsibility for formulating the agreement and negotiating it with the government to which the grant or loan is to be given. This formulation and negotiation would be performed by the Washington staff of the appropriate agency. Negotiating teams from Washington could be sent to the lower income countries when a major project or program grant or loan agreement was to be negotiated.

In the case of agreements providing additional financing to continuing grant projects or small new loan or grant project agreements the negotiations could be done through the U.S. Embassy in the country. On program loan agreements or major capital project agreements more reliance could be made on the lower income country's Embassy in Washington to participate in the negotiation of the agreements.

Procurement Selection and Funding:

Responsibility - The Corporation or Institute
Location - Washington
Comments - The Corporation and the Institute, under the concepts outlined in the Peterson Task Force report and the President's message, are financing institutions rather than implementing institutions and therefore should take the position of making funds available to the borrowers or grantees for their use in implementing the projects or programs the institutions have agreed to finance. Neither the Corporation nor the Institute would be involved as parties to the contract for the procurement of services, commodities or equipment. The staffs of the Corporation or the Institute located in Washington would satisfy themselves before making disbursements that commodities or services to be purchased are suitable for the projects or programs and that the terms of purchase are reasonable. The borrower or grantee would be responsible for carrying out all stages of the procurement process and the Corporation or Institute, by exercising reviews and approval actions, would take the role of monitoring the procurement to see that it was in accordance with the terms and accomplishes the objectives of the agreement. Funding of dollar or foreign exchange costs of projects or programs could be made by advances or reimbursement to the borrowers or grantee or directly to the contractor or supplier through a letter of credit authorized by the borrower or grantee. The financing of local expenditures could be accomplished in the same manner.

The Corporation and the Institute should accept the role of a financing institution but can also participate as a "broker" in recommending competent contractors and consultants to the borrower and grantee. To the extent this competence rests with American contractors or consultants, the Corporation and Institute would be achieving the objectives of the President in bringing the genius of U.S. science and technology to bear on problems of development, strengthening the capacity of U.S. institutions and private enterprises to develop and carry out economic development programs and at the same time reducing significantly the number of U.S. Government personnel working on development programs.

Project Implementation and Management:

Responsibility - Borrower or Grantee and borrower/grantee contractors
Location - Lower Income Country
Comments - Since the Corporation and the Institute are to be financing institutions rather than implementing institutes and in order to clearly fix responsibility for the implementation and management of the projects and programs being financed by grants or loans to the borrowers and grantees, it needs to be made clear in the loan or grant agreements that this responsibility rests with the borrowers or grantees and the contractors, consultants or other personnel employed by them. The Corporation and Institute would see that the projects and programs are proceeding in a satisfactory manner by exercising their role and responsibility of project monitoring and surveillance as outlined below.

To the extent that individual advisory or consultant expertise would be required by the borrowers or grantees in implementing the programs or projects, the Institute or Corporation could make individuals available to work with the borrowers or grantees. In these cases it should be clearly understood and adequately documented in the agreements that if the individuals assigned are on the rolls of the Corporation or Institute, they are not on the project as employees of the Institute or Corporation but detailed to work for the borrower or grantee. Private foundations make their limited staffs available to their grantees in this manner to clearly distinguish that the responsibility for implementing and managing the programs or projects rest with the grantee and not the foundation.

Project Surveillance and Monitoring:

Responsibility - The Corporation and Institute
Location - Washington
Comments - Following the concept that the borrower or grantee and their employees, consultants and contractors are responsible for project implementation and management, the agency financing the project, either the Corporation or Institute, should maintain a staff of competent personnel to monitor and provide surveillance over the project implementation process. The financing agencies would be concerned that the projects are properly carried out. The Corporation and the Institute would have several means available to them to monitor the progress of the implementation and to provide early warnings of problems which may be arising. Borrowers and grantees would be required to keep records and submit regular reports to the Corporation and Institute on progress of implementation. Reports could be supplemented by periodic visits to the projects by the Corporation or Institute staff. The composition of the team making the visit to the site of the project would vary depending on they type of project and the problems

which might be arising. They could be composed of engineers, supply advisors, lawyers, financial analysts, technical assistance specialists, management analysts, etc. They would examine the work being done, maintenance of equipment, utilization of commodities, procurement processes, maintenance of accounting records and seeing that administration and management of the projects is proper. Solutions of problems which may be occurring would be discussed with the borrower or grantee in time to take corrective action. The agencies could, if desired, finance consultants who would perform the monitoring function independently and report back to the Corporation or Institute.

