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# AGENCY FOR INTERNATIONAL DEVELOPMENT

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## Organizational, Management and Institutional Review for the Bureau for Private Enterprise

September 1987

Prepared by  
The Hay Group  
Washington

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## I. INTRODUCTION

This report is submitted as the final product of a study by the Hay Group on behalf of the Private Enterprise Bureau (PRE) of the Agency for International Development (AID).

As agreed by PRE and Hay, the study was to be an expeditious but thorough overview, and its objectives limited to the following:

- An evaluation of the current organization and management, and policies and procedures, which determine how PRE delivers its services to the regional bureaus, and the missions; and recommendations for improvements.
- A review of those changes in organization and management which were proposed by PRE to the AID Deputy Administrator.
- An assessment of the progress that has been made in the institutionalization of the Private Sector Initiative; and recommendations for a plan of action for accelerating and intensifying the process of institutionalization.

The PRE/Hay objectives of the report excluded a review or assessment of:

- The impact of private enterprise initiatives on the foreign assistance mission.
- The effectiveness of private enterprise programs.
- The PRE Office of Housing and Urban Programs.
- The capabilities of the professional staff assigned to PRE.

The study was undertaken in March 1987 and a preliminary report, in a briefing format, was presented to PRE, and then to the Acting Administrator, in April 1987. Since that time, the briefing report has served as the basis for considerable

discussion of the issues and recommendations, the briefing having been given to or reviewed by senior Agency officials on five additional occasions during May, June, and August 1987.

The entire study approach, including this final report, is atypical in that it represents a dynamic process -- what is termed "iterative implementation" -- that is, this document not only details the study findings and recommended courses of action, but also memorializes Agency initiatives to date, all of which are built upon the continuous interaction and discussions between the Hay Group, the Deputy Administrator, the Assistant Administrator and the Deputy Assistant Administrator of PRE, and other senior AID staff.

## II. BACKGROUND

AID's Private Sector Initiative program responds to Administration policy and the Agency's Congressional mandate. President Reagan has several times stated publicly, e.g., at the Cancun Conference in 1981, his views about economic freedom as the basis for sustained economic growth in developing countries. Also, Section 601 of the Foreign Assistance Act directs AID to maximize the use of private sector skills and resources.

The AID Administrator's mandate for the private sector initiative and for private enterprise development is clearly detailed in two AID policy papers. The Bureau for Private Enterprise Policy Paper, dated May 1982, defined the role of AID as complementary to other internationally-concerned agencies, such as the IFC, OPIC, and the U.S. Export-Import Bank. It also defined a program strategy for PRE which was based on new investment initiatives and modes of operation.

The subsequent AID Policy Paper: Private Enterprise Development, of March 1985, shifted its emphasis to:

- Policy dialogue to deal with country development strategy and related policies as they affect the operation and growth of free markets, and
- Specific direct program actions to eliminate legal, regulatory, and other constraints to private enterprise development.

In response to the Reagan Administration, and the Congress, AID's Bureau of Private Enterprise was established by administrative mandate in 1982 to lead the Agency in developing and providing the private sector initiative. During the past five years PRE has evolved through two phases.

First, as a "laboratory", it developed and experimented with new initiatives and types of operations in private sector development. In its second phase, PRE developed a service orientation whereby it assisted the regional bureaus and the missions to carry out projects and programs.

Today, PRE is on the threshold of a third phase, that of full matriculation into the regional bureaus and missions, thereby institutionalizing the private sector initiative. The implications of this final phase, and Hay's recommendations for accomplishing it successfully through a plan of action, are addressed in the body of this report.

### III. REVIEW PROCESS

The purpose of the review, and of this report, is to provide AID/PRE and the Administrator with a set of recommendations and a plan of action for the institutionalization of the private sector initiative, and for organization and management changes in the Private Enterprise Bureau. Therefore, the data-gathering process had to insure that the Hay consulting team obtained information sufficient in scope and depth to bring about the level of understanding critical to this project.

The review process was made up of three principal components:

- Interviews
- Document Collection
- Data Synthesis, Analysis and Testing

#### Task 1 - Interviews

Over the course of two months, the consulting team interviewed managers and professional staff from the Private Enterprise Bureau, the central bureaus, the regional bureaus, the missions, the Office of the Administrator, and other AID offices. A list of the people interviewed is given in Appendix A.

#### Task 2 - Document Collection

A wide variety of materials were collected to supplement data and information from the interviews. AID staff were most generous in providing reference materials, policy papers, strategy statements, correspondence, and study reports which were relevant to the purposes of this review. A list of the principal documents is shown at Appendix B.

### Task 3 - Data Synthesis and Analysis

The consultants were able to reconcile a number of divergent or conflicting points of view, or issues of fact, by follow up interviews, and by the briefing sessions with the Deputy Assistant Administrator of PRE.

In order to complete the review in a relatively short time, and to deliver a report that provided a blueprint for implementation, the consultants conducted a series of briefings in April for senior PRE officials. Their purpose was to test tentative conclusions and recommendations, and to sharpen priorities during the course of the review. The consultants also met in April with the Deputy Administrator to receive the benefit of his viewpoint, and priorities, regarding PRE and the process of institutionalization.

#### IV. ORGANIZATION AND MANAGEMENT FINDINGS

These findings are based on an examination of PRE both as an Agency staff organization and as an operating unit. The May review considered each of PRE's organizational components and functions, to include the following:

- Mission
- Strategic Objectives
- Policy Framework
- Management Objectives
- Organizational Structure
- Staffing
- Contractor Support
- Planning and Budgeting
- Funding
- Operating Guidelines
- Program and Administrative Interaction With Other AID Bureaus
- Monitoring and Evaluation
- Accountability

##### A. Mission/Strategic Objectives

PRE's mission was defined in the "Bureau for Private Enterprise Policy Paper," May 1982, as the need "to develop and experiment with new initiatives and modes of operation for the Agency in private sector development and to support and supplement, where appropriate, the private sector development programs of the AID missions and other central and regional bureaus."

PRE's Central Program Strategy Statement (CPSS) for FY 1987-1991 describes the need to "build a strong capacity to support Missions in development market economies, financial markets development, and divestiture and privatization...." However, when asked to describe the PRE mission, PRE professional staff generally spoke in terms of their own office. The overall mission of PRE could not be clearly stated, and they tended to describe PRE as internally uncoordinated and competitive. These findings are consistent with the questions and goals voiced by participants in PRE's Strategy Session Retreat at Charlottesville, Virginia, in November 1986, for example:

- How do we fit into the rest of AID?
- What really is PRE?
- We need a united voice as to what PRE is.

Within the Agency, PRE's mission is seen as having been "cloudy from the beginning," and as "not understood by the missions." The persistent question is, "Is PRE a temporary bureau or not?". Despite the AID Policy Paper and perhaps as a result of PRE's CPSS, already referenced, PRE's mission, as a practical matter, has only gained clarity within the last year.

#### B. Strategic Objectives

PRE's CPSS for FY 1987-1991, a "Strategy Statement," is a mixed list of strategies, objectives, goals, organizational weaknesses, and challenges. It also announces PRE's intention to "...bring a pragmatic, results-oriented management philosophy to bear on the planning, evaluation, and implementation of all programs." However, it is clear that the CPSS does not adequately address how the strategy can be carried out.

### C. Policy Framework

The AID policy papers of May 1982 and March 1985, cited earlier, provided PRE with a sufficient and relevant policy framework until the issuance in June 1985 of the "Blueprint for Development: The Strategic Plan of the Agency for International Development." The Blueprint was followed by a memorandum from AA/PFC, "Guidelines for Introducing A.I.D. Program Priorities and Development Indicators in A.I.D. Program Planning."

The Blueprint and the Guidelines are, in effect, a statement and a restatement of policy that diverges from the Agency's private sector initiative and with PRE's private enterprise efforts. The development indicators introduced by the Guidelines are based on traditional distributive criteria rather than on economic growth. Also, there is no linkage between the indicators and the progress and success of the private sector initiative. Given that both the Blueprint and the Guidelines were produced by AID's Bureau for Program and Policy Coordination one can fairly ask then: How does PRE fit into AID's strategic plan?

### D. Management Objectives

The outcome of PRE's Strategy Session Retreat can be summarized as the need for clearly defined goals that are understandable and generally acceptable and that can be accepted by most of the PRE staff and the Agency as a whole. These goals have yet to be defined, although some progress has been made.

In November 1986, the PRE Office of Investment prepared a memorandum for DAA/PRE which presented its program and management objectives for FY 1987. PRE has also developed a tentative action plan which includes objectives for investment and project development in FY'88. These papers do not, however, add up to a

PRE statement of its management objectives, one which would establish priorities, assign staff accountability, and provide for internal coordination and the efficient deployment of PRE resources. Further, no management objectives have yet been assigned to the policy review and planning functions.

#### E. Organizational Structure

The need for a number of organizational changes to strengthen PRE is seen as critical by PRE staff. The overall findings however reflect both PRE's internal requirements and the need to respond to, and cooperate with, the regional bureaus and missions.

- PRE needs a stronger in-house capability for policy and program conceptualization and review;
- A more timely and multi-disciplinary response is required to meet regional and country-specific needs;
- There is a lack of accountability for policy advocacy development, and for the marketing and promotion of private enterprise initiatives;
- There is need for an increased ability to implement and track loan investments; and
- There is no clearcut accountability for the mobilization of U.S. and international business interests and resources.

The current organizational structure, at Appendix C, reflects the evolution of PRE from its initial experimental phase into a collection of functionally-oriented offices. The organizational adjustments necessary to strengthen PRE are largely a matter of realigning functions and accountabilities to bring it into conformity with other Agency bureaus. These could be accomplished with minimal disruption.

