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HISTORICAL
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ORIENTATION HANDBOOK

DEVELOPMENT COOPERATION

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.

A.I.D.
Development Information Center
Room 105 SA-18
Washington, D.C. 20523-1801

"I do not believe that our island of abundance will be finally secure in a sea of despair and unrest or in a world where even the oppressed may one day have access to the engines of modern destruction. Moreover, there is a great moral principle at stake. It is not right in a world of such infinite possibilities that children should die of hunger, that young people should live in ignorance, that men should be crippled by disease, that families should live in misery, shrouded in despair.....

.....These next decades can set the course of the world for a thousand years or more. There is much danger. But there is also the joy of great expectations. We are not in the grip of history. We are the makers of history. We have the power and the faith to forge on the anvil of the world an age tempered to the hopes of man. How fortunate we are to live at such a time, with such a belief, in such a young and resistless land."

LYNDON B. JOHNSON
PRESIDENT
October 14, 1964

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FOREWORD

The purpose of Orientation Unit Two is to provide perspective for the application of your individual skills.

One of A.I.D.'s most valuable resources is the range of professional and technical skills among its employees. Such skills, to be most effective, must not only be properly focused upon the immediate task, but must also be related to the comprehensive and long-term objectives of A.I.D.

Unit Two will not attempt to tell you how to do your job, whether your job is in Washington or in an A.I.D. Mission. That knowledge is largely yours already by virtue of your academic education and your practical experience. Your backstop office will augment such knowledge by explaining the nature of your specific job and discussing the special problems or techniques associated with it.

Instead, Unit Two is designed to assist you in gaining insight into A.I.D. policies, plans, and programs and in gaining understanding of the efforts of your team as a whole. It consists of the series of lecture-discussion meetings on Development Cooperation which are outlined in this Handbook. These outlines are intended to give you a general idea of the subject matter to be covered by the individual lecturers who may not, however, follow them in detail.

CONTENTS

	<u>PAGE</u>
 Part I - Lecture Outlines	
Problems of Development and Development Performance.....	3
The International Network of Development Assistance.....	4
The Role of A.I.D. Assistance in U.S. Foreign Policy.....	5
Development Assistance and Congress.....	6
A.I.D. Financial Assistance.....	7
Food For Peace Program (PL 480).....	9
A.I.D. Assistance to Private Enterprise.....	12
A.I.D. Technical Assistance.....	14
The Role of Labor in Development.....	15
Programming and Coordinating A.I.D. Assistance.....	17
Program Evaluation.....	20
Research on Development Aid.....	21
The Case Study on Taiwan.....	23
Current AID Policy Issues.....	24
Development Cooperation Seminar.....	25
 Part II - Statistics and Charts	
Problems of Development and Development Performance:	
The LDCs - GNP Per Capita.....	27
Countries Dependent on Single Export Crop.....	28
The International Network of Development Assistance:	
Assistance Received by the Developing Countries.....	29
Estimated Communist Aid to LDCs.....	30
The Role of A.I.D. Assistance in U.S. Foreign Policy:	
Concentration of Country Programs.....	31
Countries which have Received Substantial Amounts of Aid.....	32
A.I.D. Financial Assistance:	
Economic Aid and the Balance of Payments.....	34
A.I.D. Assistance to Private Enterprise:	
New U.S. Direct Private Investment.....	35
Dollar Loans to Intermediate Credit Institutions.....	36
Total Authorizations to Intermediate Credit Institutions.....	37
Distribution of Projects.....	38
A.I.D. Technical Assistance:	
U.S. Technicians Overseas.....	39
Participant Arrivals by Field of Activity.....	40
Programming and Coordinating A.I.D. Assistance:	
30-Month Budget/Program Cycle.....	41
The Country Assistance Program Book.....	42

Part III - Manual Orders

Problems of Development and Development Performance:
A.I.D. Policy on National Development Planning
(MO 1622.1---.3)..... 44
A.I.D. Assistance to Private Enterprise:
Capital Assistance (MO 1201.1)..... 51
A.I.D. Technical Assistance:
Technical Assistance Activities (MO 1301.1)..... 58
Programming and Coordinating A.I.D. Assistance:
Program Assistance (MO 1101.1)..... 62
A.I.D. Implementation System (MO 1099.1)..... 68
Checklist of Program Approval Authorities (MO 1099.2).... 104

Part IV - Glossary..... 123

Part I

LECTURE OUTLINES

PROBLEMS OF DEVELOPMENT AND DEVELOPMENT PERFORMANCE

- I. Extent of Underdevelopment
- II. Economic Characteristics of Underdevelopment
 - A. Poverty, Its Measurement and Implications
 - B. Absence of Growth
 - C. Dominance of Agriculture
 - D. Export of Primary Products
 - E. Lack of Credit and Marketing Facilities
 - F. Low Capital Per Head
 - G. Crude Technology
- III. Social and Political Characteristics
 - A. Traditionally Determined Behavior
 - B. Traditional and Westernized Elites
 - C. Divisive Social and Political Forces
 - D. Lack of Values Conducive to Development
 - E. Ineffective Administrative and Political Institutions
 - F. Lack of Consensus
- IV. Some Implications of Change
- V. Three Limitations on Development
 - A. Skills and Organizational Ability
 - B. Domestic Savings
 - C. Foreign Exchange and Imported Commodities
- VI. Host Country Responsibilities and the Role of Foreign Assistance
 - A. Self-help and Development Performance: Concepts and Significance
 - B. Self-help and Cooperation: Examples and Progress
 - 1. Shared costs
 - 2. Self-help measures
 - C. Ability to coordinate and Utilize External Assistance
- VII. Some Limitations to Self-Help Efforts
 - A. Political, Cultural and Social Factors
 - B. Planning and Government Capacity
 - C. Trained Manpower and Effective Institutions
 - D. Popular Participation and Support
- VIII. Lessons for U.S. Role in Development Cooperation
 - A. Growing Maturity: Sense of realism and feasibility, reasonable time expectations, and longer term horizons
 - B. Greater Clarity of Aims and Objectives
 - C. Role of Conditions, Incentives, Persuasion and Demonstration
 - D. Attitudes of Personal Behavior

THE INTERNATIONAL NETWORK OF DEVELOPMENT ASSISTANCE

- I. Introduction
 - A. No Internationally Accepted Definition of Aid
 - B. DAC Approach to Resource Flows Presents Data According to Various Categories
 - C. Grants, Soft Loans, Contributions to Multilateral Institutions, Long-Term Loans Considered Aid Component

- II. Although U.S. Still Carries Major Burden, Contribution of Other Donors is Important
 - A. Disbursements by Other DAC Members
 - B. TC Contribution of Other DAC Members
 - C. Role of Multilateral Financial Institutions
 1. IBRD Family
 2. UN
 3. EEC
 4. Others

- III. Effective Coordination of AID Requires Mechanisms and Continuous Effort
 - A. Development of DAC
 - B. Country Coordination - Consortia, Consultative Groups, Coordinating Groups
 - C. U.N. and Bank Resident Representatives
 - D. Role of U.S. Missions

- IV. Current Activities of International Institutions
 - A. U.N. - UNCTAD Developments - Special Fund Merger
 - B. DAC Work Program
 1. Total Requirements
 2. External debt
 3. Review of coordination process
 - C. Bank Family
 1. New Policies
 2. Work for UNCTAD and DAC
 3. Replenishment of resources
 - D. EEC

- V. Conclusions
 - A. Increasing Complexity of Development Process and Need for Continuing Work with Other Donors, e.g., Lectures, Seminars
 - B. Importance of Working in the Field with Other Donors and Multilateral Institutions
 - C. Availability of Country Groups for Considering Policy Problems Involving Other Donors

THE ROLE OF A.I.D. ASSISTANCE IN U.S. FOREIGN POLICY

- I. U.S. Foreign Policy Goals and the Role of Foreign Aid
 - A. U.S. Interest in the Developing Countries Since World War II
 - B. Long-Term U.S. Goals: Security and Development
 - C. Shorter Term U.S. Goals
 - D. Relating the Use of Aid to Multiple Goals. Conflicts Among Goals. The Effectiveness of Aid as a Tool for Achieving Different Goals.

- II. Criteria for Determining the Size and Type of Country Assistance
 - A. The Effectiveness with which a Country can use Available Resources, Internal and External, to Promote Development
 - B. The Importance to the U.S. of Sustaining or Accelerating the Development of the Country.
 - C. The Availability of the Country or Other External Resources in a Suitable Form

- III. Types of Country Programs
 - A. Development Programs
 1. Programs in countries approaching self-sustained growth
 2. Programs in countries conducting vigorous well-planned development efforts, to which we give general and substantial support
 3. Conditional aid programs
 - B. Security/Stability Programs
 - C. Limited Objectives Programs
 1. Access to facilities
 2. Providing alternatives to Sino-Soviet Bloc assistance
 3. Supplementing ex-metropole assistance
 4. Holding action

- IV. Aid in Relation to Other Foreign Policy Tools
 - A. Coordinating Functions of PC
 - B. Country Team Approach at the Field Level

DEVELOPMENT ASSISTANCE AND CONGRESS

A.I.D. FINANCIAL ASSISTANCE

I. The Major Instruments Over Time (\$100 Billions)

- A. Post-War Relief (1946-1948)
- B. Marshall Plan (1949-1952)
Reconstruction of the war devastated economies of Europe
- C. Mutual Security Act Period (1953-1961)
 - 1. In early years emphasis on reestablishment of a credible defense posture of the Free World
 - 2. Gradual shift of assistance to economic development of the newly independent less developed nations of the Free World
 - 3. Establishment of the Development Loan Fund
- D. Foreign Assistance Act (since 1962)
 - 1. Approach to long-range development and emphasis on self-help performance
 - 2. Creation of Alliance for Progress
 - 3. Coordination of Free World aid programs
 - 4. Shift to Loans for all but Technical Cooperation and Supporting Assistance
- E. Other Tools
 - 1. PL 480. Grants or sale on concessional terms of U.S. agricultural surplus commodities
 - 2. Export-Import Bank. Purpose: promote U.S. exports. Loan terms high for repayment capacity of developing countries.
 - 3. U.S.-supported international institutions:
 - a) UN Development Program, a merger of the UN Special Fund and the Expanded Program of Technical Assistance
 - b) International Bank for Reconstruction and Development, International Development Association, International Finance Cooperation
 - c) Inter-American Development Bank, Asian Development Bank

II. The Financial Tools of Today by Appropriations (millions of dollars)

	<u>FY 1964</u>	<u>FY 1965</u>	<u>FY 1966</u>
A. Development Loans (main tool today, concentrated in Tunisia, Nigeria, India, Pakistan, Turkey and Korea)	687	774	618
B. Development Grants (now largely restricted to Technical Cooperation)	155	205	202

	<u>FY 1964</u>	<u>FY 1965</u>	<u>FY 1966</u>
C. Alliance for Progress Loans (concentrated in Brazil, Chile and Colombia)	375	425	435
D. Alliance for Progress Grants (TC)	84	95	75
E. Supporting Assistance (mostly grants; primary necessity is economic strength for security, concentrated in Vietnam, Laos, Jordan and Dominican Republic)	330	401	369
F. Contributions to Multilateral Organizations	116	134	145
G. Contingency Fund	50	99	139*
H. Other Economic	203	72	65
Total Economic	<u>2,000</u>	<u>2,195</u>	<u>2,048</u>
I. Military Assistance (MAP)	<u>1,000</u>	<u>1,055</u>	<u>1,170</u>
Total Foreign Assistance Act	<u>3,000</u>	<u>3,250</u>	<u>3,218</u>

* \$80 million of which is earmarked for Supporting Assistance in Southeast Asia.

III. Important Issues Relating to Development Lending

- A. Prospects of repayment of indebtedness of developing countries
- B. Difference between project and program loans
- C. Program loans and local currency receipts
- D. Program loans and host country policies

FOOD FOR PEACE PROGRAM (PL 480)

I. Introduction

- A. Purpose: Use of U.S. agricultural surplus commodities for foreign assistance purposes, from famine relief to long-term economic development.
- B. Outgrowth of domestic agricultural policies.
- C. Importance of PL 480: over \$16 billion in 10-year period 1955-1964, which represented 25-30% of total U.S. agricultural exports each year.