Arrangements for drawdown or disbursements of funds under the loans or grants could be tailored to provide an additional means of monitoring the progress of implementation.

Program Evaluation and Audit:

Responsibility - The Corporation or Institute and/or Coordinating Staff or Council
Location - Washington
Comments - Program Evaluation and Audit differs from Project Surveillance and Monitoring in that it takes the form of a much broader look or oversight of the entire bilateral program being conducted in the lower income country whether the assistance is being furnished by the Corporation or the Institute. The Corporation and the Institute would both probably want to have an evaluation capability on their Washington staff to review their individual financed programs. This should be a built-in function in each agency's Programming, Planning and Budgeting System.

In addition to the monitoring and surveillance function of individual projects or programs being carried on by the Corporation or Institute a broader management audit of the Corporation's and Institute's operations may be desired by the Executive Branch. This type of inspection or management audit could be performed by an organization similar to the Inspector General of Foreign Assistance or Auditor General of A.I.D. who would submit their findings to the heads of the Corporation and Institute as well as to the Coordinating Staff or Council.

These evaluation and auditing functions would be carried out by staffs located in Washington and making periodic visits to the lower income countries to augment their reviews and inspections of data and documentations maintained by the Corporation and Institute in Washington.

August 27, 1970

SUBJECT: Field Mission Organization: Analysis of Alternatives
Controller Function

Prepared by: CFFlinner, A/COMT

General

The Controller function being performed in the field missions is not a function separate and apart in itself. For the most part it is a supporting service for the various processes or activities which the mission performs when conducting foreign economic assistance programs in cooperating countries. In each of these activities or processes such as Programming, Project Identification and Preparation, Project Appraisal, Approval or Agreement of Loans or Grants, Implementation, Monitoring, Surveillance, and Evaluation the Controller has a supporting function. These substantive supporting functions require the major time and effort of the U.S. direct hire personnel in the Controller offices overseas. The ministerial functions usually associated with the Controller such as voucher auditing, payrolling, cashier services, administrative accounting, etc. are usually performed by local personnel with general supervision by an American.

Attachment A is a listing of sub-functions of the Mission Controller function as they relate to the substantive processes usually performed by AID Missions overseas. The extent of these sub-functions will, of course, depend on the types of assistance being made available to each cooperating country. The dollar value of a country program or the number of U.S. technicians in a particular country are not as much an indicator of Controller workload in that country as is the different types of assistance being given, the number of programs or projects being administered and the manner in which the programs or projects are being implemented and administered. Attachment A also lists the general financial management and fiscal or ministerial sub-functions.

Attachment B is a listing by country of the authorized U.S. direct hire personnel positions in the Mission Controller offices overseas as of July 31, 1970.

Alternatives for Reducing Staff

As indicated above the duties and responsibilities and the services provided by U.S. direct-hire controller staff in the field missions

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are an integral part of the program development, implementation and monitoring processes and therefore, to determine what reductions can be made, one needs to look specifically at each mission to determine what functions are being performed by the mission. Other than the ministerial service, which in some instances can be performed by the American Embassy, these services must be performed by U.S. direct-hire personnel and cannot be contracted for nor performed by the host country.

Some generalizations may be made as to reductions that can be expected if certain actions are taken to reduce functions or activities being performed by the field missions.