## F. Staffing

Hays' analysis leads it to conclude that the demands of PRE's current objectives cannot be adequately met with the present number of staff. PRE must expand the number of its professional cadre if it wishes to (1) meet the more ambitious goals of its strategic central policy statement; (2) initiate, implement and track additional investments under the Revolving Fund and guaranty authority being sought from the Congress in FY 88; (3) increase the scope and improve the responsiveness of activities providing support to the field missions; (4) expand planning for Agency-wide initiatives in the private sector; and (5) strengthen PRE's ability to evaluate its own efforts and better manage its budget.

To date AID has not treated PRE organizationally as a permanent bureau. None of its offices have the requisite two divisions, each comprised of a supervisor and three professional subordinates, which are necessary to constitute a true office by AID standards. Because the Bureau's offices are organized on an A/AID-approved exception basis, and do not meet AID criteria to be true offices, the office director positions, and, therefore all subordinate positions, tend to be one level below other AID offices, thereby preventing PRE from competing with other bureaus for high quality career personnel.

PRE's three principal functions are currently organized and staffed as follows:

### 1. Office of Investment

- Five professional staff; the director is an FSO; four investment officers are ADs;
- Work is organized regionally; officers tend to act independently of the other two PRE offices.

2. Office of Project Development

- Seven professional staff, composed of FSO and GS;
- Has limited oversight capability for support contracts in financial markets, privatization, and PEDs.

3. Office of Program Review

- Four professional staff, composed of FSO and GS;
- Has budget capability but lacks senior policy and program analysts.

The Office of Investment is not adequately staffed to meet the increased workload generated by the Revolving Fund and would be seriously overtaxed if the Guarantee Fund is enacted. This combined with a growing demand for investment advisory services from the missions, produces justification for two additional professional positions.

A related issue concerns the exclusive use of ADs to fill all the investment officer positions, except the office director. This is a potential weakness. Although the ADs meet PRE's short-term needs, the Office of Investment could be destabilized during a change of administration. This could occur even though the ADs there are recognized as non-political, and despite the fact that AID has few, if any, FSO and GS employees with the necessary qualifications.

The Office of Project Development is poised to begin a number of new initiatives, such as trade and investment services, policy dialogue and regulatory reform, and business climate improvement in LDC's. At the same time, the project's staff is receiving increasing requests from the missions for a wide range of technical assistance. Also, the office has been required to expand contract oversight and control over the seven major contracts it manages. The significant use and buy-ins of these

contract services by the regional bureaus and the mission has substantially added to the workload. These demands on the Office cannot be met without an increase of at least three professional positions.

The Office of Program Review is not effectively organized or staffed to coordinate policy and strategy, to conduct economic analyses of capital markets worldwide, and to develop and evaluate program initiatives for PRE, the regional bureaus, or the missions. In order to expand its present capability beyond that of budget analysis to meet these broad objectives, the office would benefit from the addition of at least one program analyst and one policy analyst.

The "Synthesis of A.I.D. Evaluation Reports, FY85 and 86" (the Devres Report) pointed out significant shortcomings in Agency-wide adherence to AID policy, especially the "four pillars" of economic development, and in the quality and quantity of project evaluation criteria. The Devres report also illustrated that projects which had private enterprise as a clear-cut purpose scored significantly higher in their impact on the private sector than did those where the role of private enterprise was not a discernible purpose.

Stronger private enterprise policy and program guidance from AID to the regional bureaus and missions is essential. Therefore, PRE's Office of Program Review needs to be strengthened and, in close coordination with PPC, should have a larger policy role.

In addition to PRE's resources, the Office of the Private Sector Coordinator (OPSC), now part of the Administrator's Office, is staffed by four people, three of which are officers, all with business experience. The OPSC appears to overlap and complement PRE's charter to foster private enterprise in the developing world. It also appears that OPSC's relatively high visibility and staffing detracts from PRE's credibility with the U.S. business community.

The broader implications of staffing and career development, as they apply to the Agency and the institutionalization of the private sector initiative, are addressed in the second section of this report.

#### G. Contractor Support

All those interviewed agreed that the scope and quality of services provided to the missions by contractors is quite acceptable. The contract support in financial markets provided by Arthur Young, Inc. was cited as particularly good.

The continued use of qualified contractors appears to be the most effective method of augmenting in-country staff, and of providing hard-to-acquire specialized services under PRE's direction and oversight.

#### H. Planning and Budgeting

PRE recently took two major steps toward the development of a planning, budgeting, and programming system:

- An approved five-year central program strategy statement (CPSS), and
- An action plan, by programs, for FY 1987-88.

As already noted, these efforts to date do not amount to a comprehensive and integrated statement of planning objectives for all of PRE's organizational components.

#### I. Funding

Congressional approval of the funding necessary to PRE's investment programs appears likely. The Guarantee Authority has been attached to the Trade Bill which will be considered in

House-Senate conference in October; the House has marked up \$12 million for the Revolving Fund but has not yet voted on it. It is clear that PRE's credibility and its ability to further the private sector initiative depend on funds for investments and technical assistance. Enactment of the Guarantee Authority in FY 1988 would enhance PRE's role. However, failure to renew Revolving Fund Authority would leave PRE in an untenable situation because it would eliminate core funding for investment initiatives.

#### J. Operating Guidelines

For PRE to "outreach" effectively to the missions, operational guidelines are needed for the planning, implementation, and evaluation of private enterprise projects. The Private Sector Development Framework Report (PSDF) is a long stride in that direction. In addition to presenting a conceptual view of the private sector development process, the PSDF provides a procedural approach to organizing the process, and the analytical tools needed to implement the process.

Operational guidelines, supplemented by a strong training program in "hands-on" applications and procedures for selected mission staff, and accompanied by demonstration projects, would establish PRE as the catalyst it must become for the institutionalization phase of the private sector initiative.

#### K. Agency Relationships

... program, and administrative relationships with the central and regional bureaus are marginal at best, excepting the Asia and Near East Bureau.

AID and PRE staff have offered a number of reasons for the limited and unsatisfactory relationships between PRE and other Agency bureaus:

- PRE is viewed as a temporary bureau.
- PRE has too few staff.
- PRE has limited capabilities.
- LAC private sector staff sees itself as independent of PRE.
- PPC has a low opinion of PRE's past performance.
- PRE needs to be managed better.

On a more positive note, the Interagency Private Sector Council was several times mentioned as an unrealized opportunity for communication and cooperation. The Council, however, does not meet regularly and does not always have a substantive, issue-oriented agenda. It appears that these shortcomings could be easily corrected, given the will to do so.

#### L. Monitoring and Evaluation

PRE lacks sufficient quality control mechanisms to effectively evaluate its services to its clients, the missions. By identifying its own strengths and weaknesses in programs, projects, and technical assistance, PRE could improve its services and its working relationships. At the same time, operational guidelines for the missions could be updated and modified, and uniform standards of measurement and reporting could be developed for all regional programs and projects.

Step #7 of "The Private Sector Development Framework" (The Austin Report), provides an outline of the concepts and the process of program evaluation which could be used as a starting point.

M. Accountability

Accountability addresses the most critical questions about an organization: Is it meeting its objectives? And if not, why not? Accountability is answerability for action and the resultant consequences, and applies to those individuals charged with meeting specified objectives.

As mentioned earlier in the Management Objectives discussion, PRE has not yet completely defined the organizational objectives for the Bureau as a whole. It lacks a unified system or method for defining, monitoring, and evaluating organizational performance on the basis of measurable objectives. The FS employee effectiveness report is, on the other hand, a well established method for assigning and evaluating individual accountability.

## V. INSTITUTIONALIZATION FINDINGS

### A. Background

AID's private sector initiative is based on the premise that greater reliance on market forces is the key to self-sustaining growth in developing countries. To institutionalize the private sector initiative, AID must view it as a powerful force for economic development across the board, rather than as an isolated program. All available AID resources ought to be used to promote the initiative until it becomes second nature to the Agency, an established developmental ingredient in all its bureaus and missions.

The purpose of this section is to determine what progress has been made, and what remains to be done, in institutionalizing the private sector initiative. The measures used are similar to those used in Section IV, which addressed organization and management findings for PRE. The findings which follow are somewhat similar also, given the integral role that PRE would play in the process of institutionalization throughout the Agency's central and regional bureaus, and missions.

The mandates from the President and the Congress (Section II of this report), which initiated AID's efforts in the private sector, were issued more than five years ago. It has almost been three years since The President's Task Force on International Private Enterprise issued its report which strongly endorsed the belief that private sector activities are critical to building democratic institutions and strong economic systems. With only sixteen months remaining to this administration, a reaffirmation of policy support for the private sector initiative, by a member of the President's cabinet, could measurably invigorate the institutionalization process.

## B. Policy Framework

Policy at bureau level is substantially in place but out of date. Also, coordination and cooperation between PRE and PPC could be substantially improved. Mission policy guidance is limited, however, as is missions' policy dialogue with their host countries.

## C. Organization

At the bureau level, except for ANE, there is a solid core of permanent, high-level officers assigned to the private sector initiative. PSO staffs are also being developed at the larger missions, but the smaller missions continue to depend on regional PSO coverage, which is stretched very thin.

## D. Staffing

The Bureau for Private Enterprise is not adequately staffed to undertake increased responsibilities in the areas of policy coordination, strategy development, and program review. The number of permanent personnel in the regional bureaus (again excepting ANE) and missions is, however, increasing. The greater use of long-term contractor support has proven necessary, and successful, in augmenting PRE's limited resources. The primary issue here is balancing the Agency's limited resources in support of institutionalization between the regional bureaus and PRE.

PRE sees the need for a defined career path for current and potential PSOs as a major priority. PRE also sees a parallel need for high-level, long-term professional training for personnel who are recruited into the PSO career field. Both requirements are justified in view of PRE's difficulty in recruiting employees from the career service.