II. Title I - Sale of surplus farm products in exchange for foreign currencies

- A. Most important title: almost \$10 billion over last 10 years.
- B. Permits needy countries to receive food without having to earn foreign exchange, except for transporting half of the total in U.S. ships.
- C. Problem: What does U.S. do with foreign currencies received? Currencies are inconvertible and represent claim on resources of recipient country, which are already meager and insufficient for development.
- D. Country uses (80%):
 - 1. Section 104 (c): military for common defense
 - 2. Section 104 (e): Cooley loans for U.S. businesses and grants for development projects (Congress has discouraged grants, so no longer available).
 - 3. Section 104 (g): Loans for economic development (repayments and interest become U.S. use).
- E. U.S. uses (20%):
 - 1. Section 104 (a): 5% of sales for finding new markets for U.S. agricultural commodities.
 - 2. Section 104 (f): Pay U.S. obligations abroad.
 - 3. Sections 104 (h through t): Various uses of U.S. interest, from Fulbright Scholarships to Embassy expenses, cash grants for emergencies and sale of foreign currencies to U.S. tourists.
- F. Excessive accumulations of U.S.-use currencies in certain countries with large food import requirements due to 10% and now 20% split and loan repayments with interest. Amount at the end of June 1965: over \$1.3 billion equivalent. Problem: What to do with these excess US-use funds? Possible uses:

1. New programs to increase agricultural production, e.g., agricultural credit, rural works programs and others. Essentially this would involve Congressional approval for transferring funds to country uses.
2. Creation of educational, scientific and cultural bi-national foundations.

G. Can you think of new uses which would not impinge on country's already inadequate foreign exchange reserves and would not involve transfer of funds to country uses?

III. Title II - Grants for famine relief and other assistance

- A. Section 201: Relief food supplies for emergencies, such as earthquakes, crop failures, typhoons, etc.
- B. Section 202: Work projects. Payment of wages in part with donated U.S. agricultural surplus commodities.
- C. Section 203: Transportation costs for carrying out programs authorized in other sections, including those of voluntary agencies.

IV. Title III - Domestic programs

Contains two sections applicable to foreign affairs:

- A. Section 302: Transfer free of charge to U.S. voluntary agencies of U.S. surplus agricultural commodities for their programs abroad (CARE, Church World Services, Catholic Relief, etc.)
- B. Section 303: Barter of excess agricultural products for strategic materials desired by the U.S.

V. Title IV - Long-term supply contracts: sale of U.S. surplus agricultural commodities for dollars but on long-term credit

- A. Credit terms (most lenient): Interest no lower than that for Development Loans ($2\frac{1}{2}\%$), 2 years grace, 20 years for repayment.
- B. As a country improves its ability to earn foreign exchange, it can be expected to "graduate" from Title I to Title IV, and later to commercial transactions. Title IV obviously avoids accumulation of U.S.-use foreign currencies.
- C. Local currency proceeds are the same in Title I and Title IV. In the former case, the U.S. Treasury becomes owner, in the latter, these funds accrue to the host government as a budgetary receipt. As a rule, U.S. has not written into the sales agreements the purposes for which such funds can be used by the recipient government.

VI. Important issues relating to U.S. food supplies

- A. Surplus stocks are fast disappearing. As of November 1965 wheat and feed grains were close to desirable strategic reserve of 1 year's normal U.S. needs. Rice is not in surplus. Excessive stocks exist only for cotton and tobacco.
- B. Prior to World War II, LDC's were net exporters of foodstuffs to the industrialized countries. In 1964, the developed countries shipped 25 million tons of foodstuffs to the developing countries. Current population trends, if continued, will require food in the developing countries by 1980 equivalent to the entire production of North America and Europe combined in addition to current output.
- C. Increased food production in the LDC's with most population pressures can only come from higher yields. What is required to achieve higher agricultural productivity in the developing countries?
- D. What are the prospects for (1) increased agricultural production in the developing countries, (2) increased food shipments on concessional terms from industrialized to developing countries, and (3) effective population limitation programs? Can mass starvation in some countries be avoided in the 1970's?
- E. Implications of world food outlook on the Food for Peace program.

A.I.D. ASSISTANCE TO PRIVATE ENTERPRISE

I. Goal of Foreign AID -- To help Other Countries Move Towards Self-Support --

3/4 of the AID assistance provided is "development assistance". Taiwan, Greece, and Lebanon are good examples of countries whose self-sufficiency has grown enough to attract outside world capital.

II. The Role of Private Enterprise -- (a) The enlarging and accelerating of local private enterprise, and (b) the encouragement of an increased flow of both local and foreign private investment.

A. The investment climate can be improved through the development of technical skills, local institutions, and an indigenous capital market. The role of the Mission is vital to these efforts.

B. The flow of U.S. private capital and technical assistance must be encouraged to fill "the investment gap". Private enterprise is encouraged by programs which:

1. Acquaint investors with opportunities
2. Increase the return on investment (e.g., tax incentives)
3. Provide scarce capital, and
4. Reduce the particular risks associated with investments in the developing world.

III. The Organization

A. Washington

1. DFPE and the Regional Bureaus
2. Commerce Department -- International Commerce Magazine; Trade Missions; Contacts with U.S. business community.

B. Importance of Mission Staff

1. Capital Development Office -- Responsible for project financing and the development of capital markets
2. Industry and Private Enterprise Office -- Institutional development, technical assistance, identification of investment opportunities, and investment promotion.
3. Embassy - Commercial Officer.

IV. Tools of AID: Development of Local Private Enterprise

- A. Development Banks and Other Intermediate Credit Institutions
 - 1. "Retail" lending
 - 2. Developing a capital market; training in industrial banking
 - 3. AID Loans to Intermediate Credit Institutions - Statistics
- B. Industrial Development Corporations and Investment Promotion Centers
- C. Productivity Centers
- D. Vocational and Participant Training
- E. Industrial Districts
- F. Studies of Investment Laws, Taxes, and Capital Markets
- G. International Executive Corps

V. Tools of AID: Encouraging U.S. Private Investment

- A. Information:
 - 1. The Catalog of Investment Opportunities
 - 2. Reporting and promoting investment opportunities
 - 3. Investment Missions; Missions to the U.S. by participant trainees
 - 4. Investment surveys
- B. Increasing the return on Investment-Proposal Tax Credit
- C. Reducing Risk - Investment Guarantees:
 - 1. Specific Risk Guarantees
 - 2. Housing In Latin America
 - 3. Extended Risk Guarantees
- D. Providing Scarce Capital
 - 1. Cooley Loans
 - 2. Development Bank Loans to U.S. Firms and Joint Ventures
 - 3. Dollar Loans

VI. The Ultimate and Vital Role of the Mission

"Private Enterprise" is not restricted to large industrial operations. Private initiative must be encouraged at all levels of economic activity. But the job cannot be done from Washington. Responsibility for the encouragement of private enterprise rests ultimately with the Mission -- it is there that you can make the vital contribution.

AID TECHNICAL ASSISTANCE

- I. Definitions of Technical Assistance
- II. Lessons from History
 - A. Program Approach
 - B. Institutional Factors
 - C. Multiplier Effects
 - D. Appropriate Technical Message
 - E. Appropriate Communication Method
 - F. Anticipation of Side Effects
- III. Technical Assistance in a Goal-Plan
 - A. The Application of These Lessons in a Country Program
- IV. Issues Arising in Coordinated Programming
 - A. Policy Objectives and Program Goals
 - B. Program Scope
 - C. Kinds of Aid
 - D. Bi-Focal Planning
- V. Role of Technical Assistance in Countries at Different Stages of Development
- VI. Providing Technical Assistance: Technical, Program, Administrative, and Personal Considerations
 - A. Identification of Need
 - B. Setting Priority
 - C. Design of Activity
 - D. Implementation
 - E. Evaluation of Progress
 - F. Follow-up Activities

THE ROLE OF LABOR IN DEVELOPMENT

I. Introduction

A. Objective

1. Why it is important to understand the role of AID's labor program.
 - a. Economic growth and social justice
 - b. Increases in inputs of capital and labor
 - c. Improvements in the quality and efficiency of these inputs
2. American concept: unions as institutions for social economic development
 - a. The Institution-building potentialities of free democratic labor movements
 - (1). Vehicles for progress and political stability
 - (2). Effective instruments for change and modernization
 - b. Need to develop strong, responsible, competent Trade Union leadership in order to secure social compact between labor, management, and government.
 - c. Strong, democratic unions as a factor in nation-building
 - d. Labor leaders and economic planning and development agencies

II. Development

A. Role of labor in economic development

1. Labor as an economic factor
2. Labor as a citizen, breadwinner, responsible human being
3. Labor as a political participant

B. Functions of Trade Unions

1. Serve as a mechanism for workers views and protests
2. Serve as an institutional framework for motivation and acceptance of hard decisions and sacrifices which development requires
3. Means of sharing in rewards of economic growth
4. As aggregate for consumption as well as production, contributing to economic viability
5. As vehicles for constructive participation in social progress and political stability
6. As means of shaping the social content of national economic development programs.

C. Foreign Assistance Act specifications for labor programs in Sec. 211 and Sec. 601.

D. Examples of what A.I.D. has done to support the mandates:

1. Turkey and free trade unions; LA and AIFLD--AALC-Africa
2. Liberia, Taiwan and manpower planning, Iran and employment services, Tunisia and manpower service.

III. Summary

- A. Labor is an important factor in economic development.
- B. Man's welfare and freedom is the end purpose of economic development.
- C. A.I.D.'s labor program covers trade union development, strengthening labor ministries, and manpower training and utilization.
- D. Value of meaningful labor programs
 - 1. Building effective enlightened unions and ministries of labor to meet manpower and skill development requirements.
 - 2. Giving demonstrable benefits to workers whose loyalty is needed.
 - 3. Free, democratic and responsible trade unions supply one of the major ingredients necessary for social, economic, and political development.

PROGRAMMING AND COORDINATING A.I.D. ASSISTANCE

I. Introduction

A. Nature of Assistance

1. always related to other considerations
2. always under tension of various conflicting views

B. Programming in Process of (1) Relating and (2) Selecting

1. reaching agreement on what? and how much?
2. programming viewed structurally -- the CAP (Country Assistance Plan)
3. programming viewed through time -- the Budget Cycle

II. The Country Assistance Plan

The CAP is the bridge between broad objectives of foreign policy and what in fact is done - procurement and technicians.