1. General reduction of staff but no reduction of activities or program processes. A general reduction of staff in the mission, even to the extent of cutting back on on-going projects, does not have a material effect on the requirements of U.S. direct-hire controller personnel if the mission still retains responsibility for all phases and activities in the program process. Probably, if the total staff overseas were reduced by 50% and the missions still retained all responsibilities for programming, implementation and monitoring, it would not be prudent to reduce more than 10% of the 136 controller positions now authorized (this excludes Vietnam).
2. Regionalization of responsibilities - A program of regionalization of missions would provide the opportunity for further reductions in U.S. direct-hire controller personnel if the regionalization were complete. As an example, if the five Central American missions and ROCAP were completely consolidated into one office where all policy decisions were made regarding programming, planning, implementation and monitoring, the nine positions now in that area could probably be reduced to four or at the most five. This could be accomplished even if the same number of projects and technicians were retained in all of the five countries. Similarly, a program of satelliting a smaller mission's program onto a neighboring larger mission would permit reductions in the U.S. direct-hire controller staff. If Colombia had all the responsibilities for the projects and technicians in Venezuela, the controller staff in Venezuela could be eliminated with no increase in Colombia. The Nepal program satellited on India would permit reduction of the two positions in Nepal.
3. Centralization of functions into Washington - Again under the current method of operation where missions have responsibility for programming, planning, implementation, monitoring and surveillance activities there is very little if any of the Controller sub-functions

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which can be effectively centralized in Washington and permit a reduction of U.S. direct-hire controller staff overseas. If parts of these program activities were removed from the field's responsibility and placed elsewhere, some reductions in Controller staff could be accomplished. At the present time full responsibility for implementation and monitoring of Technical Assistance programs rest in the mission. This makes it necessary to have all of the Technical Assistance accounting and related fiscal and controller functions be maintained in the missions. If the policy were made to go entirely to contracts or grants to countries for technical assistance programs and the mission did not have responsibility for implementation and monitoring was performed by Washington offices, the Controller U.S. direct-hire staff in the missions concerned primarily with technical assistance could be reduced significantly. To carry this to the ultimate, if the decision was made to move all of the responsibilities from the field to the Washington offices for all activities except the program development activity, it would be possible to eliminate practically all of the U.S. direct-hire controller staff in the missions except for one or maybe two in the ten or twelve countries where the most extensive and comprehensive programs are being financed.

Enclosures

A/CONF:CFFlinner:rmc

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MISSION CONTROLLER FUNCTION

SUB-FUNCTIONS

A. In Support of Program Planning Process:

1. Program Assistance

Reviews country central bank and commercial bank relationship
Analyzes import licensing and foreign exchange control procedures
Recommends method of financing
Recommends minimum size of eligible transactions
Analyzes program content to avoid comingling
Assures controls in effect to prevent re-exporting
Reviews plans for control and utilization of local currency operations
Analyzes local cost requirements and local currency availabilities
Analyzes exchange rate provisions

2. Capital Assistance

Participates in Capital Assistance Executive Committee
Review and appraisal of fiscal, operating and reporting procedures
and capabilities of borrower/grantee
Assists borrower/grantee understand his financial and reporting
responsibilities
Reviews local cost elements of projects
Analyzes availabilities of local currency to mission
Recommends proposals for maximizing host country contributions
Minimize dollar funds being used for non-dollar costs
Reviews and analyzes financial information and statements
submitted by prospective borrowers
Analysis of revenues generated by activity and other projected
earnings
Comment on probable financial capacity of borrower to repay
Recommend submission of audited financial statements

3. Technical Assistance

Analyzes proposed funding and timing of fund releases
Accurate analysis of fund requirements and size of pipe line
Firmness and extent of projected country contributions

B. In Support of Approval and Authorization/Agreement Process:

1. Program Assistance

Participates in preparation of Implementation Practices Paper

Analyzes extent which waivers or deviation from established procedures are necessary
Reviews past programs, audits and relations with cooperating country
Assures right of audit and access to records
Reviews country's ability to deposit counterpart promptly
Reviews country's record on settling refund claims
Recommends appropriate safeguards in program agreements

2. Capital Assistance

Recommends financial management aspects in Capital Assistance Papers, Capital Assistance Agreements and implementation letters
Provides guidance on financial reporting requirements in loan or grant agreements
Sees that borrower/grantee understands and is willing to undertake fiscal responsibilities
Analyzes borrower/grantee capability of maintaining accounting and property records
Participates in pre-authorization reviews

3. Technical Assistance

Reviews past performance and relationships with cooperating country implementing agency
Ascertain country performance in making local currency, personnel, facilities available
Country's record on taking corrective actions on previous audit report recommendation
Effective utilization of previously trained participants
Prompt country response to implementation actions required by previous grant agreements
Analyzes weaknesses in implementing previous agreements
Maintains surveillance of matching fund requirements