#### E. Funding

As mentioned earlier, the Revolving Fund, with an added Guarantee Authority, is critical to PRE's investment program viability and credibility and to that of the private sector initiative. Although the LAC and African Bureaus have their own separate, discretionary funds, these are limited. The missions have recently increased their financial commitments, or "buy-ins", to investment projects but these, too, are relatively small sums.

While it is possible that in the long run, institutionalization could succeed without the PRE Bureau, it could hardly succeed without adequate funding and professional skills in leveraging and investing those funds.

#### F. Management/Operational Guidelines

As discussed in the preceding section, without operational guidelines the effective implementation of PRE programs and projects by the missions and host countries is doubtful, and certainly inefficient. The institutionalization effort, without this kind of formal guidance, is likely to remain a diffused and competitive effort, lacking direction and credibility.

#### G. Client Base

PRE's relationships with regional bureaus and the missions appear to have improved during the past year, largely because of PRE's sustained efforts to provide useful and professional services to the regional bureaus and the missions. If PRE is to play a leading role in the institutionalization process, as the catalyst for strengthening the capabilities of the regional bureaus and the missions, that decision ought to be made while there is still sufficient time remaining in the current administration for PRE to "make a difference."

## H. Constituent Base

There is little evidence that AID has been successful in its outreach to U.S. and host-country business interests. The business community has a minimal knowledge of AID programs and, consequently, has offered little support. If this state of affairs continues, it is unlikely that the private sector initiative can be viable in the long term, even though the Agency is making a greater institutional effort to expand and diversify programs and services to the missions.

## VI. PLAN OF ACTION/RECOMMENDATIONS

During the period April-August 1987 Hay made a series of presentations, in the form of briefing reports, on a recommended plan of action. An illustration of one such briefing report is presented at Appendix D. The presentations were first made to the PRE Assistant Administrator and Deputy Assistant Administrator; and three discussion sessions were then held with the Acting Administrator. The purpose of these multiple meetings and discussions was to test the consultants' findings, to elicit additional information, to clarify the issues, and to consider alternative solutions. As a consequence, the briefing reports, over a period of four months, were expanded and revised. The plan of action which follows is based on the plan which, by design, evolved through discussions with the Acting Administrator.

### Action Item 1: Administrator's Mandate

- 1.1 Approve a private enterprise institutionalization plan to be implemented within 16 months.
- 1.2 Solicit reindorsement by Secretary of State and other high-ranking officials.
- 1.3 Mobilize a Steering Group to spearhead the plan. Develop candidate options and appoint six members.

### Action Item 2: Policy Update

- 2.1 Revise the AID policy paper to describe current and planned roles and responsibilities, including program development, financial assistance, and contract services of PRE, the regional bureaus, and the missions. PRE would make its policy recommendations to PPC. PRE's role

as a strategy and program innovator would be emphasized, as well as its role as a participant in missions' policy dialogue with host countries.

Action Item 3: Reorganization and Staffing

3.1 Approve the reorganization of PRE, as will be requested via action memorandum, currently in draft. The PRE proposal calls for the restructuring of functions and work assignments for each of the major PRE offices, as follows:

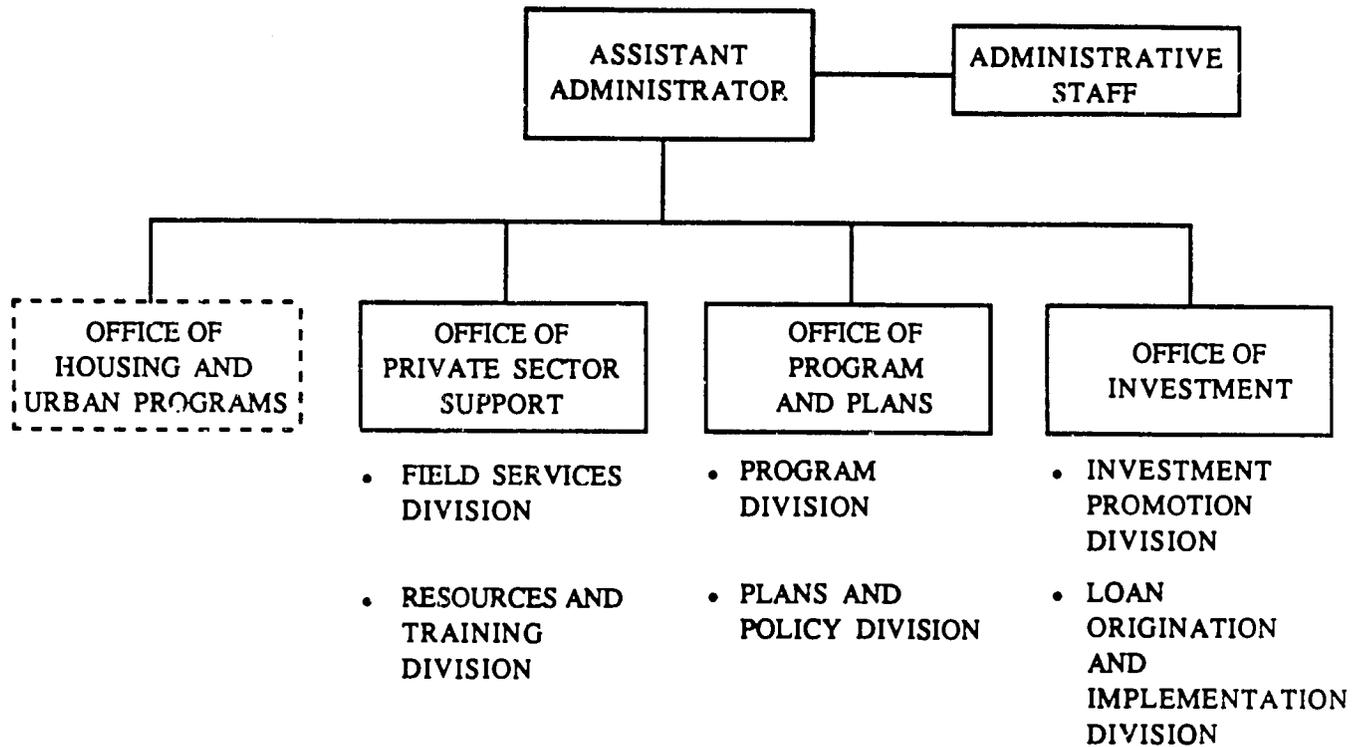
- Office of Investment
  - Investment Promotion Division
  - Loan Origination and Implementation Division
  
- Office of Private Sector Support
  - Field Services Division
  - Resources and Training Division
  
- Office for Program and Plans
  - Program Division
  - Plans and Policy Division

This proposed structure is graphically presented on the following page.

These changes will strengthen the organization by responding to the Hay findings as to PRE's internal requirements and the need to respond to, and cooperate with, the regional bureaus and missions. The Hay findings to upgrade PRE's program responsibilities include, but are not limited to:

# REORGANIZATION PROPOSAL

## BUREAU OF PRIVATE ENTERPRISE



- Develop a stronger in-house capability for policy and program conceptualization and review;
- Provide more timely and multi-disciplinary response to meet regional and country - specific needs;
- Increase capability to implement and monitor loan investments;
- Upgrade accountability for policy advocacy development and for the marketing and promotion of private enterprise initiatives; and
- Mobilize U.S. and international business interests and resources to support AID's private enterprise initiatives.

3.2 Increase the PRE staff size by seven professional positions, as discussed in the above-referenced action memorandum, currently in draft. These positions would be assigned as follows:

- Office of Investment - 2
- Office of Private Sector Support - 3
- Office for Program and Plans Review - 2

3.3 Reconstitute the Office of the Private Sector Coordinator (OPSC)

- The proposal calls for the transfer of the OPSC, in toto, to PRE with the intent that the OPSC objectives continue to be substantially pursued.

- Hay also suggests that, if staffing and workload limits permit, OPSC personnel serve in regional liaison and marketing roles.

#### Action Item 4: Program and Project Design

4.1 Identify, test, and replicate successful country programs (no more than two PRE-funded projects per region). The purpose and desired outcome of the replications are:

- To create a synergy between and among PRE, regional and central bureaus, other IDCA agencies, and the missions; and
- To demonstrate the use of market-based strategies and solutions, the implementation of more full-service projects that incorporate the four pillars, and new approaches to financial, investment, and trade strategies.

#### Action Item 5: Career Development

- 5.1 Develop job specifications and performance standards for all private sector officers. Include private enterprise achievements as a criterion for promotion to senior foreign service officer and for selection as mission director.
- 5.2 Organize an in-house study group, including PRE and M, to review for compliance the application of Backstop 21 and 94 recruitment criteria and qualifications for private sector officers which were agreed to in 1985. The group would also recommend improvements in career opportunities for FSO and GS employees in PSO positions.

- 5.3 Ensure full-service staff deployment and augmentation, including the maximum use of the International Executive Service Corps (IESC) and contractor personnel, for demonstration projects and mission support activities.
- 5.4 Design and conduct a series of one-week, on-site training courses for mission and host-country public and private sector personnel. PRE would pay for course development; the regional bureaus and the missions would pay for the training.

Training would include policy dialogue and reform techniques, Revolving Fund and technical assistance case studies, and regional/country problem identification and resolution.

- 5.5 Initiate program recommendation for intermediate and long-term management education programs for PSOs.

Action Item 6: Build and Use U.S. Business Support

- 6.1 Reconstitute and elevate the Private Sector Council to equal status with other sector councils; membership might include U.S. business representatives, e.g., IESC, ASDAC, U.S. Chamber of Commerce. In addition, current membership should be re-examined with a view toward broader Agency participation.
- 6.2 Consider the feasibility of forming an advisory group of U.S. businessmen to counsel and work with AID officials.

## VII. STATUS OF RECOMMENDATIONS/PLAN OF ACTION

The preceding section presented a series of recommendations which, taken together, made up a comprehensive Plan of Action for institutionalizing the private sector initiative. The purpose of this section is to present the status of each recommendation and its associated action, as of September 28, 1987. The action items in the Plan of Action were not intended to be treated by the Acting Administrator as an single entity but as individual items to be considered on their own merits. The status of each item is given below.