A. The Framework is Rooted in Many Strands of Analysis

1. economic - GNP, balance of payments, trade, sectors, investment, budget
2. political - leadership, party structures, dynamics of political forces
3. social - class structure, distribution of wealth, value systems, counterproductive traditions
4. military - drain on resources, defense risks, potential role in development
5. institutions - educational, financial, service - strengths and key weaknesses
6. availability of other assistance, resources

B. Assistance Strategy - The Key Stone

1. a plan of action and influence
2. results from interaction of purpose and situation
3. measured against three criteria
 - a. degree of U.S. interest
 - b. investment productivity -- self-help
 - c. lack of other resources -- internal or external
4. Country Assistance Strategy Summary (CASS)
 - a. that in CAP which is reworked in AID/W and approved

C. Program - Proliferating into Proposed Uses of Tools of Assistance

1. program assistance
capital assistance) organized in goal plans and projects
technical assistance)

III. Long Range Assistance Strategy

- A. Glorified CAP
 - 1. major difference in degree, quality, depth, focus
 - 2. long strategy, underneath problems
- B. The LAAS Team - USAID, AID/W, Outside Consultants, Economists, Social Scientists, Professions
- C. Relation to National Policy Studies of State (Rostow)
- D. Review by Regional, Interagency, Administrator
 - 1. results in:
 - a. approved strategy statement
 - b. simplified subsequent program budget cycle

IV. Budget Cycle

- A. Resolution of Conflicting Views, by Successive Approximation Iterative Process
- B. 30-Month Cycle
 - 1. guidance for FY 66 should precede presentation of FY 65 and will barely follow appropriation of FY 64
- C. The Timing
 - 1. spring preview - strategy and level
 - 2. fall budget - CAP and submission to BOB
 - 3. presentation - spring and summer
 - 4. operational year budget - fall plus revisions
 - 5. implementation approval
 - a. program
 - 1. balance of payments analysis
 - 2. budget analysis
 - 3. political
 - b. capital
 - 1. investment analysis
 - c. technical
 - 1. project approval
 - 2. level of continuing activities
 - 3. new projects
 - 6. funding
 - a. accompanies program and capital approval
 - b. follows technical - to be spread by mission

V. Special Problems of Coordination

- A. Other U.S. Assistance
 - 1. administrator's role as FA coordinator
 - 2. ambassador's role as chief of mission
 - 3. special A.I.D. responsibility for integrated assistance programming

- B. Need for Close Relations With:
 - 1. MAP - military assistance division
 - 2. Ex-Im Bank - DIC, NAC check procedures
 - 3. PL 480 - interagency committee, Food for Peace Director
 - 4. educational exchange
 - 5. Peace Corps
- C. U.S. Balance of Payments
 - 1. major and deep-seated problem
 - 2. restrictions on source and origin
 - 3. avoidance of cash transfers
 - 4. policy regarding local costs
 - 5. alternative means of financing program assistance
 - 6. gold budget - target of \$500 million outflow

VI. Concluding Note

- A. A Complex Business, Full of Frustration
- B. Twentieth Century, American Sublimation of Empire
 - 1. Roots in American ideas
 - a. federalism
 - b. neighborliness
- C. A Great Enterprise

PROGRAM EVALUATION

- I. Definition
- II. Objectives
 - A. Compliance
 - B. Performance
 - C. Furtherance of U.S. objectives
 - D. Research
- III. History in A.I.D. and Predecessor Agencies
- IV. Methodology
 - A. In-house
 - 1. One-shot
 - 2. Regular part of operational cycle
 - B. Contract
- V. Component Parts of an Evaluation System
- VI. Application of Results
- VII. Present Status

RESEARCH ON DEVELOPMENT AID

- I. Why Spend Money on Research?
 - A. The Untested Hypothesis Underlying Development Assistance
 1. imperfect knowledge of the processes of development and of the most effective ways to accelerate them
 - B. The Recent History of Scientific Research
 1. disproportionately handsome returns on investment research
- II. Development of A.I.D. Research Program
- III. Objectives of the A.I.D. Research Program
 - A. Deepen Knowledge and Understanding of the Development Processes
 - B. Improve our Ability to Perform in our Role as an AID Agency
 - C. Conduct Research in such a Way as to Increase the Research Competence and to Orient Research Interests in the Less Developed Countries
 - D. To Create a Community of Top Flight Scientists and Scholars Engaged in Research and to Advance Training in Fields Relevant to Questions of Development
- IV. How A Research Program is Developed and Executed
 - A. An Administrative Model of the Research Program
Problem definition --->stimulation of proposals --->evaluation of proposals --->negotiation of contracts --->monitoring of research underway --->review, evaluation and dissemination of reports --->utilization of research results.
 - B. Discussion of the Roles and Relationships of Various AID/W and USAID Personnel in Each of These Steps.
 1. illustrations of how work in practice
- V. Structure and Composition of the Current Research Program
 - A. Research and analysis integrated into TCR functional structure
 - B. Range of research - analysis activities and methods
 - C. Functional categories
 1. Health
 - (a) Public Health
 - (b) Nutrition
 - (c) Population

2. Institutional and Social Development
 3. Agriculture and Rural Development
 - (a) Production
 - (b) Economic and Institutional Development
 4. Industrial and Urban Development
 5. Education and Manpower Planning
 - (a) Educational planning
 - (b) Manpower and human resources
 6. Economics
- D. Illustrations of Projects Underway in Each Area

VI. Special Significance for USAID Personnel

- A. Problem Definition
- B. Relationships with Researchers
- C. Use of Results
- D. Side Effects on Operations
 1. availability of experts
 2. sources of additional information
 3. training of locals
 4. impact on host government officials

THE CASE STUDY ON TAIWAN

CURRENT A.I.D. POLICY ISSUES

DEVELOPMENT COOPERATION SEMINAR

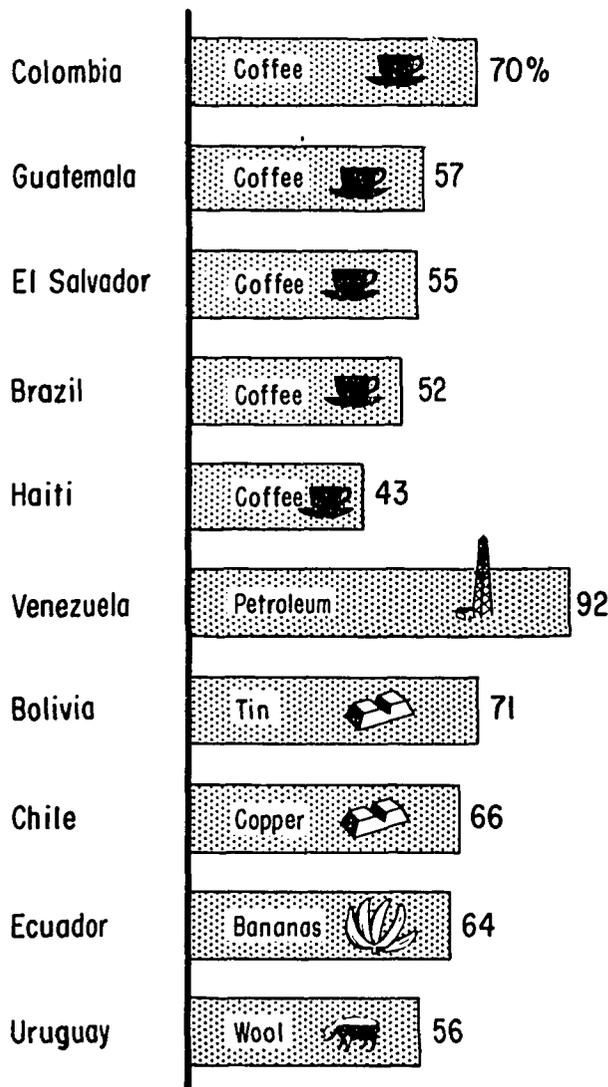
Part II

STATISTICS AND CHARTS

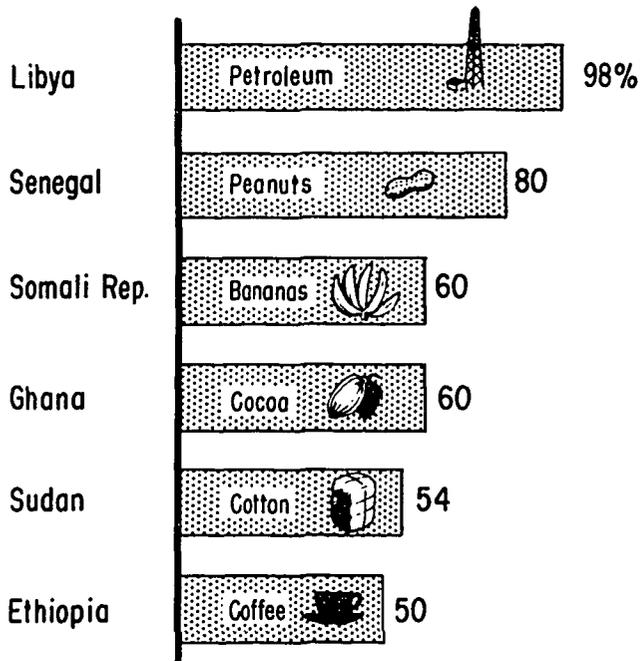
MANY COUNTRIES ARE DEPENDENT ON A SINGLE EXPORT COMMODITY

Single Export Commodity as a Percent of Total Exports (1961-63 Average)