C. In Support of Implementation and Monitoring Process

1. Program Assistance

(Obligation and allotment accounting performed in AID/W)
Perform initial implementation and procedural surveys on selective test basis
Test compliance with implementation procedures
Assure deposit of counterpart funds
Recommends actions to clear off deficiencies disclosed
Follow up on corrective action

2. Capital Assistance

(Obligation and allotment accounting performed in AID/II)
Review borrower/grantee's accounting system and resource control
Review and analyze financial information from borrower/grantee
Test check borrower/grantee compliance with agreement provisions
Assure borrower/grantee has arrangement for audit of contractor's performance

3. Technical Assistance

Cost out fiscal year requirements
Request allotment of funds
Establish fund control system and maintain allotment and project accounting records
Review obligation documents for propriety of funding
Determine appropriateness of obligations
Assure availability of funds
Establish accrued expenditures
Post local and AID/W disbursements
Monitor pipeline
Prepare fiscal and project reports for managers and technicians
Review progress of implementation and reschedule funds
Make early implementation reviews of project performance
Propose remedial action for deficiencies or implementation problems
Follow up on audit recommendations and project management

D. General Financial Management:

Control officer for GAO, IG and Auditor General teams or personnel
Responsible for mission monitoring of actions based on audit reports
Participates in recommending audits to be performed by AG
Reviews and analyzes reasonableness of prospective contractor proposals
Perform financial/operational analyses of programs and projects
Makes instant surveys or reviews of component parts of program projects
Provides financial advice to Mission Director, Program Officers and technicians

E. Fiscal Functions:

Audit and certification of local vouchers
Submission of vouchers to DO for payment
Administering the Mission Administrative budget
Payrolling local employees
Maintaining cashier services

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Filing refund claims and maintaining control over Accounts Receivable
Scheduling local currency disbursements and releases
Submission of accounting and financial reports to AID/W

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US A.I.D. CONTROLLER POSITIONS AS OF JULY 31, 1970

<u>Region & Country</u>	<u>Number</u>
<u>AFRICA</u>	
Congo	3
Ethiopia	3
Ghana	2
Kenya	3
Liberia	3
Morocco	3
Nigeria	6
Somalia	1
Tanzania	1
Tunisia	4
Uganda	1
Zambia	1
CWA (Daega) <i>Daega</i>	2
Total	33
<u>EAST ASIA</u>	
Indonesia	5
Korea	4
Laos	10
Philippines	2
Thailand	5
EA Regional	1
Total	27
<u>NESA</u>	
Afghanistan	4
India	5
Nepal	2
Pakistan	8
Turkey	6
Total	25

<u>Region & Country</u>	<u>Number</u>
LATIN AMERICA	
Argentina	1
Bolivia	6
Brazil	8
Chile	4
Colombia	4
Costa Rica	1
Dominican Republic	4
Ecuador	3
El Salvador	1
Guyana	2
Guatemala	4
Honduras	2
Mexico	1
Nicaragua	1
Panama	3
Paraguay	1
Peru	3
Uruguay	1
Venezuela	1
Total	51
VIETNAM	36
Grand Total	172

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July 2, 1970

COMMON SERVICES TASK FORCE PAPER

SUBJECT: Finance Function

PREPARED BY: CFFlinner, A/CONT

I. Description of the Service:

Rather than prepare separate papers on the three services suggested in the June 10, 1970 memorandum, which I believe do not fully relate or adequately describe the various services currently being performed by the Office of the Controller nor which will be required by some of the new entities, or prepare the numerous papers required for each specific service, I have incorporated all of the services under the title, "Finance Function." Attachment A gives a further breakdown of the major services and indicates which services are required by the five development "entities" and where it is recommended that they be conducted.

The "Finance Function" incorporates the functions and responsibilities of the three members of the top management group in larger corporations, the treasurer, the controller and the vice-president of finance.

The American Management Association's Research Study 55 - Company Organization of the Finance Function - summarizes the duties of these three top managers as follows:

"The treasurer is largely responsible for obtaining capital from external sources and for possessing and managing the cash, valuables, and property of the firm. This latter is often referred to as his "custodial" function. The controller is charged with maintaining the company's financial health through "inspection" activities - accounting and auditing. The controller "controls" the disbursement of money so that it is used honestly, efficiently, and according to previously determined policy. The vice-president of finance (if the firm has one) is most often a policy making manager who forms a link between other top company managers and the financial activities of the company. One of his principal duties is supervising the treasurer and the controller."