### A. Action Item 1: Administrative Mandate

1. Action has not yet been taken to develop a plan for soliciting the endorsement of the Secretary of State for the private sector initiative. The Acting Administrator, during the Hay briefings, has already agreed in principle to the recommendation.
2. No formal action has yet been taken on the recommendation to mobilize a steering group to spearhead the overall Plan of Action.

### B. Action Item 2: Policy Update

1. The Acting Administrator directed, during a Hay briefing, that an updated AID policy paper be prepared by PPC, in consultance with PRE, which describes the changing role of the central and regional bureaus, and the missions, with respect to the PRE agenda. The draft paper would be reviewed and considered by the Administrator.

C. Action Item 3: Reorganization and Staffing

1. PRE is preparing an action memorandum requesting approval to restructure the offices, by adding appropriate divisions, to meet AID organizational and staffing standards.
2. PRE is requesting, in the same memorandum, an increase of seven professional positions, distributed throughout the three PRE divisions, to enable the Bureau to fully perform its stated functions.
3. The request to transfer the office of Private Sector Coordinator to PRE was approved via action memorandum, dated August 12, 1987, presented at Appendix E. This function will be transferred to the Office of Investment (the proposed Investment Promotion Division).

D. Action Item 4: Program and Project Design

1. The proposal to identify, test, and replicate successful country programs was verbally accepted by the Acting Administrator in discussions with Hay and PRE. Approval has not been formally sought.

E. Action Item 5: Career Development

1. The Hay Group's recommendations for on-site training courses for mission and host-country personnel, and for short-term and long-term education in business administration for PSOs, were also approved by the Acting Administrator in the Action Memorandum, at Appendix E.

2. The recommendation that maximum use be made of the International Executive Service Corps and contractor personnel for demonstration projects was verbally approved by the Acting Administrator during a Hay briefing on the proposed Plan of Action.
3. The approval of an in-house Study Group consisting of PRE and M representatives to recommend ways to improve recruitment, selection and career opportunities for PSOs is to be requested an action memorandum.

F. Action Item 6: Build and Use U.S. Business Support

1. The reconstitution and elevation of the Private Sector Council to equal status with other sector councils was approved by action memorandum dated August 14, 1987, presented at Appendix F.
2. The decision to form an advisory group of U.S. businessmen to advise and work with AID officials has been left open.

By design, the Plan of Action is the blueprint for a dynamic management process; that process is just beginning as action items are approved. The critical requirement for success of the institutionalization initiatives is the follow-through on the multiple Agency actions which have already commenced, or will shortly.

## Appendix A

### MANAGEMENT INTERVIEWS

Anderson, Gerald	AID Mission Private Sector Officer, Fiji
Anderson, Russell	PRE/PD
Beckman, Robert	PRE/PD
Bittner, Peter	LAC/PRIVATE SECTOR
Cahn, David	ANE/PRIVATE SECTOR
Carroll, Joseph	PRE/PD
Chase-Larsdale, Compton	PRE/I
Dodson, Robert	PRE/PD
Elliot, V. L.	PRE/PD
Farbman, Michael	Rural & Institutional Develop., S&T Bureau
Gladson, Charles	PRE
Gray, Roberta	PRE
Handlon, Howard	REDSO, Abidjan
King, Wayne	REDSO, Abidjan
Kingery, Michael	REDSO, Abidjan
Kishaba, Aileen	PRE
Kitay, Michael	PRE
Lessard, Arnold	REDSO, Abidjan
Muller, John	AID, Deputy General Counsel
Munson, Harthon	Africa Bureau/Private Enterprise
Patalive, Charles	PRE/PD
Paupe, William	AID Mission Director, Fiji
Podol, Richard	AID Mission Director, Uganda
Preeg, Ernest	PPC
Russell, Christopher	PRE, Deputy Assistant Administrator, and Director, Human Resources Directorate, S&T Bureau
Trussel, Douglas	PRE
Walsh, Sean	PRE/I
Weinstein, Warren	PPC
Wentling, Mark	AID Representation, Guinea
Williams, Aaron	LAC/Private Sector
Wise, Edward	Private Sector Office
Zank, Neil	PPC

## Appendix B

### REFERENCE MATERIALS AND DOCUMENTS

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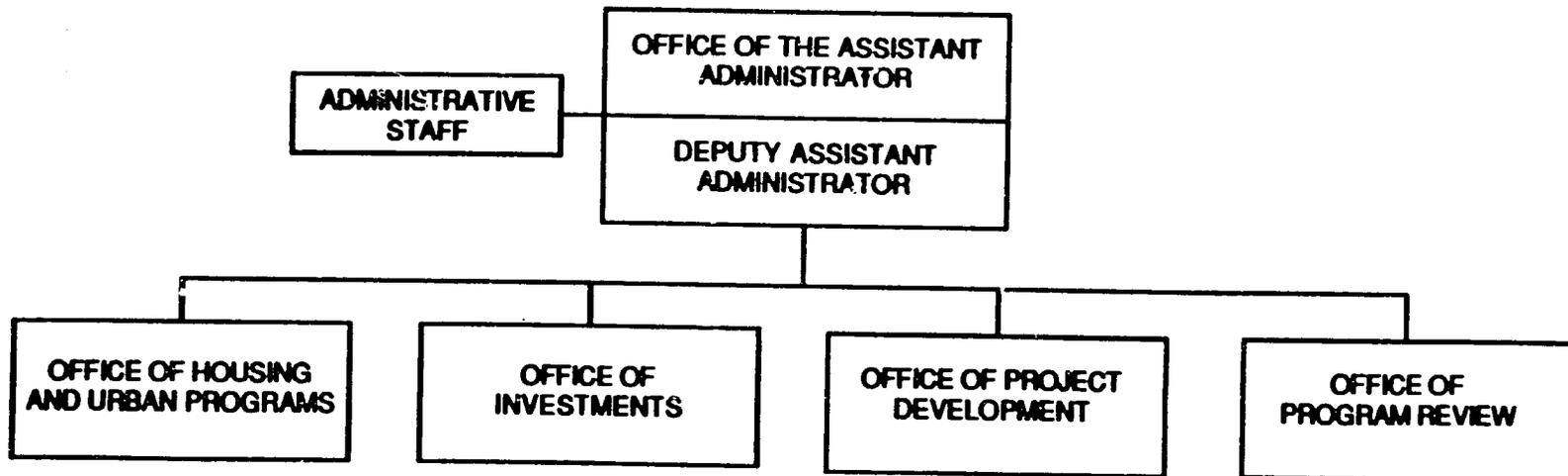
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Memorandum: Draft Programming Guidance FY 1989 CDSS.

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Appendix C

**CURRENTLY APPROVED ORGANIZATION**  
**BUREAU OF PRIVATE ENTERPRISE**



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**AGENCY FOR INTERNATIONAL DEVELOPMENT  
BUREAU FOR PRIVATE ENTERPRISE**

---

**ORGANIZATIONAL, MANAGEMENT,  
AND  
INSTITUTIONAL REVIEW**

---

**HAY GROUP RECOMMENDED PLAN OF ACTION**

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**JUNE 17, 1987**

# BRIEFING INDEX

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# PRE/HAY STUDY OBJECTIVES

## HAY REVIEW IS . . .

- A QUICK-RESPONSE EXAMINATION OF ALTERNATIVE ORGANIZATIONAL AND MANAGEMENT PROPOSALS BEING CONSIDERED BY AID SENIOR MANAGEMENT.
- AN ASSESSMENT, WITH FINDINGS AND RECOMMENDATIONS, OF WAYS TO IMPROVE POLICY AND PROGRAM DEVELOPMENT, PLANNING, INTERNAL COORDINATION, PROGRAM AND PROJECT MANAGEMENT, INCLUDING DELIVERY OF SERVICES TO REGIONAL BUREAUS AND MISSIONS, WITHOUT MAJOR CHANGES IN THE ORGANIZATION AND MANAGEMENT SYSTEMS OR AN INFUSION OF NEW RESOURCES.
- A REVIEW OF CURRENT PROGRESS AND NEEDS TO INSTITUTIONALIZE THE PRIVATE ENTERPRISE INITIATIVES THROUGHOUT AID.

## **PRE/HAY STUDY OBJECTIVES**

### **HAY REVIEW IS NOT. . .**

- **AN APPRAISAL OF THE RELATIONSHIP OR IMPACT OF THE PRIVATE ENTERPRISE INITIATIVES ON THE AID FOREIGN ASSISTANCE MISSION OR THE ECONOMIC DEVELOPMENT PROCESS.**
- **A REVIEW OR CRITIQUE OF THE CONTENT AND EFFECTIVENESS OF THE AID PRIVATE ENTERPRISE PROGRAMS.**
- **AN EVALUATION OF THE ROLE AND RESPONSIBILITIES OF THE PRE OFFICE OF HOUSING AND URBAN PROGRAMS.**
- **AN ASSESSMENT OF PRE'S PROFESSIONAL STAFF CAPABILITIES AND PERFORMANCE.**

# **I. THE REVIEW PROCESS**

- **MANAGEMENT INTERVIEWS**
- **DOCUMENT ANALYSIS**
- **DATA SYNTHESIS AND ANALYSIS**
- **BRIEFING REPORT PREPARATION,  
DISCUSSION AND FINALIZATION**