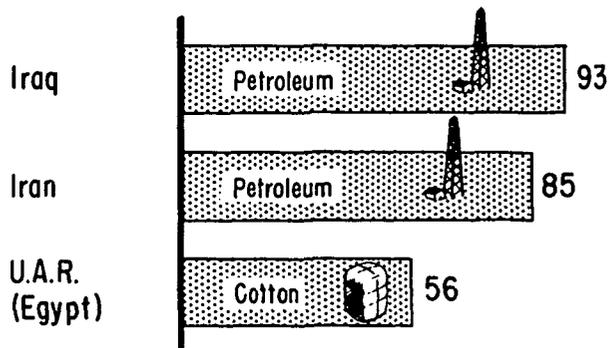
LATIN AMERICA



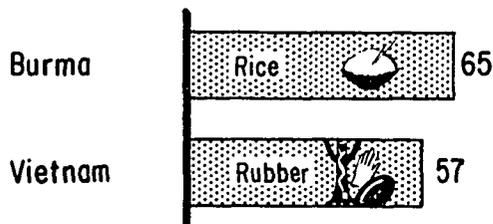
AFRICA



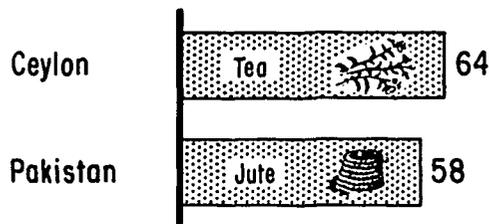
NEAR EAST



FAR EAST



SOUTH ASIA

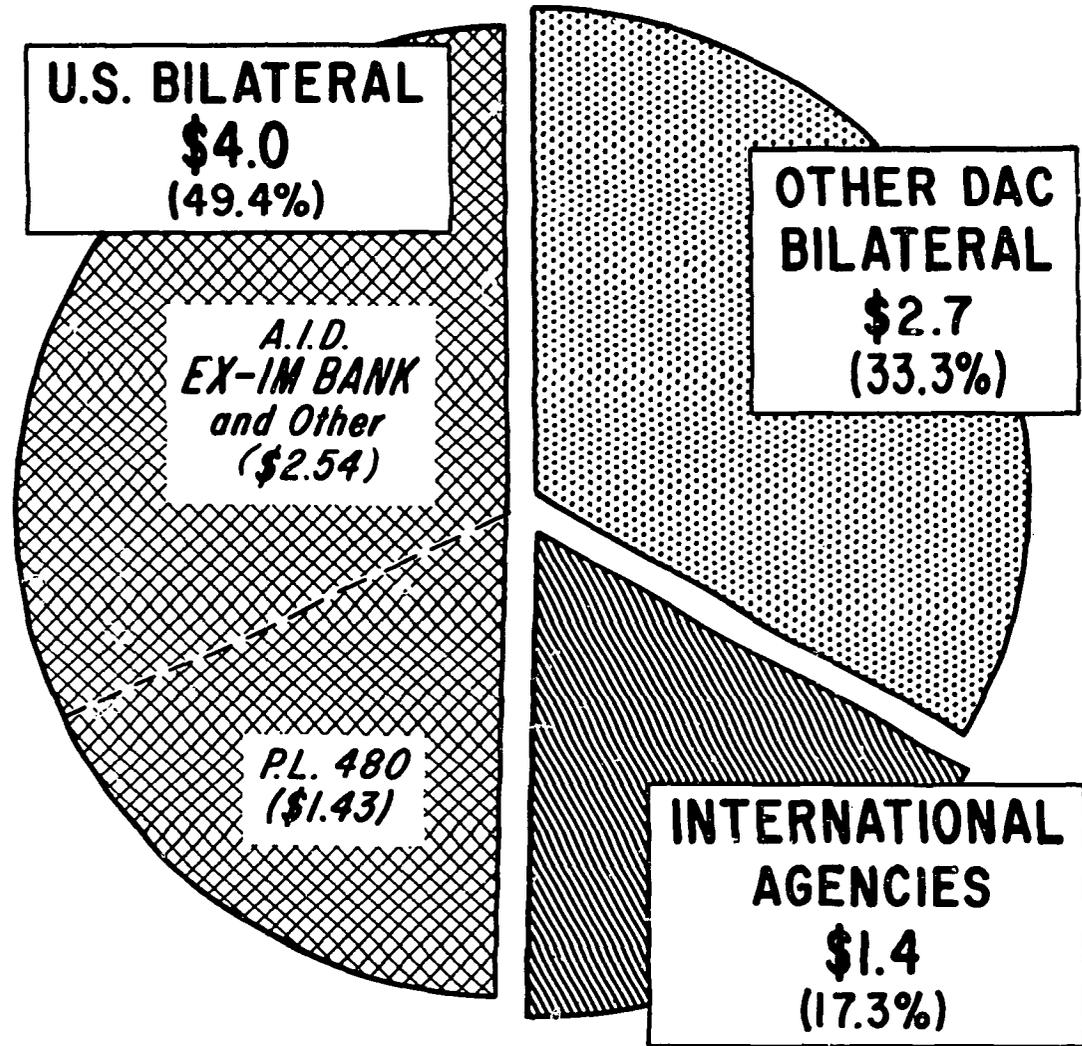


Total \$8.1 billion in 1963

**ASSISTANCE
RECEIVED
BY THE
DEVELOPING
COUNTRIES**

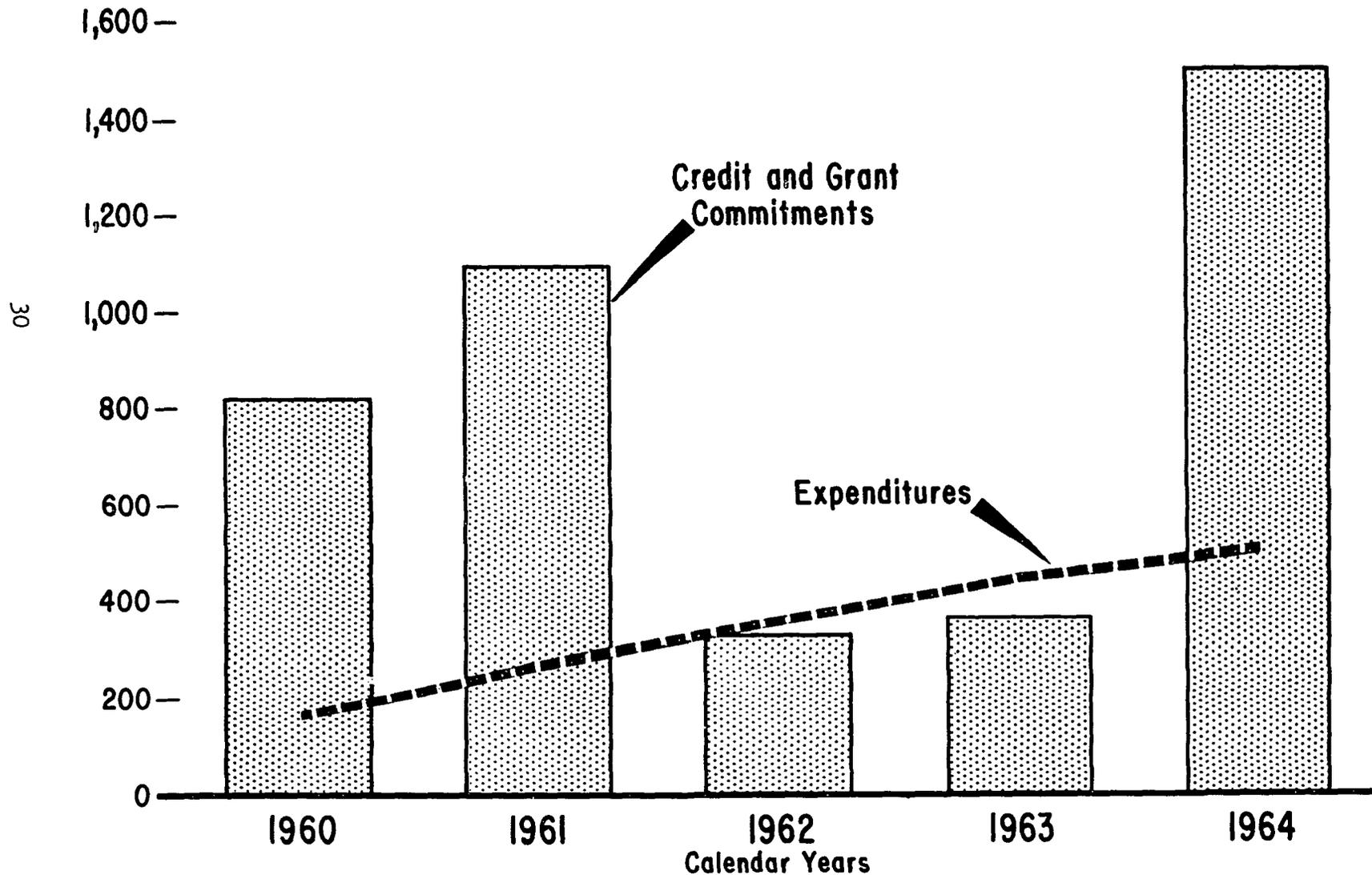
29

Commitments of
Grants and Loans
of Over 5 Years
Maturity in
Calendar Year
1963



ESTIMATED COMMUNIST ECONOMIC AID TO LESS DEVELOPED COUNTRIES*

(Millions of Dollar Equivalents)



* Excludes Cuba

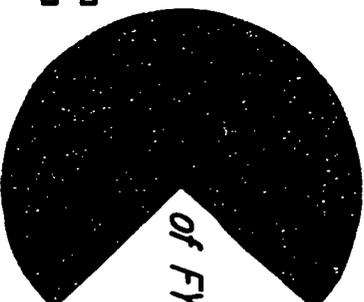
CONCENTRATION OF COUNTRY PROGRAMS

DEVELOPMENT

..... 7 Countries

LOANS

India
Brazil
Pakistan
Turkey
Chile
Nigeria
Tunisia



of FY 1966 Program

SUPPORTING ASSISTANCE

..... 4 Countries

Korea
Laos
Vietnam
Jordan

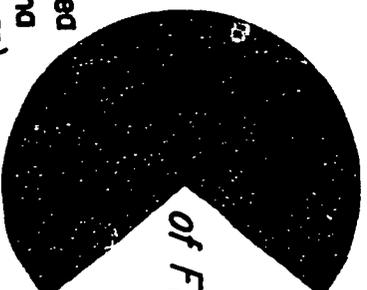


of FY 1966 Program

MILITARY ASSISTANCE

..... 11 Countries

Greece
Turkey
Iran
Pakistan
India
Laos
Vietnam
Thailand
Philippines
Korea
China
(Taiwan)



of FY 1966 Program

PAST ECONOMIC GROWTH AND SELF-SUFFICIENCY OF COUNTRIES
WHICH HAVE RECEIVED SUBSTANTIAL AMOUNTS OF AID*

A. Successfully Completed Programs

Austria	Iceland	Netherlands
Belgium-Luxembourg	Ireland	Norway
Denmark	Italy	Spain
France	Japan	Taiwan
Germany	Lebanon	United Kingdom

B. Substantial Economic Growth (over 1.5% per year per capita) and High or Increasing Self-Sufficiency in Financing Development**

Colombia	Israel	Thailand
Greece	Mexico	Venezuela
India	Philippines	
Iran		

C. Substantial Economic Growth with Continuing External Dependence

Bolivia	Jordan	Panama
Brazil	Liberia	Turkey
Guatemala	Pakistan	United Arab Republic
	Substantial growth since 1959.	

D. Growth of Less Than 1.5% per capita

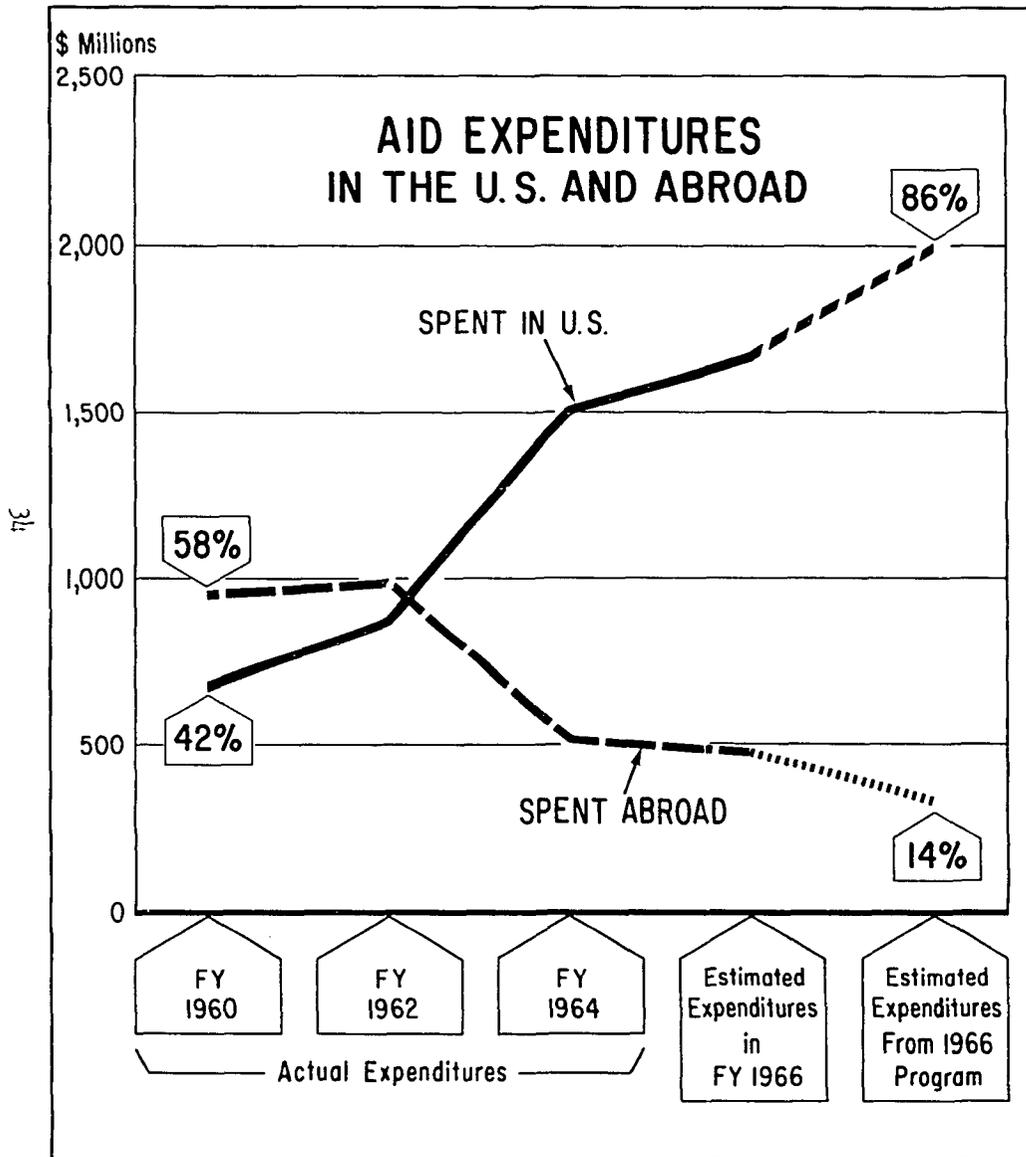
Argentina	Indonesia	Peru
Chile	Nicaragua	Tunisia
Costa Rica	Paraguay	

*Includes all countries in which (a) economic development has been a primary objective of U.S. assistance, and (b) U.S. economic assistance from all sources since 1945 has amounted to \$300 million or (for countries having less than 10 million people) \$30 per capita. Excludes Korea, Vietnam, Laos, Cambodia, Libya, Morocco, Yugoslavia, and Poland.