II. Basic Assumptions:

A. All of the five development "entities" will be primarily directed more to the "financing" and "brokering" of U.S. private initiative, skills, and resources into the developing countries and less involved in the implementation and execution of programs and projects.

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(Task Force - "The current practice of employing large numbers of technicians and advisory personnel in many fields and in many countries should be changed.-- An increasing proportion of the work should be carried out largely through private channels - universities, scientific organizations, business firms, voluntary agencies, and special-purpose organizations in people-to-people and institution-to-institution programs.")

B. Several of the entities will have special financing functions associated with corporation organizations, i.e., responsible for fund raising and the investment of liquid funds.

(Task Force - "The Bank would have assured sources of financing, including authority to borrow in the public market, and a range of lending terms appropriate to the development requirements of each borrowing country.")

C. As a result of A and B above, and with corporation by-laws normally providing and specifying finance function, each of the entities, with the exception of the SA Bureau, State Department, will provide in their organizational structure a position specializing in financial affairs.

II. Alternatives

A. Each entity provides the service for itself, from its own resources:

- Advantages

1. More direct relationship with and knowledge of the specific purpose, function and operation of the entity being serviced.
2. Senior finance official able to participate and influence policy decisions.
3. Smaller organization permitting more flexibility in procedures and systems.
4. Capability of designing procedures, accounting structure and reporting system to specific purpose and program of individual entity.
5. Better staff performance because of group relating their work to goals and objectives of development entity rather than servicing organization.
6. More able to attract employees to work with goal oriented entities.

- Disadvantages

1. More costly in both manpower and in dollars. (One would have to assume it would require more people and funds if the function were done in five organizations rather than one. However, since each entity has its own specialized program and, therefore, special accounting systems and reports - except the Bank and SA Bureau - it may require almost same resources even if performed in one organization.)
2. Duplication of some sub-functions in entities.
3. Certain scarce skills or positions requiring long experience and training being duplicated thereby increasing scarcity and difficulty in filling positions.

B. All five entities receive the service from one Central Service Organization separate from any of the five.

- Advantages

1. Possible savings in manpower and dollars.
2. Better utilization of scarce or skilled employees.
3. Possibility of more mechanization or computer applications.
4. More specialization may support higher grades.

- Disadvantages

1. Loss of all the advantages listed in A above, plus
2. Problem of establishing priorities between entities being serviced.
3. Negotiation of reimbursement for services provided.

C. One of the new entities provides the service to all five of the new entities.

- Advantages

1. All the advantages listed in B above.

- Disadvantages

1. Loss of all of the advantages listed in A above except 2, plus
2. Accused of giving priority service to home entity and other entities being second class customers.
3. Establishing priorities between entities being serviced.
4. Negotiation of reimbursement for services provided.

D. Each entity provides the service for itself, from its own resources except (1) the Bank performs accounting and financial review functions on a management fee basis for SA Bureau, (2) the Bank performs loan accounting function on a management fee basis for CPIC, and (3) the payroll function is performed on a management fee basis for all entities - if there is a common personnel system - by the entity performing the common personnel function.

- Advantages

1. All advantages listed in A above, plus
2. Avoid establishing duplicate function in SA Bureau for project and program accounting and reporting for Laos, Vietnam and Thailand.
3. Consolidation in one computerized system small Cooley and Private Enterprise loan accounting with larger Bank loan accounting.
4. Common payroll service if common personnel system is employed.
5. Minimize increase in manpower and dollar costs.
6. Better utilization of some common skills, procedures and systems.

- Disadvantages

1. Some duplication of sub-functions.

IV. Recommendations:

First Preference - Alternative D

It would appear obvious that if the Peterson Task Force recommendations are followed and five separate entities are established, the Board of Directors and operating executives of each would prefer to have a complete self-contained and internally directed operation rather than rely on external sources to provide services. The most objectionable feature to complete

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self-service is the possibility of requiring more manpower and increased dollar cost for services being duplicated in all or several of the separate entities. Alternative D provides the maximum advantages of complete self-services and at the same time minimizes the possibility of increased manpower and dollar resources because of duplication of common finance sub-functions.