# ORGANIZATIONAL, MANAGEMENT AND INSTITUTIONAL REVIEW

## MANAGEMENT INTERVIEWS

ANDERSON, GERALD	AID MISSION PRIVATE SECTOR OFFICER, FIJI
ANDERSON, RUSSELL	PRE/PD
BECKMAN, ROBERT	PRE/PR
BITTNER, PETER	LAC/PRIVATE SECTOR
CAHN, DAVID	ANE/PRIVATE SECTOR
CARROLL, JOSEPH	PRE/PD
CHASE-LANSDALE, COMPTON	PRE/I
DODSON, ROBERT	PRE/PD
ELLIOTT, V.L.	PRE
FARBMAN, MICHAEL	RURAL AND INSTITUTIONAL DEVELOPMENT, S & T BUREAU
GLADSON, CHARLES	PRE
GRAY, ROBERTA	PRE
HANDLON, HOWARD	REDSO, ABIDJAN
KING, WAYNE	REDSO, ABIDJAN
KINGERY, MICHAEL	REDSO, ABIDJAN
KISHABA, AILEEN	PRE
KITAY, MICHAEL	PRE
LESSARD, ARNOLD	REDSO, ABIDJAN
MULLER, JOHN	AID, DEPUTY GENERAL COUNSEL
MUNSON, HARTHOM	AFRICA BUREAU/PRIVATE ENTERPRISE
PATALIVE, CHARLES	PRE/PD
PAUPE, WILLIAM	AID MISSION DIRECTOR, FIJI
PODOL, RICHARD	AID MISSION DIRECTOR, UGANDA
PREEG, ERNEST	PPC
RUSSELL, CHRISTOPHER	PRE, DEPUTY ASSISTANT ADMINISTRATOR, AND DIRECTOR, HUMAN RESOURCES DIRECTORATE, S & T BUREAU
TRUSSEL, DOUGLAS	PRE
WALSH, SEAN	PRE/I
WEINSTEIN, WARREN	PPC
WENTLING, MARK	AID REPRESENTATION, GUINEA
WILLIAMS, AARON	LAC/PRIVATE SECTOR
WISE, EDWARD	PRIVATE SECTOR OFFICE
ZANK, NEIL	PPC

## **II. ORGANIZATION AND MANAGEMENT FINDINGS**

- A. GENERAL FINDINGS**
- B. MISSION**
- C. POLICY FRAMEWORK**
- D. MANAGEMENT OBJECTIVES**
- E. OTHER ORGANIZATIONAL ISSUES**
- F. STAFFING**
- G. CAREER DEVELOPMENT**
- H. CONTRACTOR SUPPORT**
- I. PLANNING AND BUDGET**
- J. FUNDING**
- K. OPERATIONAL GUIDELINES**
- L. PROJECTS AND TECHNICAL ASSISTANCE**
- M. PROGRAM AND ADMINISTRATIVE INTERACTION**
- N. MONITORING AND EVALUATION**
- O. ACCOUNTABILITY**

## **A. GENERAL FINDINGS**

### **ORGANIZATION AND MANAGEMENT**

- **PRIVATE ENTERPRISE INITIATIVES BEGINNING TO IMPACT REGIONAL BUREAUS AND MISSIONS.**
  
- **PRE IS A FRAGILE ORGANIZATION BECAUSE:**
  - **NO LEGISLATIVE MANDATE**
  - **ESTABLISHED ADMINISTRATIVELY AS A "SHORT TERM" BUREAU**
  - **INADEQUATE MARKETING AND PROMOTION OF PRE INITIATIVES**
  - **LIMITED STAFF AND FUNDING CAPABILITIES**
  - **NO BUSINESS CONSTITUENCY**
  - **PERCEIVED AS AN IDEOLOGICAL PROGRAM**

## **A. GENERAL FINDINGS (cont.)**

### **INSTITUTIONALIZATION**

- **WITH EXCEPTION OF ANE, REGIONAL BUREAUS ARE INSTITUTIONALIZING PRIVATE ENTERPRISE BY:**
  - **ESTABLISHING INDEPENDENT OFFICES REPORTING DIRECTLY TO A.A.**
  - **SELECTING COMPETENT MANAGERS WITH BUSINESS EXPERIENCE**
  - **STAFFING WITH QUALIFIED PROFESSIONALS**
  - **PROVIDING ANNUAL DISCRETIONARY FUNDS**
  - **AUGMENTING CAPABILITIES WITH SPECIALIZED CONTRACTOR SUPPORT AND BUYING-IN TO PRE SUPPORT CONTRACTS.**
  - **STRENGTHENING WORKING RELATIONSHIPS WITH MISSIONS THROUGH POLICY DIALOGUE, FUNDING, CONTRACTOR SUPPORT, ETC.**

# ORGANIZATION AND MANAGEMENT FINDINGS

## B. MISSION

### . . . AS SEEN BY PRE STAFF:

**UNCOORDINATED, INTERNALLY COMPETITIVE AND  
UNGUIDED**

### . . . AS SEEN BY AID:

**PROJECTS AND SERVICES BECOMING BETTER  
UNDERSTOOD AND APPRECIATED**

**BUT**

**ROLES, RESPONSIBILITIES, AND SERVICES NEED  
REDEFINITION AND PROMOTION TO REFLECT  
GROWING PRIVATE ENTERPRISE CAPABILITIES.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **C. POLICY FRAMEWORK**

**MAY 1982 AND MARCH 1985 AID POLICY PAPERS, AS SUPPLEMENTED BY OTHER POLICY STATEMENTS, HAVE PROVIDED A COMPREHENSIVE AND RELEVANT POLICY FRAMEWORK.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **D. MANAGEMENT OBJECTIVES**

**LACK OF AN INTEGRATED MBO SYSTEM, INCLUDING UPDATES, PRIORITIZATION, MONITORING AND STAFF ACCOUNTABILITY, HAS WEAKENED INTERNAL COORDINATION AND EFFECTIVE DEPLOYMENT OF PRE RESOURCES.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **E. OTHER ORGANIZATIONAL ISSUES**

**FREQUENTLY EXPRESSED CONCERNS INVOLVED UNITY OF COMMAND, SPAN OF CONTROL, AND FUNCTIONAL RESPONSIBILITIES, AS FOLLOWS:**

- **CREATE A REGIONAL STAFF FUNCTION TO PROVIDE A SINGLE POINT OF CONTACT FOR MISSIONS.**
- **CONSOLIDATE PROJECT FUNCTIONS TO ENSURE FULL-SERVICE RESPONSE TO REGIONAL AND COUNTRY-SPECIFIC NEEDS.**
- **ESTABLISH HIGH-LEVEL FUNCTIONAL ACCOUNTABILITY FOR POLICY ADVOCACY DEVELOPMENT, MARKETING AND PROMOTION OF PRIVATE ENTERPRISE INITIATIVES.**
- **CONSOLIDATE FUNCTIONS RESPONSIBLE FOR MOBILIZING U.S. AND INTERNATIONAL BUSINESS INVOLVEMENT.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **F. STAFFING**

- **SHORTAGE OF EXPERIENCED "SUBSTANTIVE" PERSONNEL.**
- **DIFFICULTY IN IDENTIFYING, RECRUITING, AND RETAINING QUALIFIED FSO/GS PERSONNEL FOR PSO POSITIONS.**
- **LACK OF COORDINATION IN DEPLOYMENT OF IN-HOUSE AND CONTRACTOR PERSONNEL TO SUPPORT PROJECT ACTIVITIES WITH MISSIONS.**
- **USE OF AD's TO FILL SPECIALIZED PSO POSITIONS MEETS SHORT-TERM NEEDS, BUT MAY DESTABILIZE IMPORTANT PRIVATE ENTERPRISE INITIATIVES BECAUSE OF TEMPORARY NATURE OF AD APPOINTMENTS.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **STAFFING PROFILE**

### **OFFICE OF INVESTMENT**

- 4 INVESTMENT OFFICERS, ALL ADS; SUPERVISOR IS FSO.
- ORGANIZED REGIONALLY; TEND TO ACT INDEPENDENTLY OF OTHER PRE OFFICES.
- NEED TO MIX ADS WITH PERMANENT STAFF.

### **OFFICE OF PROJECT DEVELOPMENT**

- 7 PROFESSIONAL STAFF, FSO AND GS.
- LIMITED OVERSIGHT CAPABILITY FOR SUPPORT CONTRACTS IN FINANCIAL MARKETS, PRIVATIZATION, AND PEDS.
- IMPOSITION OF REGIONAL RESPONSIBILITIES WOULD JEOPARDIZE PROJECT DEVELOPMENT AND IMPLEMENTATION CAPABILITIES.

# ORGANIZATION AND MANAGEMENT FINDINGS

## STAFFING PROFILE (cont.)

### OFFICE OF PROGRAM REVIEW

- 5 PROFESSIONAL STAFF.
- APPEARS TO HAVE A CAPABLE BUDGET STAFF.
- LACKS SENIOR POLICY AND PROGRAM ANALYSTS.

### OFFICE OF PRIVATE SECTOR COORDINATOR

- 3 WELL-QUALIFIED PERSONNEL WITH BUSINESS EXPERIENCE.
- OVERLAPS WITH AND DETRACTS FROM PRE'S STATED MISSION AND PROJECT SERVICES.
- PROVIDES U.S. BUSINESS OMBUDSMAN'S RULE FOR OFFICE OF THE ADMINISTRATOR.