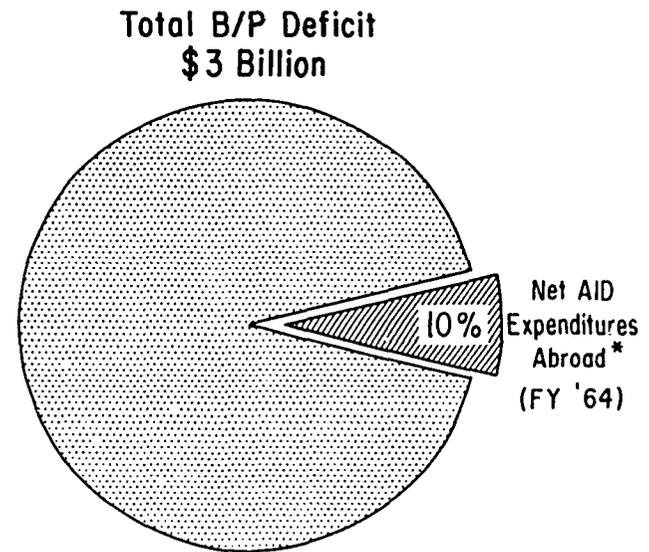
**Economic growth rates have been based on the most recent periods of five years or more (where relevant) for which gross national product data are available.

High self-sufficiency in financing development means that 80% or more of gross investment in the past few years (generally 1959-1962) has been financed by domestic savings or private foreign investment. Increasing self-sufficiency means that the proportion has been less than 80% but has increased by more than 10 percentage points between 1957-1962.

ECONOMIC AID AND THE BALANCE OF PAYMENTS



AID'S EFFECT ON DEFICIT IN U.S. BALANCE OF PAYMENTS



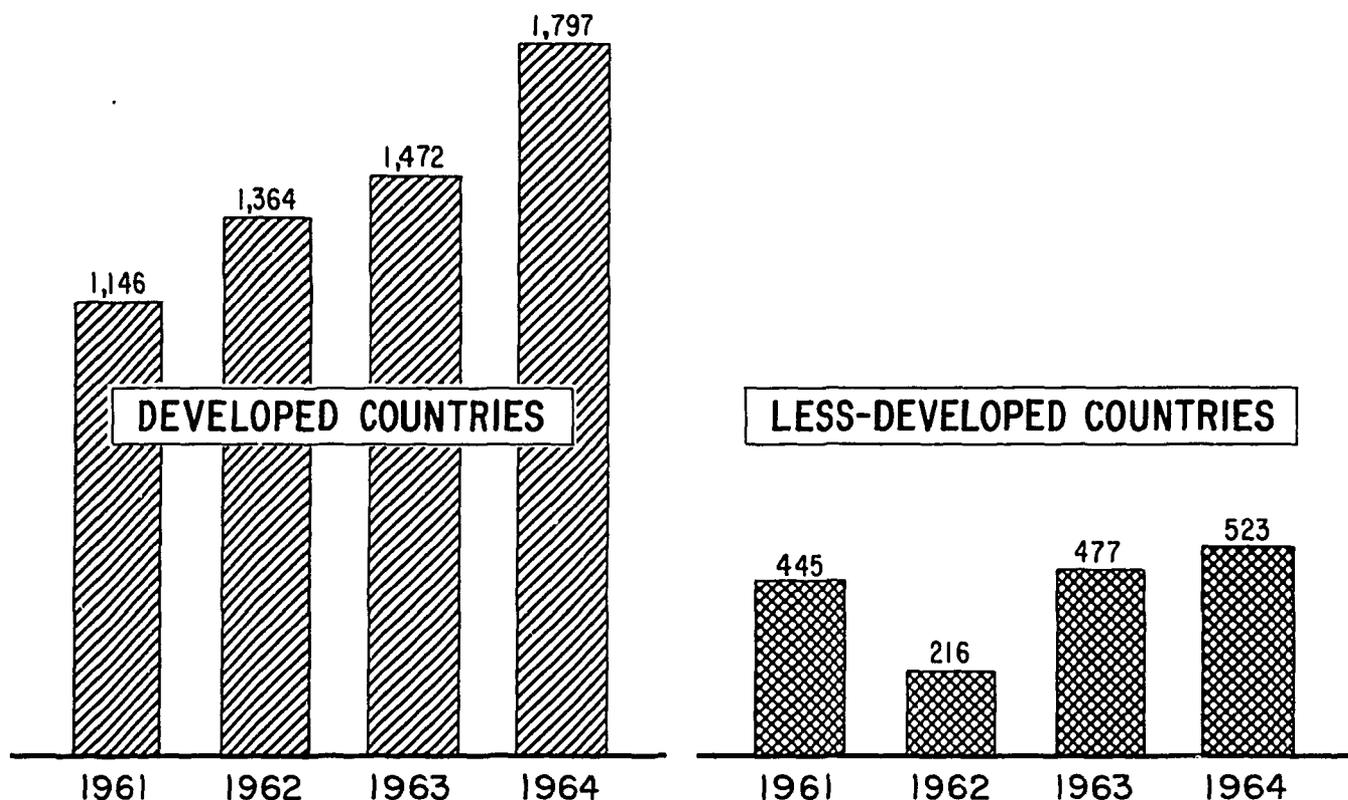
*AID Expenditures Abroad	
Total.....	\$ 515 Million
Less Repayments.....	196
*Net AID Expenditures...	\$ 319 Million

NEW U.S. DIRECT PRIVATE INVESTMENT

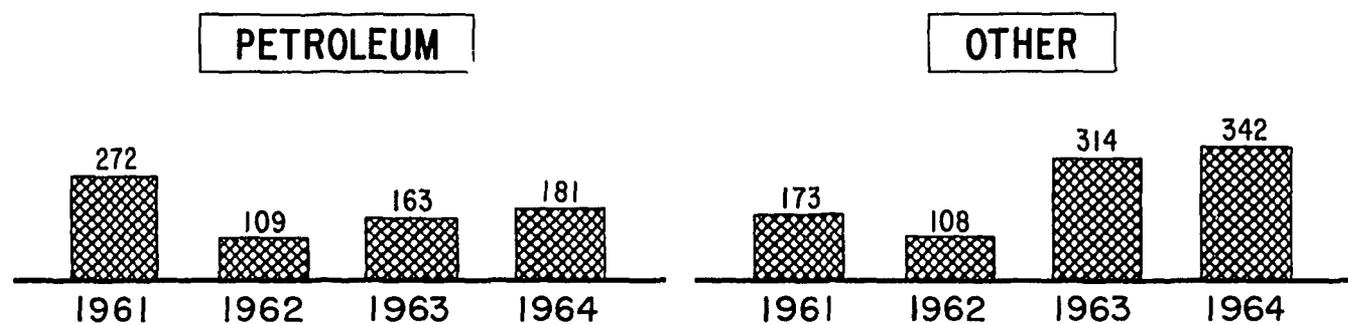
(Net Excl. Reinvested Earnings)

(Millions of Dollars)

I. THE DIRECTION OF U.S. INVESTMENTS



II. PETROLEUM ACCOUNTS FOR MUCH OF U.S. INVESTMENT IN LESS-DEVELOPED COUNTRIES



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

INTERMEDIATE CREDIT INSTITUTIONS AUTHORIZATIONS OF DOLLAR LOANS
 (Thousands of Dollars)

As of June 30, 1965

BY REGION BY FISCAL YEARS

	Total	NESA	LA	FE	AFE
<u>Total Authorizations</u>	<u>\$558,859</u>	<u>\$126,705</u>	<u>\$388,600</u>	<u>\$20,054</u>	<u>\$23,500</u>
FY 1958	14,542	13,859	-	683	-
1959	37,271	20,200	5,000	10,071	2,000
1960	41,963	32,663	-	9,300	-
1961	106,400	22,900	71,500	-	12,000
1962	59,583	20,083	37,500	-	2,000
1963	85,000	-	82,500	-	2,500
1964	123,000	6,000	112,000	-	5,000
1965	91,100	11,000	80,100	-	-

BY CATEGORY BY FISCAL YEARS

	Total	DEVELOPMENT BANKS	HOUSING	AGRICULTURAL CREDIT	COOPERATIVES
<u>Total Authorizations</u>	<u>\$558,859</u>	<u>\$283,959</u>	<u>\$142,400</u>	<u>\$124,700</u>	<u>\$7,800</u>
FY 1958	14,542	14,542	-	-	-
1959	37,271	32,271	-	5,000	-
1960	41,963	41,963	-	-	-
1961	106,400	34,900	44,500	27,000	-
1962	59,583	27,083	2,500	30,000	-
1963	85,000	13,500	47,600	23,900	-
1964	123,000	56,700	47,800	17,300	1,200
1965	91,100	63,000	-	21,500	6,600

INTERMEDIATE CREDIT INSTITUTIONS
TOTAL AUTHORIZATIONS
(000's of Dollars or Dollars Equivalent) (Local Currency)
September 1951 - June 30, 1964

BY AREAS BY FISCAL YEARS

	Total	NESA	LA	FE	AFE
Total Authorizations	\$1,309,798.5	\$526,473.1	\$467,781.3	\$276,334.0	\$39,211.1
FY 1952	29,642.9	29,642.9	-	-	-
1953	27,262.2	-	-	27,262.2	-
1954	6,590.0	-	-	6,590.0	-
1955	3,914.0	3,320.0	300.0	-	294.0
1956	1,840.0	1,340.0	500.0	-	-
1957	25,318.8	4,760.0	7,933.8	12,625.0	-
1958	168,917.9	140,321.1	9,962.9	13,133.9	5,500.0
1959	161,745.5	139,346.4	5,000.0	14,433.0	2,916.1
1960	76,411.2	40,571.4	9,054.2	24,285.6	2,500.0
1961	124,509.5	40,009.5	72,500.0	-	12,000.0
1962	282,378.7	106,077.9	46,922.4	123,161.8	6,216.6
1963	263,741.2	2,995.3	201,208.0	54,753.5	4,734.4
1964	137,526.6	18,087.6	114,400.0	39.0	5,000.0