As indicated by basic assumptions A and B the entities will all be vitally interested and involved in a financing function, probably the most important function they will have, and it stands to reason that the directors and top management will want to hold to themselves the finance sub-functions which are normally associated with the corporation treasurer or the governmental budget request operation, i.e., responsibility for fund raising - whether it be by annual appropriations, borrowing authority, capital replenishment or private subscription - and investment policy of surplus funds of the entity. It also follows that these same directors and top managers will also want to have direct control and supervision over the budgeting function - i.e., programming and allocation of resources - normally assigned to the Controller.

It is when you look at the other finance sub-functions normally assigned to the Controller, whether it be in a private corporation or a governmental entity, that the question arises if they should be provided internally by each of the entities, if it be preferable to do some cross-servicing, or if they be provided by a common service organization. These finance sub-functions can normally be classified as Accounting (whether it be corporate, general, cost or project), Preparation of Financial Statements, Preparation of Payroll, Review and Approval of Disbursements, and Systems and Procedures.

Looking at Alternative D and more specifically reviewing the individual sub-functions on Attachment A, it will be noted that an attempt has been made to consolidate or provide cross-servicing for operations or programs which are common and to leave with the individual entity the operation of programs which are peculiar to that entity.

For the most part, to be effective as well as efficient the design and operation of an Accounting System and the preparation and distribution of Financial Statements and Reports resulting from that accounting system should be tailored and constructed to accommodate the particular program or operation which is being serviced. An analysis of the function and responsibility of the five development entities reveals that other than the Bank and the SA Bureau their programs and objectives are distinct unto themselves. As a result each should have an accounting and reporting system designed and operated to control and report for its particular program. No savings are realized by consolidating these finance sub-functions of Accounting and Preparation of Financial Statements into a common service organization or having one entity service the others. In fact, to do so would create inflexibility in the servicing entity to provide meaningful and needed service to the/entity. As an example of the problems which would be encountered,

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one need only look at A.I.D. today where, because of the variety and complexity of program, too often programs are molded into an accounting and reporting system designed for another program rather than a separate but more efficient and meaningful system and report being designed for it. The argument is made that the cost and problems involved in permitting deviations from the normal or in setting up new systems for smaller programs are not worth the benefits to be received. In fact, the problem is that the organization is too big and incapable of adapting changes efficiently. The tail ends up wagging the dog.

In the case of the Bank and the SA Bureau, it appears that the bi-lateral programs to be conducted by them will probably be the same except for the source of funding, one being Supporting Assistance and the other being Development Assistance. For this reason, Alternative D recommends that arrangements be made for the Bank to provide project and program accounting, financial reporting and the financial review services for the bi-lateral programs carried out in Laos, Vietnam and Thailand. These are services State does not currently perform and in some respects require specialized skills and experience, i.e., banking arrangements, project assistance and program assistance accounting and reporting, commodity review and approval, freight management, etc. State would still have the appropriation request and fund allocation responsibility including issuances of allotment and appropriation accounting. The Bank would perform the service based on field reports and supplier and contractor documents and when disbursements are sent to the Treasury for payment, schedules of disbursements would be sent to State to be incorporated into their appropriation accounting system. Although not listed as a basic assumption, it is assumed that in the case of the bi-lateral programs in Laos, Vietnam and Thailand the objective is to move from Supporting Assistance financing to Development Assistance financing as soon as military and political considerations makes this possible. To have the Bank continue to do the services described above would permit the transition from SA to DA without transfer of staff and minimum difficulty. Since SA funding is generally accepted as temporary assistance, State should not be staffed on a permanent basis for this function but would look for services elsewhere.

This rationale would not hold true for the Public Safety programs or Voluntary Agencies Relief programs to be administered by State. These programs, unlike the SA bi-lateral programs, are more permanent in nature and can best be administered and controlled by designing accounting and financial reporting systems particularly directed toward their objectives. While the technical assistance project system used by the Bank may be good for general technical assistance bi-lateral programs, it does not follow that such documents as PROP, PIP, ProAgs, PIO, etc. should be used for the Public Safety program. A more simple system which could provide specific information for the specific program concerned should be developed. To have someone other than the using agency develop and implement the system is not appropriate.