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **G. CAREER DEVELOPMENT**

- **UNCERTAINTY ABOUT PROFESSIONAL CAREER OPPORTUNITIES FOR FSO/GS PERSONNEL IN PSO ASSIGNMENTS.**
- **NEED FOR MORE PROFESSIONAL EDUCATION AND ON-SITE PRIVATE ENTERPRISE TRAINING FOR MISSION PERSONNEL.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **H. CONTRACTOR SUPPORT**

- **RANGE AND QUALITY OF CONTRACTOR SERVICES IS ACCEPTABLE.**
- **MISSION BUY-INS INCREASING.**
- **EFFECTIVE WAY TO AUGMENT STAFF AND PROVIDE HARD-TO-ACQUIRE SERVICES.**
- **MANAGEMENT OF A SUPPORT CONTRACT IS COMPLEX AND REQUIRES CONTINUAL DIRECTION AND OVERSIGHT BY A SUBSTANTIVE PROFESSIONAL.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **I. PLANNING AND BUDGET**

- **PRE HAS RECENTLY TAKEN MAJOR STEPS TO DEVELOP PLANNING, PROGRAMMING, AND BUDGETING SYSTEM.**
  - **AN APPROVED FIVE-YEAR CENTRAL PROGRAM STRATEGY STATEMENT (CPSS).**
  - **AN ACTION PLAN, BY PROGRAMS, FOR FY 1987-88.**
  
- **THE NEXT STEP IS A COMPREHENSIVE AND DEFINITIVE MBO SYSTEM FOR ALL OF PRE's ORGANIZATIONAL COMPONENTS.**
  - **PRE/I HAS DEVELOPED AN MBO STATEMENT FOR FY 87.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **J. FUNDING**

- **ENACTMENT OF BONKER'S AMENDMENT WOULD SEVERELY CURTAIL PRE'S INVESTMENT PROGRAMS.**
- **A SUBSTANTIAL REDUCTION OF THE REVOLVING FUND WOULD CRIPPLE THE MOMENTUM AND PROGRESS OF THE PRIVATE ENTERPRISE INITIATIVE.**
- **CURRENT FUNDING LEVEL IS LESS OF A PROBLEM THAN PERSONNEL CEILING.**

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# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **K. OPERATIONAL GUIDELINES**

- **PRODUCTS AND SERVICES NOT WELL UNDERSTOOD BY MISSIONS.**
- **NO APPROVED OPERATIONAL GUIDELINES FOR IMPLEMENTING INDIVIDUAL AND INTER-RELATED PROJECTS.**
- **PRIVATE SECTOR DEVELOPMENT FRAMEWORK (PSDF) REPORT PROVIDES MUCH NEEDED DEFINITIONAL AND ANALYTICAL FRAMEWORK.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **L. PROJECTS AND TECHNICAL ASSISTANCE**

- **INDIVIDUAL PROJECTS APPEAR WELL-CONCEIVED AND SUPPORTED BY COMPETENT IN-HOUSE AND CONTRACTOR PERSONNEL.**
- **RELATED IMPLEMENTATION STRATEGIES COULD BE SUBSTANTIALLY IMPROVED BY PREPARING OPERATIONAL GUIDELINES, DEMONSTRATION PROJECTS, AND TRAINING.**
- **EMERGING NEED TO PRESENT THE RANGE OF PRE PROJECTS AND SERVICES AS A MULTI-DIMENSIONAL, COORDINATED EFFORT.**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **M. PROGRAM AND ADMINISTRATIVE INTERACTION**

- **TWO-YEAR OLD INTERAGENCY PRIVATE SECTOR COUNCIL NOT USED IN A REGULAR, SUBSTANTIVE WAY.**
  
- **POLICY AND ADMINISTRATIVE RELATIONSHIPS WITH OTHER CENTRAL BUREAUS ARE MARGINAL:**
  - **LIMITED PERSONNEL AND STAFF CAPABILITIES**
  
  - **COMPETING WORK PRIORITIES**
  
  - **LACK OF PRE MANAGEMENT INTEREST AND SUPPORT**

# **ORGANIZATION AND MANAGEMENT FINDINGS**

## **N. MONITORING AND EVALUATION**

- **ESSENTIAL FOR IDENTIFYING STRENGTHS AND WEAKNESSES IN PROJECTS AND TA IN THE FIELD.**
  - **REQUIRE OPERATIONAL GUIDELINES AS A FRAMEWORK**
- **SHOULD BE CONDUCTED LOW KEY AND SHOULD BE PART OF PRE'S ONGOING SERVICES.**
- **PRE QUALITY CONTROL MECHANISM NEEDED FOR EVALUATION OF ITS OWN SERVICES TO MISSION CLIENTS.**

## **ORGANIZATION AND MANAGEMENT FINDINGS**

### **O. ACCOUNTABILITY (ANSWERABILITY FOR ACTION AND CONSEQUENCES THEREOF)**

- **NO UNIFORM SYSTEM TO DEFINE, APPROVE, EVALUATE, AND RECOGNIZE ORGANIZATIONAL AND PROFESSIONAL PERFORMANCE.**
- **FSOs EMPLOYEE EFFECTIVENESS REPORT IS A WELL-ESTABLISHED ACCOUNTABILITY METHOD, BUT NO COMPARABLE METHOD FOR OTHER EMPLOYEES.**
- **AN ORGANIZATIONAL MBO APPROACH IS BEING USED IN PRE/I, BUT NO MBO SYSTEM IN PRE.**

### **III. INSTITUTIONALIZATION FINDINGS**

#### **MEASURES USED TO ASSESS EXTENT OF INSTITUTIONALIZATION**

- **NATURE OF MANDATE**
- **POLICY FRAMEWORK**
- **ORGANIZATION**
- **PERSONNEL**
- **FUNDING**
- **PROGRAM/PROJECT CONTENT**
- **MANAGEMENT/OPERATIONAL GUIDELINES**
- **CLIENT BASE**
- **CONSTITUENT BASE**

## DESCRIPTORS OF INSTITUTIONALIZATION MEASURES

<b>NATURE OF MANDATE</b>	<b>DOES THE ENABLING AUTHORITY USED TO CREATE AND SUSTAIN PRE DERIVE FROM ADMINISTRATIVE POLICY, ENABLING LEGISLATION, THE ADMINISTRATOR'S MANDATE, OR A COMBINATION OF THE ABOVE?</b>
<b>POLICY FRAMEWORK</b>	<b>WHAT IS THE EXTENT OF THE POLICY STATEMENTS AT THE CENTRAL AND REGIONAL BUREAUS AND THE MISSIONS?</b>
<b>ORGANIZATION</b>	<b>HAVE FORMAL ORGANIZATIONS BEEN ESTABLISHED AND WHAT ARE THEIR CHARACTERISTICS IN TERMS OF: SIZE, AUTHORITY AND RESPONSIBILITIES, FUNCTIONS AND REPORTING RELATIONSHIPS?</b>
<b>PERSONNEL</b>	<b>WHAT IS THE STAFING PROFILE AT ALL LEVELS OF THE ORGANIZAITON IN TERMS OF: NUMBER, QUALIFICATIONS, TYPE OF APPOINTMENT, CAREER AND PROMOTIONAL PROSPECTS?</b>
<b>FUNDING</b>	<b>IS FUNDING PROVIDED IN A MULTI-YEAR FORM AND ARE FUNDING SOURCES SUBJECT TO LEGISLATIVE OVERSIGHT? WHAT ARE THE FUNDING AND EXPENDITURE TRENDS AT ALL LEVELS OF AID?</b>
<b>PROGRAM/PROJECT CONTENT</b>	<b>ARE THE PROGRAMS/PROJECTS DESIGNED FOR BROAD-BASED AND LONG-TERM CLIENT USE?</b>
<b>MANAGEMENT/OPERATIONAL GUIDELINES</b>	<b>ARE OPERATIONAL GUIDELINES ISSUED TO FACILITATE IMPLEMENTATION OF PROJECTS BY MISSION AND HOST COUNTRIES?</b>
<b>CLIENT BASE</b>	<b>TO WHAT EXTENT DO CLIENT GROUPS (E.G., MISSIONS AND HOST COUNTRIES) PARTICIPATE IN AND USE PROJECTS AND SERVICES?</b>
<b>CONSTITUENT BASE</b>	<b>ARE BUSINESS INTERESTS PLAYING A FORMAL OR INFORMAL ROLE IN THE PROGRAMS AND ARE THEY WILLING AND ABLE TO PROMOTE OR LOBBY FOR THESE PROGRAMS?</b>

## INSTITUTIONALIZATION FINDINGS

	<b>COMPOSITE FINDINGS</b>
<b>NATURE OF MANDATE</b>	PRIVATE ENTERPRISE MANDATE NEEDS TO EMPHASIZE REGIONAL BUREAUS AND MISSION ROLES.
<b>POLICY FRAMEWORK</b>	POLICY FRAMEWORK AT BUREAU LEVEL SUBSTANTIALLY IN PLACE; MISSION POLICY IS LIMITED AND SHOULD BE STRENGTHENED BY ENCOURAGING POLICY DIALOGUE WITH HOST COUNTRIES.
<b>ORGANIZATION</b>	AT BUREAU LEVEL (EXCEPT ANE) PERMANENT HIGH-LEVEL ORGANIZATIONS; AT MAJOR MISSIONS PSO STAFFS BEING DEVELOPED; FOR SMALLER MISSIONS, REGIONAL PSO COVERAGE.
<b>PERSONNEL</b>	PRE UNDERSTAFFED; INCREASING NUMBER OF PERMANENT PERSONNEL IN REGIONAL BUREAUS (EXCEPT ANE) AND MISSIONS; PSO POSITIONS LACK DEFINED CAREER PATH; INCREASING AVAILABILITY/USE OF LONG-TERM CONTRACTOR SUPPORT VIEWED POSITIVELY.
<b>FUNDING</b>	REVOLVING FUND CRITICAL TO PRE'S PROGRAM CREDIBILITY; REGIONAL BUREAUS (EXCEPT ANE) HAVE SEPARATE DISCRETIONARY FUNDS AND MISSIONS' INCREASING FINANCIAL COMMITMENT.
<b>PROGRAM/PROJECT CONTENT</b>	PROGRAMS AND PROJECTS DESIGNED FOR R & D REGIONAL AND LOCAL ADAPTATIONS AND IMPLEMENTATIONS, AND OTHER LONG-TERM OBJECTIVES.
<b>MANAGEMENT/OPERATIONAL GUIDELINES</b>	OPERATIONAL GUIDELINES NEEDED TO ENSURE EFFECTIVE IMPLEMENTATION OF PRE PROJECTS BY MISSIONS AND HOST COUNTRIES.
<b>CLIENT BASE</b>	PRE RELATIONSHIPS WITH REGIONAL BUREAUS AND MISSIONS WORKING BETTER BUT CAN BE SUBSTANTIALLY IMPROVED.
<b>CONSTITUENT BASE</b>	MINIMAL OUTREACH TO U.S. AND INDIGENOUS BUSINESS INTERESTS, RESULTING IN MARGINAL KNOWLEDGE AND SUPPORT FOR AID PROGRAM.