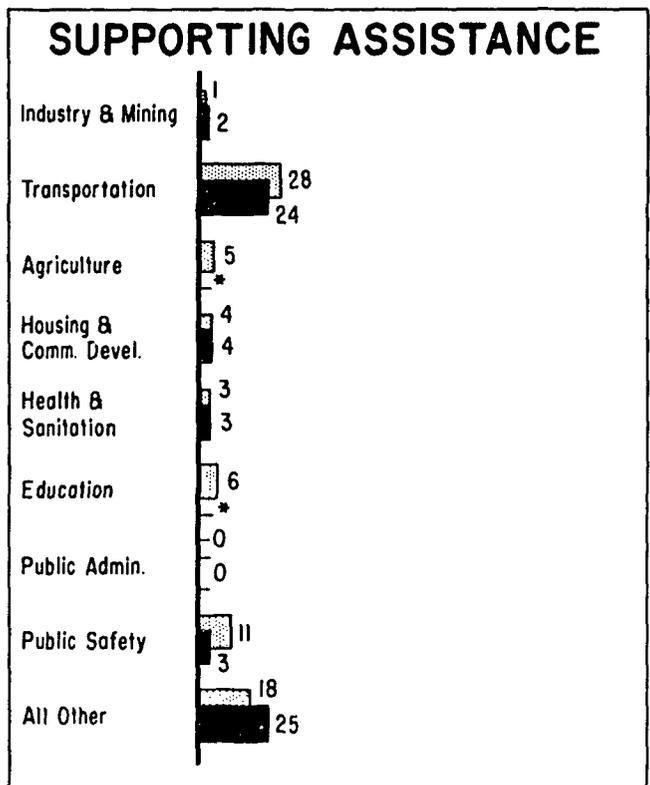
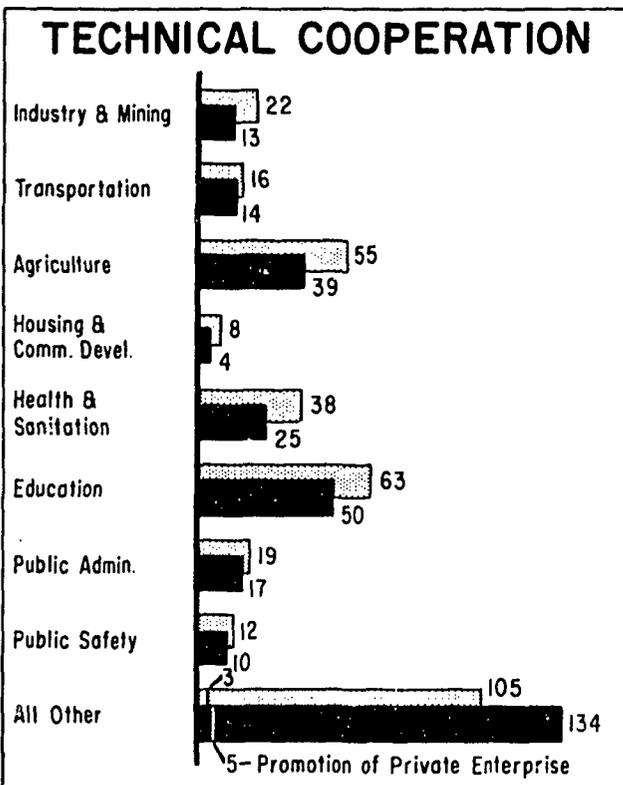
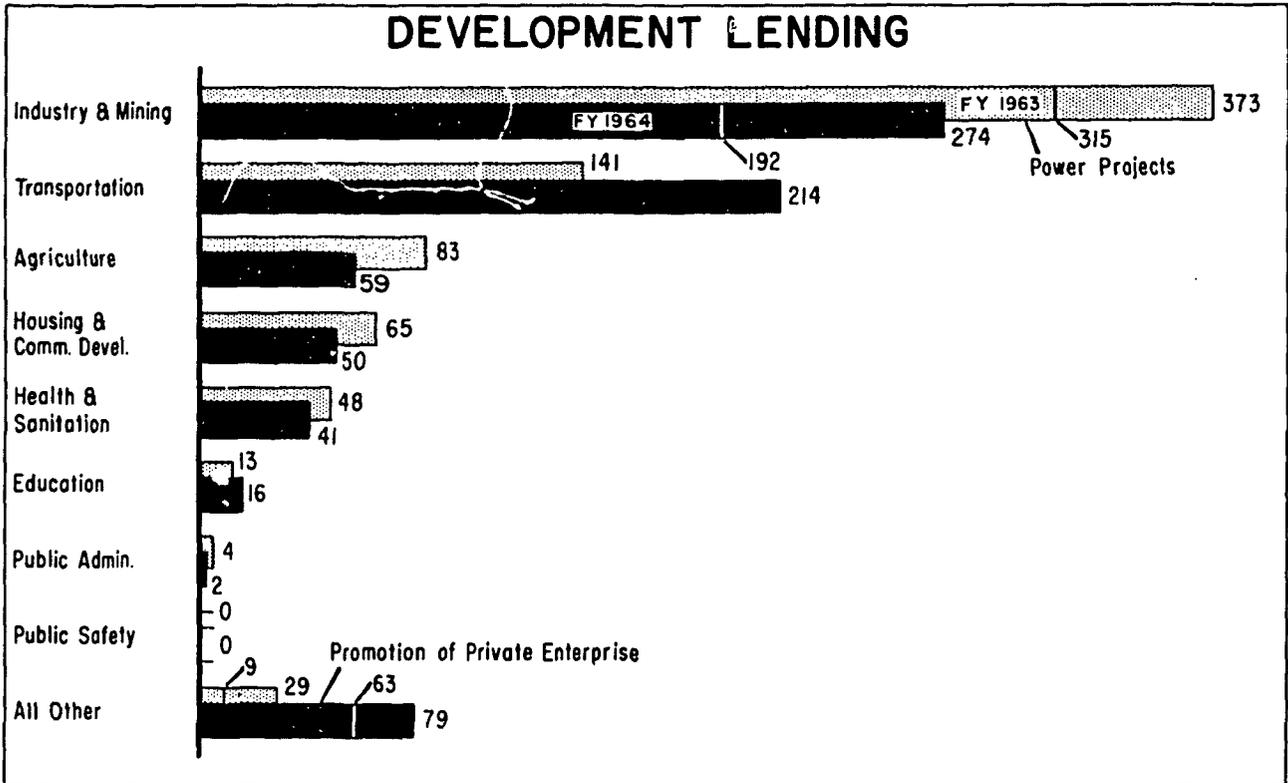
BY CATEGORY BY FISCAL YEARS

	Total	Development Banks	Housing	Agricultural Credit	Coops
Total Authorizations	\$1,309,798.5	\$940,762.7	\$163,337.6	\$202,098.2	\$3,600.0
FY 1952	29,642.9	29,642.9	-	-	-
1953	27,262.2	23,021.3	-	4,240.9	-
1954	6,590.0	6,590.0	-	-	-
1955	3,914.0	1,394.0	2,220.0	300.0	-
1956	1,840.0	1,340.0	-	500.0	-
1957	25,318.8	25,318.8	-	-	-
1958	168,917.9	157,767.9	-	11,150.0	-
1959	161,745.5	156,395.5	-	5,350.0	-
1960	76,411.2	76,376.0	-	35.2	-
1961	124,509.5	48,009.5	45,500.0	31,000.0	-
1962	282,378.7	177,591.5	5,717.6	99,069.6	-
1963	263,741.2	163,527.7	62,100.0	33,113.5	-
1964	137,526.6	68,787.6	47,800.0	17,339.0	3,600.0

DISTRIBUTION OF PROJECTS

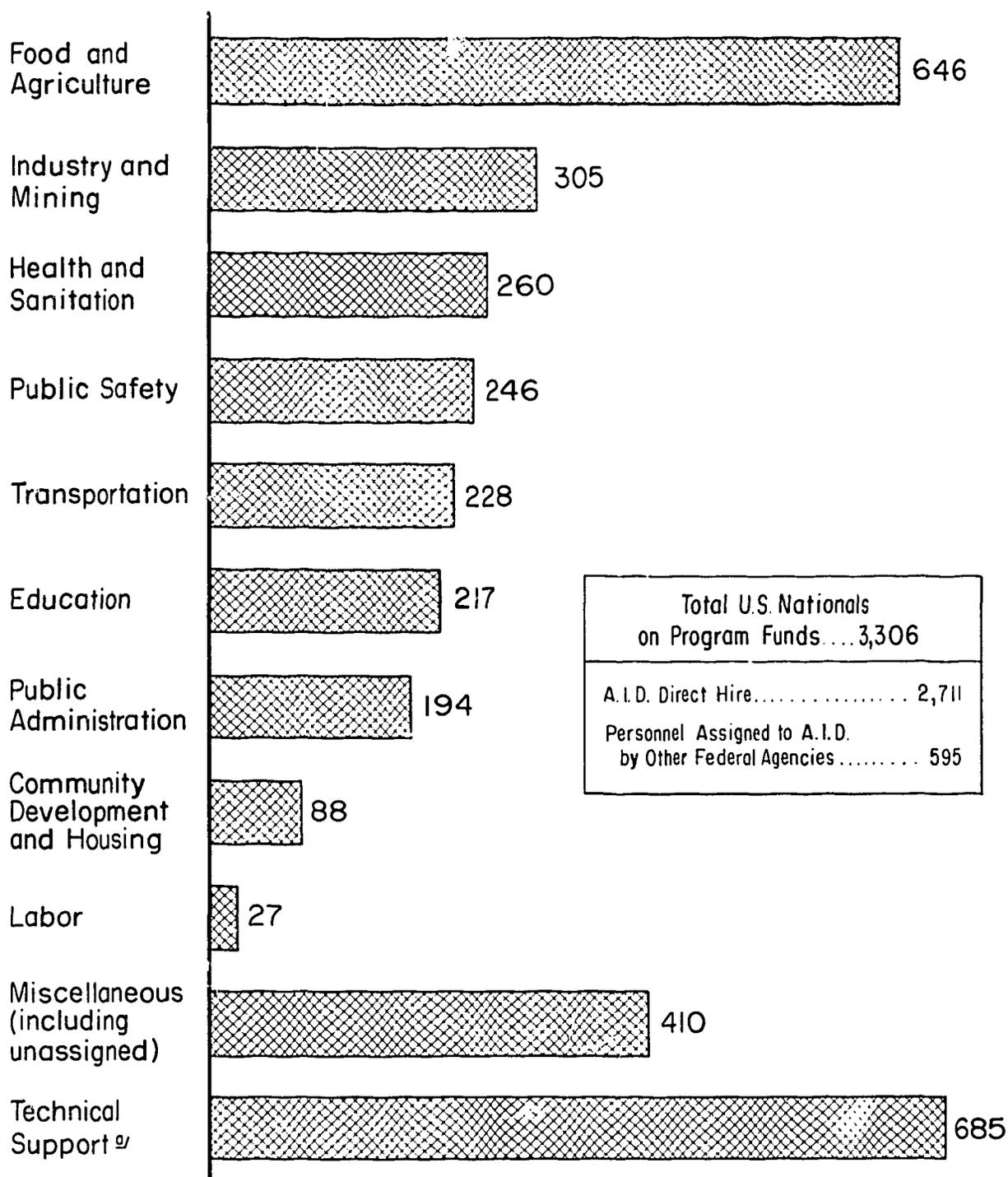
By Category of Funds and by Field of Activity

(Millions of Dollars)



U. S. TECHNICIANS OVERSEAS

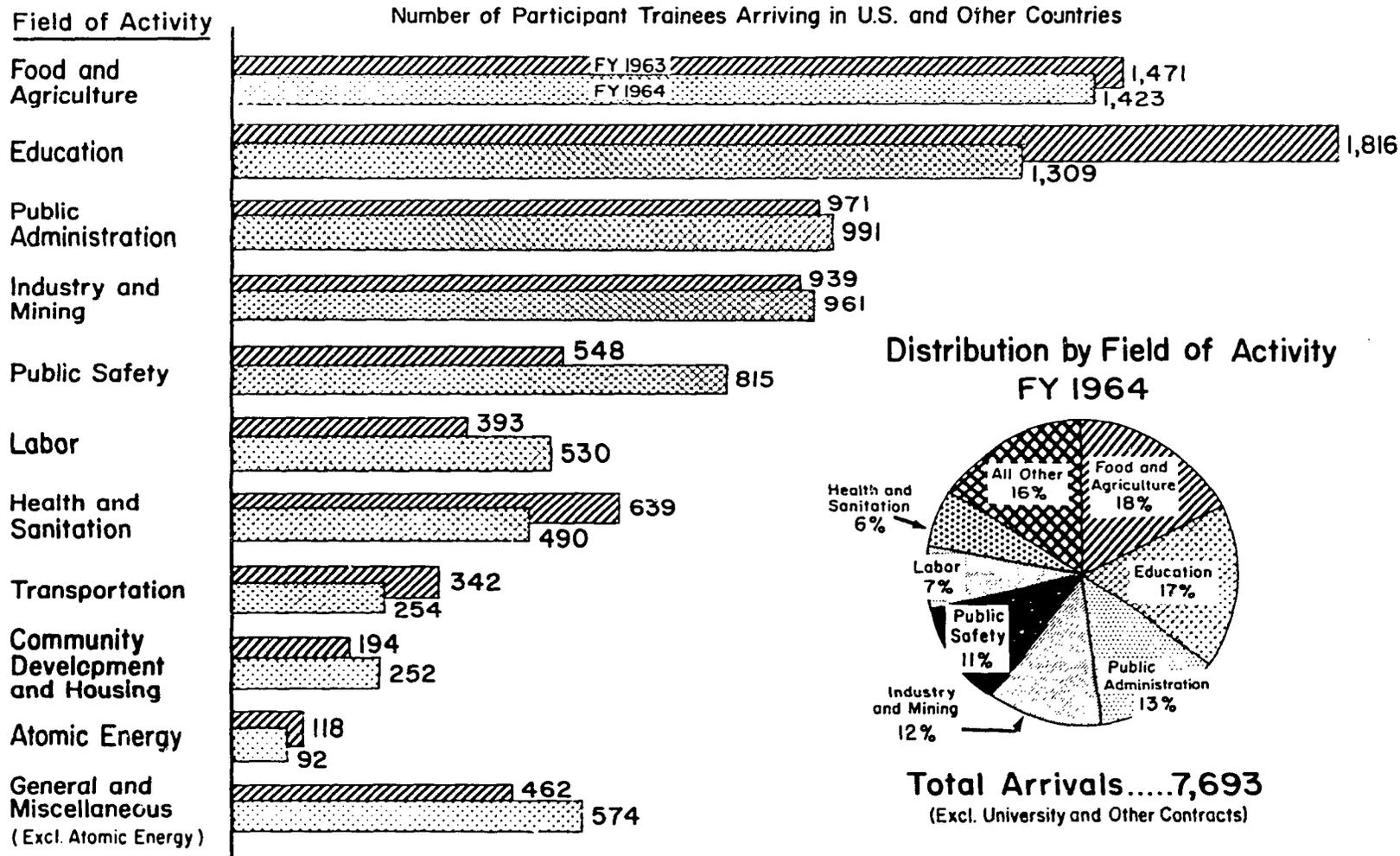
By Field of Activity - as of June 30, 1965



^{a/} Represents Technical Support personnel not identified with a particular field of activity.