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Alternative D also provides that the Bank perform the "Loan Accounting" finance sub-function for OPIC. Under the Task Force recommendation the majority of development loans will be administered by the Bank. With OPIC having responsibility for Cooley Loans and certain private enterprise loans, it seems appropriate for OPIC to rely on the Bank to furnish certain loan accounting functions. These functions are now being performed on the computer and are not large enough separately to justify computer use. OPIC would still retain the management and decision making function for their loans.

The Payroll sub-function is one which is more acceptable for common servicing. If each entity has its own personnel and salary determination system then they should each perform their own payroll service. If a common system is used and if a common Personnel Office is established, it is recommended that the payroll service be centralized and placed in the same entity as the Personnel Office.

The Review and Approval of Disbursements sub-function as it relates to program disbursements is directly tied to documentation and accounting procedures and, therefore, if the accounting and reporting system is specialized and performed by each entity, the voucher examination should also be performed in the individual entities. As indicated above, the review and approval of the project and program disbursements for the bilateral Laos, Vietnam and Thailand programs would be performed by the Bank for State on a management fee basis. Review and approval of administrative type disbursements are also recommended to be performed by the individual entities since they will already be performing the function for program disbursements. As an option considered but not recommended in Alternative D is the possibility of centralizing the review and approval of administrative type disbursement. This could be considered if there were established a centralized Office of Administration servicing all five entities. With other finance sub-functions being performed in the individual entities under a Vice President Finance, Treasurer, or Controller procedures for documents to flow from the centralized Office of Administration to the accounting office of the respective entities would have to be established and coordinated. Any savings in time, personnel or costs would be minimal, if at all.

The financial advisory sub-function which, in addition to furnishing advice to senior executives and officials and actively participating in policy and procedural decisions, includes the participation in loan committees and project appraisals. This operation must be conducted by staff assigned to the individual entities. They work with and advise the area officials who are primarily responsible for guiding and coordinating the work of the various departments concerned with a lending operation or a technical assistance project.

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Second Preference - Alternative A
Third Preference - Alternative C
Fourth Preference - Alternative B

V. Interim Procedures

From the Basic Assumptions given in the CSTF Scope of Work, it would appear that the Bank, having responsibility for all of the bi-lateral programs and most of the operational procedures, will be the largest of the five entities and consequently require the largest staff to administer the Finance Functions. It would be appropriate, therefore, to recommend that the Bank continue to provide the Finance Function for the other entities until such time as they are operational and staffed to perform the functions as recommended by Alternative D.

VI. Overseas Operation

This paper has dealt primarily with the Finance Function as performed by the five development entities in Washington. The basic assumptions given in the CSTF Scope of Work indicate that the Bank would be the only entity, except SA Bureau, having any major staff assigned overseas.

It is recommended that the Bank and the SA Bureau having missions overseas continue to provide staff (Controller Offices) in the overseas missions to perform the Finance Function. As mission staffs are reduced to the point where most of the operations are carried out by contractor and the mission has disengaged itself from implementation and execution of projects and programs, the Finance Function can be moved into the Washington office. Determination to close out the mission Finance Function should be made on a mission by mission basis and the Washington staff augmented to provide the residual mission service.

Attachment

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COMMON SERVICE TASK FORCE
 Finance Function
 (Prepared by Office of the Controller)

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FUNCTION	BANK	INSTITUTE	STATE SA BUREAU	OPIC	ISDI
Financial Advisory Service	Self Service	Self Service	Self Service	Self Service	Self Service
Policy decision participation					
Technical Advice					
Methods of Disbursements					
Project Appraisal					
Loan Committee participation					
Creditworthiness of borrowers					
Balance of Payment considerations					
Mission Technical Backstopping					
Financial Analysis					
Resource Acquisition	Self Service	Self Service	Self Service	Self Service	Self Service
Preparation President's Budget					
Congressional Presentation					
Annual Appropriation Request					
Borrowing Authority					
Capital Fund Replenishment					
Sale of Obligations					
Portfolio Sales					
Investment Income					
Treasury Warrants					
Foreign Currencies					
Resource Allocation	Self Service	Self Service	Self Service	Self Service	Self Service
Participation in Program Reviews					
Operational Year Budget					
Capital Expenditures					
Apportionments					
Allocations					
Commitments					
Allotments					
Limitations					
Administrative Budgets					
Systems and Procedures	Self Service	Self Service	Self Service	Self Service	Self Service
Accounting (Corporate, General)	Self Service	Self Service	Self Service	Self Service	Self Service
Appropriation					
General Ledgers					
Cash Reconciliation					
Foreign Currencies					