# **RECOMMENDED PLAN OF ACTION**

- **ADMINISTRATOR'S MANDATE**
- **POLICY UPDATE AND PROGRAM REDEFINITION**
- **ORGANIZATIONAL ADJUSTMENTS**
- **PROGRAM/PROJECT DEMONSTRATIONS**
- **STAFFING AND CAREER DEVELOPMENT IMPROVEMENTS**
- **U.S. BUSINESS COALITION BUILDING**

# RECOMMENDED PLAN OF ACTION

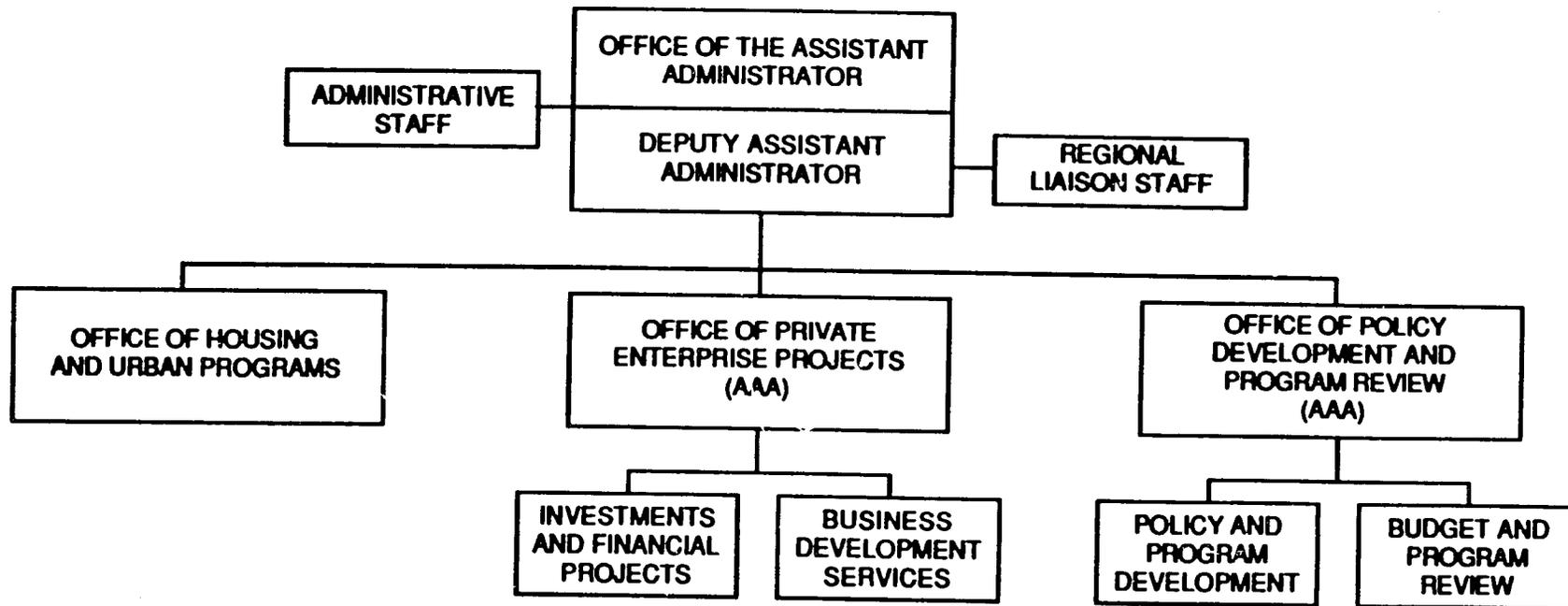
<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ORGANIZATION(S)</u>	<u>SCHEDULE</u>	
			<u>BEGIN</u>	<u>COMPLETE</u>
<b>I. POLICY</b>				
<b>A. Administrator's Mandate</b>				
	1. Approve a private enterprise Institutionalization plan. • 18 month time frame	Administrator's Office	7/1/87	-
	2. Solicit reendorsement of Secretary of State and other high-ranking officials. • Decide how best to mobilize the Secretary	Administrator's Office	7/1/87	9/25/87
	3. Mobilize steering group to spearhead plan. • Develop candidate options • Appoint six members	Administrator's Office	7/1/87	12/15/88
<b>B. Policy Update</b>				
	1. Prepare a revised AID policy paper that describes current/ planned roles and responsibilities, including program development, financial assistance and contract services of PRE, other bureaus, and the missions. • PRE makes inputs to PPC. • Emphasize PRE role as a "policy and program innovator" and a participant in Missions' policy dialogue with host countries. • Set a timetable for publication	Steering Group, PPC, PRE	7/1/87	8/14/87

## RECOMMENDED PLAN OF ACTION

<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ORGANIZATION(S)</u>	<u>SCHEDULE BEGIN</u>	<u>SCHEDULE COMPLETE</u>
<b><u>II. REORGANIZATION</u></b>				
<b>A. Organizational Adjustments</b>	<b>1. Approve reorganization of PRE</b> <ul style="list-style-type: none"> <li>• Strengthen PRE's ability to accelerate institutionalization by providing more and better services to Regional Bureaus and Missions.</li> <li>• Compare Hay proposal with PRE's.</li> </ul>	<b>Administrator's Office, PRE.</b>	<b>7/1/87</b>	<b>7/31/87</b>
	<b>2. Reconstitute Office of Private Sector Coordinator</b> <ul style="list-style-type: none"> <li>• Realign three slots to PRE as Regional Liaison Staff.</li> <li>• Retain one position to act as administrator's representative (high visibility) within IDCA and with IFC, Export/Import Bank and other Agencies.</li> </ul>	<b>Administrator's Office and Steering Group</b>	<b>7/1/87</b>	<b>7/31/87</b>

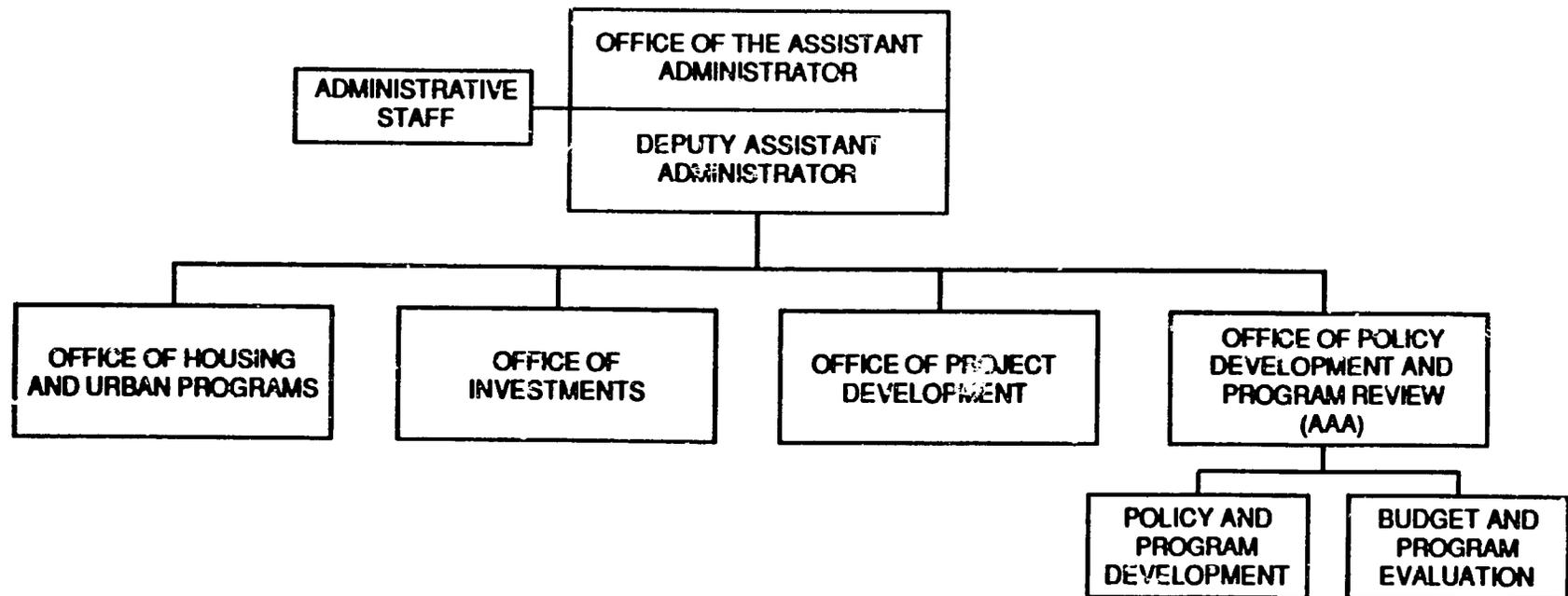
# HAY'S REORGANIZATION OPTION

## BUREAU OF PRIVATE ENTERPRISE



# PRE'S REORGANIZATION PROPOSAL

## BUREAU OF PRIVATE ENTERPRISE



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## RECOMMENDED PLAN OF ACTION

<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ASSIGNMENT(S)</u>	<u>SCHEDULE BEGIN COMPLETE</u>
<b>III. PROGRAM MANAGEMENT</b>			
<b>A. Program/Project Design</b>	<ol style="list-style-type: none"> <li>1. Identify, test, and replicate successful country programs (no more than 2 PRE-funded projects per region).           <ul style="list-style-type: none"> <li>• Create synergy between and among PRE, Regional and Central Bureaus, other IDCA agencies, and the missions.</li> <li>• Demonstrate the use of market-based strategies and solutions, the implementation of more full-service projects that incorporate the four pillars, and new approaches to financial, investment, and trade strategies.</li> </ul> </li> </ol>	Steering Group	7/1/87 12/15/88