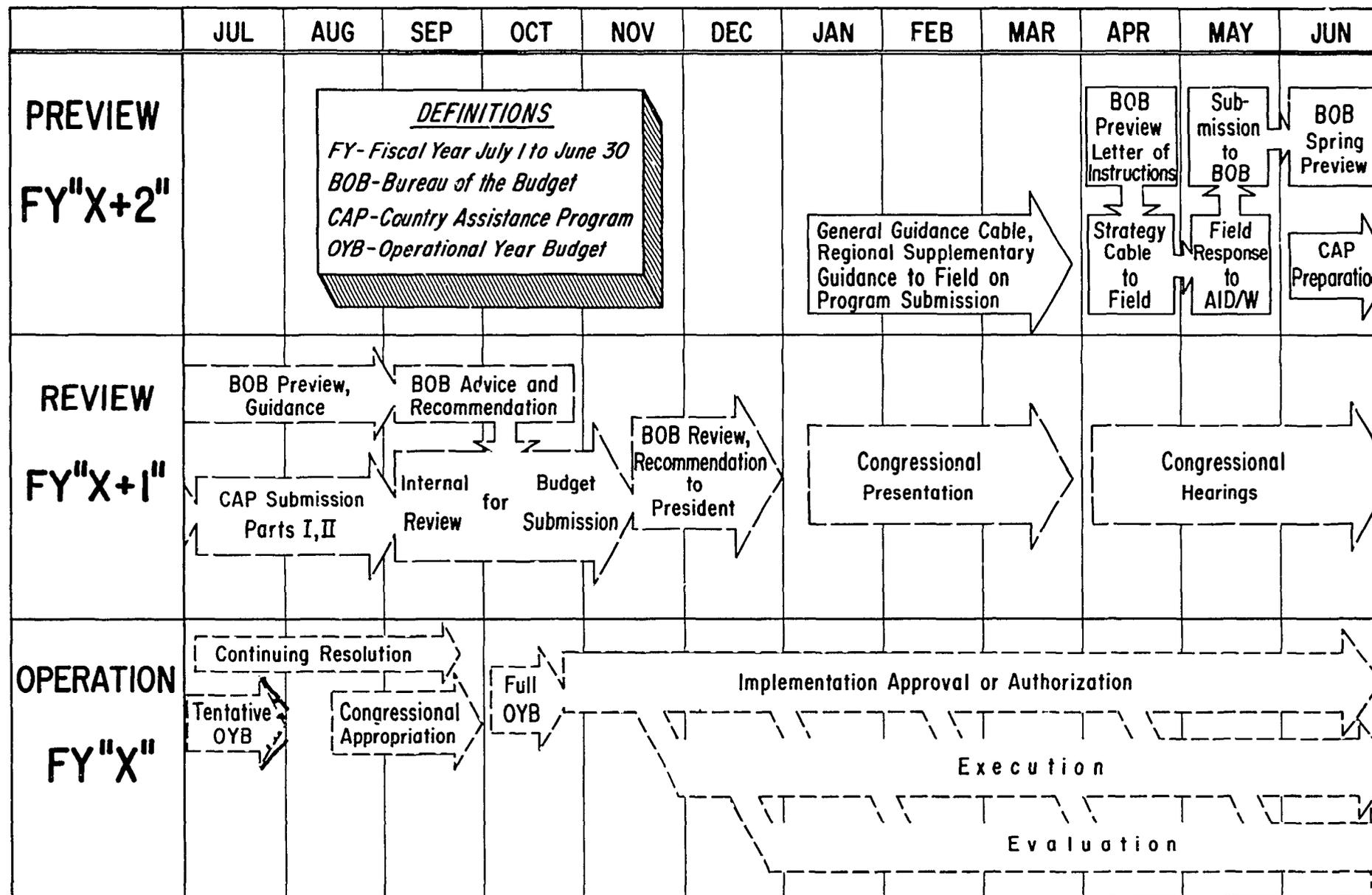
NOTE: Data exclude contractor employees.

PARTICIPANT TRAINEE ARRIVALS, FY 1963 vs FY 1964



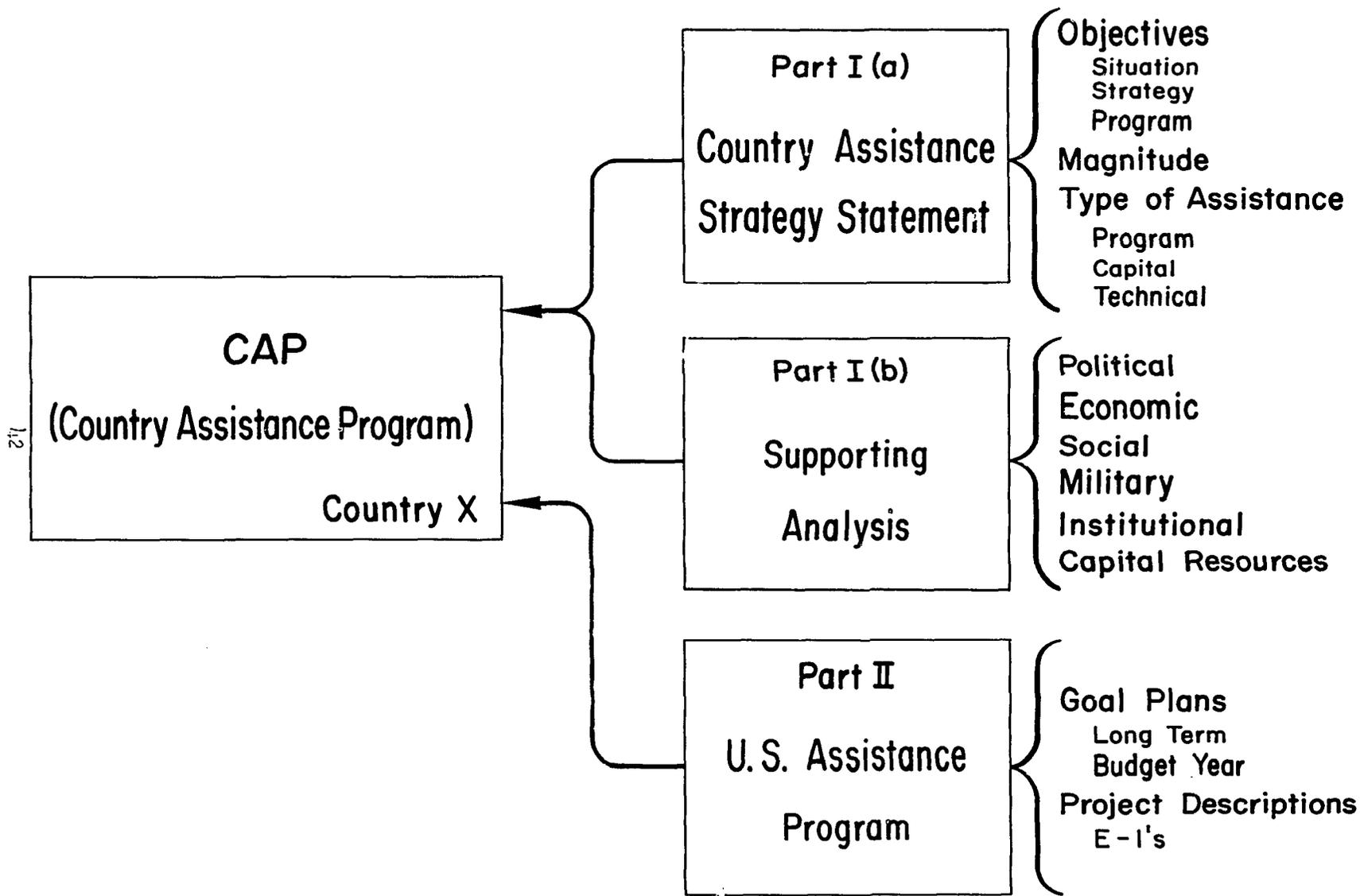
Note: Data exclude arrivals in U.S. under University and other contracts for which information by field of activity is not available. There were 422 such participant arrivals in FY 1963 and 839 in FY 1964.

30-MONTH BUDGET/PROGRAM CYCLE



11

THE COUNTRY ASSISTANCE PROGRAM BOOK



PART III
MANUAL ORDERS

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO. 1622.1	PAGE 1
SUBJECT AID Policy on National Development Planning	TRANS. LETTER NO. 32:2	EFFECTIVE DATE June 9, 1964
	SUPERSEDES M.O. 1012.9 (Gen-1114,X-6) 9/10/62	

I. General

It is AID policy, as stated in M.O. 1011.2 - Programming Principles and Techniques: Planning for Development, to encourage the development of effective national development planning processes in the developing countries. Development planning enables better use of the country's internal resources and increases the effectiveness of external assistance. It is, therefore, the intention of AID to associate U.S. assistance with the existing country plan whenever it forms a realistic basis for resource allocation decisions. When a national plan is judged to be unrealistic or otherwise inappropriate, the Mission should direct U.S. assistance programs toward realistic resource allocation in a manner consistent with the approved Country Assistance Strategy Statement (CASS).

II. Agency Responsibilities

Chapter 1000 of the AID Manual and related manual orders in other chapters provide basic program guidance on the various functions involved in carrying out AID policy on national development planning, including the distribution of responsibilities within AID. These functions are of two kinds. One concerns the formulation by AID of an effective U.S. assistance program for the developing country; the other encompasses technical assistance activities to improve the quality of planning by the country.

A. In the field

1. In the formulation of the U.S. aid program, the Mission will undertake the necessary assessment of the substance of the existing national development plan and of the processes of planning. This assessment will also provide the basis for the Mission submission of proposals for technical assistance in planning for national development.

2. The Mission is responsible for encouraging improvement in the country planning process through day-to-day working contacts and keeps AID/W informed as to pertinent developments and requests for planning assistance (M.O. 1622.3 - Providing Planning Assistance).

3. Missions are requested to forward three (3) copies of each country development plan to AID/W for distribution to a) the Country Desk Officer, b) the Development Planning Officer of the Regional Bureau, and c) the Office of Program Coordination.

B. In AID/W

1. Assessment of the national development plan is basic to carrying out the responsibilities of AID/W in the review of U.S. aid programs submitted by the Mission, the development of Long-Range Assistance Strategy, and the provision of planning assistance.

2. The Regional Bureaus have the primary responsibility, in consultation with the Office of Program Coordination, for reviewing national plans and planning processes, or such planning information as may be available, and for applying the findings of the review to AID country programs.

3. With respect to the provision of planning assistance, the Regional Bureaus will process requests and information on country planning received from the Mission. The Office of Program Coordination will assist the Regional Bureaus and service specific requests made by the Bureaus (M.O. 1622.3).

III. Interrelated Levels of National Planning: Overall, Sector and Project

A. National development plans propose action on several interrelated levels: (See also Sections 1022, 1023 and 1024 of the AID Manual.)

1. Aggregate or overall planning relates to the economy, and usually to the country, as a whole. It expresses national development objectives, both economic and social, and delineates the overall framework of the country plan and the scheme of priorities within which each element fits. Overall planning includes projections of national totals for income, production in the different sectors, government revenues, private savings and investment, imports, exports, manpower projections and similar key items. It involves projections of availability

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
2	1622.1	June 9, 1964	32:2	

and utilization of a country's total resources. Overall planning is the basis for determining priorities, for checking consistency between aggregate estimates and individual project and sector plans, and for estimating the appropriate level and composition of external aid.