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-FUNCTION	BANK	INSTITUTE	STATE SA BUREAU	OPIC	ISDI
Accounting (Corporate, General) (cont.)					
Accounts Receivable Allotment Annual Reports Financial Statements Administrative Agency Cashier Service					
Accounting (Cost, Project, Program)	Self Service plus servicing State SA Bureau for bi-lateral SA programs	Self Service	Self Service for Public Safety and Welfare and Emergency Relief Programs. Bank to provide service for the SA bilateral programs on a management fee basis	Self Service	Self Service
Technical Assistance Capital Assistance Program Assistance Consolidation Mission Reports Advice of Changes Foreign Currencies Cost Centers Cost and Project Reports Financial Reports					
Accounting (Loan Servicing)	Self Service plus servicing OPIC for Cooley and Private Enterprise Loans	Not Applicable	Not Applicable	Bank to provide Loan Accounting service on a manage- ment fee basis	Not Applicable
Control & dispatch of billings Control of disbursement Auth. Monitor Computer Input Monitor Computer output Loan Reports Financial Reports					
Accounting (Guarantee & Insur- ance Prog)	OPIC to provide service if Housing Guarantees remain in Bank	Not Applicable	Not Applicable	Self Service plus providing service for Bank if applicable	Not Applicable
Banking Relations (Excludes Fed. Res. Ltr. of Cr.) Letter of Commitments Liaison U.S. Banking Community) Technical Advice Financing methods	Self Service plus providing service for State SA Bureau and OPIC for private enter- prise loans	Not Applicable	Bank to provide service on a manage- ment fee basis	Bank to provide service when applica- ble	Not Applicable

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FUNCTIONS	BANK	INSTITUTE	STATE SA BUREAU	OPIC	ISDI
Commodity Eligibility and Price Compliance with Price Reg. Determination Commodity eligibility Claims for non-compliance Prior Reviews Technical guidance to missions Special Commodity Reports Price data to Congress Supplier Compliance	Self Service plus providing service for State SA bi-lateral programs and OPIC private enterprise loans	Not Applicable	Bank to provide service on a management fee basis	Bank to provide service when applicable	Not Applicable
Freight Management Analysis Monitor 50-50 Shipping Analyze ocean freight data Freight audit Audit recoveries	Self Service plus providing service to State SA Bureau for bi-lateral programs	Not Applicable	Bank to provide service on a management fee basis	Not Applicable	Not Applicable
Commodity Audit Examination Certification Claim and Refund activity Schedule for Disbursement New York Certifying Office	Self Service plus provide service to State SA Bureau for bi-lateral programs	Not Applicable	Self Service for Public Safety and Welfare and Emergency Relief Programs. Bank to provide service for SA bi-lateral programs	Not Applicable	Not Applicable
Contract Services Audit Examination Certification Claims and Recovery Schedule for Disbursement	Self Service	Self Service	Self Service	Self Service	Self Service
Administrative Audit (Travel, Transportation & Misc.) Control of Travel Advances Examination Certification Claims and Recovery Schedule for Disbursement	Self Service	Self Service	Self Service	Self Service	Self Service

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SUB-FUNCTIONS

BANK

INSTITUTE

STATE SA BUREAU

OPIC

ISDI

Payroll Services

- Control of Personnel Actions
- Process of Time and Leave Reports
- Audit Time and Leave
- Control Computer input
- Distribute Checks
- Distribute Statements of Earnings
- Compute Separation pay
- Maintain CS Retirement Records
- Prepare Fed & State Tax Reports

Centralized in one entity-----

Assuming that all five entities will be covered by one personnel system which establishes common salary rates, leave policies, promotion procedures and allowance regulation - One entity should provide payroll services for all entities submitting reports and schedules of salaries, and deduction to each entity's Accounting section for integration into the entity's appropriation or fund accounts and general ledgers. If each entity has separate personnel system each should provide own self service.