## RECOMMENDED PLAN OF ACTION

<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ASSIGNMENT(S)</u>	<u>SCHEDULE</u> <u>BEGIN COMPLETE</u>	
<b>IV. STAFFING AND CAREER DEVELOPMENT</b>				
<b>A. Professional Staffing and Deployment</b>				
	<ol style="list-style-type: none"> <li>1. <b>Develop job specifications and performance standards for all private sector officers.</b> <ul style="list-style-type: none"> <li>• <b>Include private enterprise achievements as a criterion for promotion to senior foreign service officer and for assignment to Mission Director.</b></li> <li>• <b>Select PRE and M task team.</b></li> </ul> </li> </ol>	<b>Steering Group, PRE, M/PM</b>	<b>7/1/87</b>	<b>9/4/87</b>
	<ol style="list-style-type: none"> <li>2. <b>Ensure full-service staff deployment and augmentation, including maximum use of IESC and contractor personnel, for projects and mission support activities.</b></li> </ol>	<b>Steering Group, PRE</b>	<b>7/1/87</b>	<b>10/2/87</b>

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## RECOMMENDED PLAN OF ACTION

<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ASSIGNMENT(S)</u>	<u>SCHEDULE</u> <u>BEGIN COMPLETE</u>	
<b>IV. STAFFING AND CAREER DEVELOPMENT (cont.)</b>				
<b>B. Career Development and Training</b>	<ol style="list-style-type: none"> <li>1. Organize an in-house study group to recommend ways to improve professional career opportunities for FSO/GS personnel in PSO positions; include Backstop 21 versus 94 issue.</li>   <li>2. Design/conduct a series of 1-week, on-site training courses for Mission and host country public and private sector personnel. <ul style="list-style-type: none"> <li>• PRE pays for course development;</li> <li>• Regional Bureaus and Missions pay for the training;</li> <li>• Training includes policy dialogue/ reform techniques, R.F. and technical assistance case studies, regional/ country problem identification and resolution.</li> </ul> </li>   <li>3. Recommend improvements in intermediate and long-term management education program for PSO's.</li> </ol>	<p>PRE and M</p> <p>Steering Group, PRE</p> <p>Steering Group</p>	<p>7/1/87</p> <p>7/1/87</p> <p>7/1/87</p>	<p>10/2/87</p> <p>10/2/87</p> <p>10/2/87</p>

## RECOMMENDED PLAN OF ACTION

<u>AGENDA</u>	<u>ACTION ITEMS</u>	<u>LEAD ASSIGNMENT(S)</u>	<u>SCHEDULE</u> <u>BEGIN    COMPLETE</u>	
<b>V. U.S. BUSINESS SUPPORT</b>				
<b>A. Building and Using U.S. Business Support</b>	<b>1. Reconstitute and elevate Private Sector Council to equal status with other sector councils; membership should include U.S. business representatives (e.g., IESC, ASDAC, U.S. Chamber of Commerce, etc.)</b> <ul style="list-style-type: none"> <li>• Revisit membership</li> </ul>	<b>Steering Group</b>	<b>7/1/87</b>	<b>8/15/87</b>
	<b>2. Strengthen working relationship with IESC, particularly on demonstration projects (Item III and IV) and Mission training (Item IV).</b>	<b>PRE</b>	<b>7/1/87</b>	<b>9/18/87</b>
	<b>3. Consider feasibility of a U.S. business advisory group to advise and work with AID officials.</b>	<b>Steering Group</b>	<b>7/1/87</b>	<b>9/18/87</b>

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

ASSISTANT  
ADMINISTRATOR

AUG 12 1987

ACTION MEMORANDUM FOR THE ACTING ADMINISTRATOR

FROM: AA/PRE, Neal Peden *NP*  
SUBJECT: Hay Management Assessment - PRE Bureau

**Problem:** Your approval is requested to implement three of the recommendations made by Hay Management consultants in their assessment of the private enterprise initiative, as discussed below.

**Discussion:** In the past two years the Private Enterprise Bureau has made significant strides forward. We have developed and implemented a series of innovative activities which make a positive contribution to accomplishing the overall goals of A.I.D. But we cannot rest on our accomplishments. The progress we have made together has shown both our strengths and weaknesses. Now we must take the steps necessary to capitalize on the strengths and to eliminate the weaknesses which we have identified.

To assist us in assessing how PRE could best insure the institutionalization of the private enterprise initiative within A.I.D. through full communication and coordination agency-wide, we secured the services of The Hay Management Group to identify the systems and methodologies that would prove most effective for PRE. Based on the recommendations verbally presented by the Hay Group in your office on August 8 we propose the following for your formal approval:

- (1) Transfer of the Office of the Private Sector Coordinator To the PRE Bureau

In its review of the PRE Bureau and its relationship with the rest of the Agency, Hay Management consultants concluded that the Office of the Private Sector Coordinator (OPSC) should be integrated into PRE, where its unique outreach and service functions to the U.S. business community are complementary to PRE's encouragement of Third World private enterprise and compatible with the Agency's effort to involve U.S. capital and technology in that activity.

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EXECUTIVE SECRETARIAT  
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10 AUG 1987

There are currently four full-time employees in OPSC and we anticipate that this level of effort should be maintained, at a minimum.

We therefore recommend that OPSC functions be transferred, and four personnel ceilings needed to perform them on a continuing basis, be allocated to the Bureau for Private Enterprise.

Approve *[Signature]*

Disapproved \_\_\_\_\_

Date 8-13-87

(2) Enhancement and re-focusing of the existing Program Review Office

In addition to its normal responsibility of administering PRE's program planning and budgetary activities, this office will focus its efforts on improving PRE's relationship and coordination with USAIDs and regional bureaus. To do this the office will require additional staff to enable them to review all Mission Country Development Strategy Statements (CDSS), Annual Budget Submissions (ABS), Congressional Presentations (CP), Action Plans (AP), Program Week inputs, and any other submissions from the field for the purpose of identifying 1) greater opportunities for private enterprise strategy development within mission programs and projects and 2) new initiatives for PRE.

With the increased effort at more effective communication and coordination with USAIDs and Regional Bureaus and our new emphasis on agency-wide strategy development we propose a name change from the current office of Program Review (PRE/PR) to the Office of Strategy Development and Program Review (PRE/SDPR) and recommend that you approve:

- an increase in authorized personnel ceiling levels by two (2) positions to provide a more adequate staffing level and skills mix. Specifically, these ceilings would be used to establish a Deputy Director and a Senior Economic Advisor positions.

Approved \_\_\_\_\_

Disapproved *[Signature]*

Date 8-13-87

In addition, we proposed in a memo to you dated June 9, 1987 (copy attached) elevating the Office Director position to the SES Level and designation of the title of Associate Assistant Administrator to this position. We await your approval of this request.

(3) Training Program:

Training A.I.D. personnel in various aspects of business administration is one of the avenues to changing the way the Agency delivers its assistance, in the absence of the ability to bring a massive amount of new talent into the Agency. Hay Management Consultants recommend that A.I.D. expand its training program to provide A.I.D. employees the tools necessary to design and implement programs aimed at bettering the performance of the developing countries business community. We ask that you instruct the A.I.D. Training Office to:

- a. Make the current PRE sponsored "Role of Private Sector in Development" course a permanent part of the A.I.D. training program and, further, that a one-week version of the course be designed for delivery in the field missions; and
- b. Develop a business training program for A.I.D. employees to include the potential for short term and long term instruction in all aspects of business administration.

Approved *[Signature]*

Disapproved: \_\_\_\_\_

Date: 8-13-87

Attached is a copy of the PRE Organization Chart which reflect the recommended changes.

Attachment: a/s

Clearance: AA/M:RTR011s \_\_\_\_\_

Clearance: DAA/PRE:CGladson \_\_\_\_\_ Date \_\_\_\_\_

Drafter: PRE/PD: RAnderson /: RGray /: DTrumbull: td/cmw: 8/12/87: 0360m  
x-7-7806

*[Handwritten mark]*

8/14

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

ASSISTANT  
ADMINISTRATOR

AUG 14 1987

**ACTION MEMORANDUM FOR THE ACTING ADMINISTRATOR**

**FROM:** AA/PRE, Neal Peden *NP*  
**SUBJECT:** Private Sector Council

**Problem:** To Elevate the Private Sector Council to Full Sector Council Status.

**Discussion:** In 1982 the Private Sector Council was established under PRE chairmanship at the direction of the Administrator, as a forum for the exchange of ideas and discussion of issues among bureau private sector officers. The Council has been extremely useful in keeping various parts of the agency abreast of private sector activities, programs and policies. This council has the potential to be far more effective as an advisory and oversight body, just as the various technical Sector Councils are in generating ideas, building consensus and ensuring quality control. However, although the private sector initiative cuts across all sectors, the existing Private Sector Council does not enjoy the same high-level visibility of the respective technical area councils. A private sector council with similar status (but with its own appropriate procedures) will provide a strong building block for broadcasting the initiative and its strategies throughout the Agency. It will also assure top-level input of expertise throughout the Agency and reaffirm your support for such an inter-bureau group. The upscaling of its status would considerably enhance the Private Sector Initiative as well.

**Recommendation:** That, by initialing below, you indicate approval of giving the Private Sector Council equal status with other sector councils with PRE continuing to be the Council chair.

Approve *Neil Peden*  
Disapprove \_\_\_\_\_  
Date 8-14-87

Clearance: AA/PRE, DTrussell (draft)  
SDAA/PRE, CGladson *C*

PRE/PR: DGrossman: tmh: 8/13/87: 0643R

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