2. Sector and program planning relates to a more detailed determination of the specific goals and programs to be accomplished in a given sector of the economy (agriculture, industry, etc.) and the magnitude of resources therein required in accordance with a specified time schedule.

3. Project planning consists of individual activities and specific targets to be reached, qualified wherever possible. They are the action components of national plans; e.g., the establishment of an institute to provide technical training for 500 students annually

or the construction of a soap factory with a specified capacity utilizing coconut oil.

B. For national planning to be effective, it is important that the interrelationship of these several levels be carefully considered so that each sector program and project contributes with maximum efficiency and consistency to aggregate objectives. Aggregate objectives obviously are incomplete unless effectively implemented through related economic policies and sector programs and projects.

C. Since AID personnel are generally organized according to sector, technical, program and economic specialties, it is essential for relating U.S. aid to national development planning that there be a maximum of mutual understanding, consultation and cooperation between economists, program officers and technical or sector specialists within the Missions and Regional Bureaus and in their relations with Staff offices.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO.	PAGE
	1622.2	1
SUBJECT	TRANS. LETTER NO.	EFFECTIVE DATE
	32:3	June 9, 1964
	SUPERSEDES	
The Review of National Development Planning Efforts	M.O. 1012.9 (Gen-1114,X-6) 9/10/62	

I. Purpose

The purpose of this manual order is to describe the components and criteria which provide a common basis for the review of national development planning efforts. The review can be useful for Long-Range Assistance Strategy (LAS) studies, the development of Country Assistance Programs (CAPs) and Goal Plans (GPs) in national planning and for planning assistance projects.

II. Related Manual Orders

The primary means whereby AID reviews in depth national planning efforts are the Long-Range Assistance Strategy Studies, as described in M.O. 1022.2 - Scope and Content of the Long-Range Assistance Strategy, particularly Annex D. For countries that are not selected for LAS analysis, the manual guidance for the development of the Country Assistance Program, M.O. 1023.1 - The Country Assistance Program (CAP): General Observations on the CAP Process, is used. Other pertinent parts of this manual are the Goal Plan, M.O. 1024.1 - The Goal Plans (GP), Goals in AID Programming and the statement on technical assistance, particularly M.O. 1301.1 - Technical Assistance Activities - Definitions and Major Processes.

III. Elements in Evaluating the Status of National Development Planning Efforts

A. It is not intended that national planning efforts be examined with the same intensity and comprehensiveness in all countries. The extent and comprehensiveness of the planning analysis should depend on the significance of the development planning process to the allocation of resources by the cooperating country and the U.S.

B. The review of national planning efforts covers two elements, which are interdependent:

1. The substantive review of the formal multiyear national plan, which summarizes the major economic decisions whereby the strategy of development is formulated and carried out.

2. The implementation review of the machinery and its operation whereby the plan is formulated and executed, with special reference to planning organization and staffing, planning

methods and techniques, coordination of the budget process and planning, and coordination of ministerial operations and planning. In countries in which we have not given planning assistance, or planned to, and where we have a limited program or staff, appraisal of the implementation of plans, goals, targets and related activities should be stressed rather than the appraisal of planning organizational machinery. Such situations may likely occur in certain African countries.

IV. Evaluation of National Plans

A. The analysis of the substance of national plans may be directed at the following components found in most plans:

1. Objectives and aggregate targets, primarily in terms of national income and employment;

2. The public investment program including the distribution of development expenditures among major sectors, chiefly for building essential economic and social infrastructure;

3. A projection of private investment among the various major sectors;

4. Policy measures (especially in the fiscal, financial, foreign trade, foreign exchange and foreign investment fields) to stimulate, direct and influence private investment;

5. A program, coordinated with policy measures (paragraph IV.A.4., above) for financing public and private investment from domestic and foreign sources, including particularly the government budget and foreign exchange budget;

6. Sector programs and individual projects; and

7. Policies aiming at basic institutional changes, including land reform, labor policy, etc.

B. Appraisal of a country's development plan is discussed in detail in M.O. 1022.2, Annex D. This appraisal is designed to provide a basis for judgment on the following:

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	
2	1622.2	June 9, 1964	32:3	AID MANUAL

1. Overall feasibility, i.e., an examination of overall magnitudes of expenditures to assure that they are within the absorptive capacity of the economy and based on realistic estimates of resource capabilities.

2. Allocation of resources to sectors and projects with the greatest growth potential.

3. Adequacy of general economic policies in such areas as monetary and fiscal affairs, foreign trade and investment, as they affect the public and private sectors.

4. Adequacy and extent of project preparation to lay a proper technical and economic basis for implementation.

V. Evaluation of Planning Implementation

A. Planning implementation analysis may evaluate the efficacy of the following institutional arrangements and processes:

1. Planning organization, including the internal structural arrangements and external relationships of planning agencies and units at the central, ministerial, regional and local levels.

2. Staffing patterns, including personnel availability and performance of the planning organs.

3. Planning methods and techniques.

4. Progress reporting and control, including the reporting, monitoring, evaluation and revision necessary to maintain balance between targets and performance.

5. Planning training, including the availability and effectiveness of training programs to develop national planning capabilities.

6. Coordination of the budget process with planning.

B. Appraisal of Planning Implementation

The following questions may provide a useful approach to providing the basic information needed for analyzing the effectiveness of some key elements of planning implementation:

1. Organization and Staffing

a. To what extent do present staffing and internal structural arrangements of the planning agency or agencies provide capability for dealing with, and assessing the results of previous efforts in:

(1) overall planning?

(2) sector and project planning, and interagency coordination?

(3) continuing study of the economic and social condition of the country?

(4) supervision of the execution of the plan, and coordination with operating level officials and the public?

(5) continuing development of basic data and statistics to improve reliability and effectiveness of planning decisions?

b. What specific measures have been adopted to insure constructive cooperation between the planning agency and other planning and/or implementing agencies, other administrative and legislative bodies, academic research institutions, private-interest groups, such as labor unions and chambers of industry and commerce?

c. How effective a role is played in the actual planning process by the Legislature, President, Council of Ministers, individual Ministers, national planning council or board, regional or sector planning institutions, advisory bodies representing economic and social interest groups, and other government agencies (such as statistics)?

d. Have planning and project preparation and review units been established, and related to the budget process, in all major ministries and departments? Are these units adequately staffed to prepare sectoral plans, programs and project feasibility studies? How much planning work is being done by these units? Is informal planning or project preparation taking place in these agencies without the assistance of a planning unit, and how effectively?

e. What are the organizational arrangements for associating regional, state, provincial, and local units of government with the planning process? Are these units provided with professional staff to perform planning functions

AID MANUAL	TRANS. LETTER NO. 32:3	EFFECTIVE DATE June 9, 1964	ORDER NO. 1622.2	PAGE 3
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within the framework of national and sector aggregates?

f. For the supervision of implementation of the plan, and individual projects, what arrangements have been made for the preparation of progress reports on the plan? Are analyses carried out to identify the causes for discrepancies between the planned targets and actual achievements? Are such analyses effectively used?

g. Are training programs available for overall planning, sector and program planning, and project preparation and approval? How effectively are they conducted?

2. Coordination of budgeting with planning

a. Since the preparation and the execution of the budget and the formulation and supervision of the development plan are generally the responsibilities of different agencies, what measures and procedures were adopted to achieve

coordination between these agencies? Have measures been taken to insure that the programs included in the development plan become a part of the annual budget? And to insure that every investment included in the budget has at least been approved by the policy agency?

b. How frequently did the agency responsible for the preparation of the budget communicate budgetary decisions to the planners; and the planners, in turn, make available their studies and revisions of plan to the budget makers?

c. Are the accounts of the government classified by economic and functional categories? Are the state and municipal government accounts as well as the public enterprises classified by economic and functional categories? Indicate whether or not the capital expenditure budget for the public sector is separate from the recurrent expenditure budget and, if so, whether there are recurrent items in the capital budget, and capital items in the recurrent budget.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO.	PAGE
	1622.3	1
SUBJECT	TRANS. LETTER NO.	EFFECTIVE DATE
	32:4	June 9, 1964
	SUPERSEDES	
Providing Planning Assistance	M.O. 1012.9 (Gen-1114,X-6) 9/10/62	

I. Means of Providing National Development Planning Assistance

A. During the next few years the development planning process in the principal AID-assisted countries should reach a level that will permit the assistance plans of AID to be closely related to the national plans developed by the country. Improvements in all of the component elements of the planning process (e.g., goals, techniques, organization, staffing, popular participation) will be required to enable the less-developed countries to bring this about.

B. AID is increasing its capacity to respond to the needs and requests of the less-developed countries for planning assistance whenever this type of assistance is indicated by the country strategy. Missions are in a position to keep the country planning process under close observation. The Regional Bureaus are prepared to process requests, suggestions, and information received from Missions. The Office of Program Coordination participates in the provision of planning advisors, advises the Regional Bureaus and Missions on planning problems and on general policies and procedures, and services other specific requests made by them. Caution should be exercised in preliminary discussions with recipient country officials on the types of planning assistance which can be made available in order to avoid unwarranted expectations on their part of planning assistance or an AID commitment beyond that indicated by the agreed strategy for the country and applicable program procedures.

C. Planning assistance can be provided in a variety of ways:

1. Day-to-Day Contacts, particularly in sector and project planning where Mission personnel daily assist ministries and other government entities and influence their submissions to the central planning agency. AID recognizes the need for adequate technical competence in this context and is prepared to assist in locating and/or supplying the economists and other professional personnel needed in the AID planning process and qualified to analyze and review the planning process of other countries.

2. Participant training in national development planning or programming. Missions should explore with the cooperating country its needs in this field. AID/W will keep Missions informed of available facilities for training.

3. Conferences which deal with national development planning or programming. Missions should be alert to the possible applicability of regional conferences on common developmental problems and advise AID/W. The latter in turn will keep Missions advised of seminars on development planning which may be of interest to Missions.

4. Assistance in the establishment of National Development Planning Training Centers. AID/W is willing to consider requests for assistance in establishing centers where development planning can be taught on a cooperating country, or on a regional basis.

5. Books, articles, and research proposals and results which are circulated in the field.

6. Planning Advisors. In the years immediately ahead, the major effort will probably be concentrated on assisting the governments of the less-developed countries in obtaining the services of expert planning advisors, including those who can help compile the data needed to plan effectively.

II. Special Considerations in Providing National Development Planning Advisory Services

A. Assurance of Top Level Support

It is not desirable to provide planning advisory services unless there is reasonable assurance that the chief executive and the high policy councils of the cooperating country will provide support and have sufficient understanding to carry out the tasks encompassed by national planning, and will undertake the requisite decisions to make the plan a realistic instrument for development. The mere existence of, or agreement to establish, Planning or National Economic Councils, chaired by the President or

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	
2	1622.3	June 9, 1964	32:4	AID MANUAL

Prime Minister, and composed of Cabinet-level members does not necessarily constitute reasonable evidence of a commitment to planned development.

B. Adequacy of Planning Organization

The effective use of planning advisory services is dependent upon or requires the existence of a soundly conceived organizational arrangement which provides capability for dealing with, and assessing, the results of previous efforts, such as:

1. Overall planning;
2. Sector and project planning and interagency coordination and review;
3. Continuing study of the economic and social conditions of the country;
4. Supervision of the execution of the plan; and
5. Coordination with operating officials and the public.

C. Availability of Trainable Replacements

A soundly conceived advisory project in national planning gives priority consideration to the development of local capacity to carry on the task of national development planning. It is therefore essential that planning advisory services include plans for the training and upgrading of planning officials through various mechanisms of on-the-job training, on-site in-

service training, and participant training abroad. The preliminary survey for the project should investigate whether there exists an adequate supply of trainable persons, and whether the conditions of work (pay, status, merit appointment) are sufficient to attract and retain competent personnel, both to work with external planning advisors and to replace such advisors upon the termination of the project.

D. Assurance of Implementation and Ministry Support

The ability to implement the national development plan is largely dependent upon the capacity and cooperation of the operating ministries and the budget agency. It would be advisable for the preliminary survey for the advisory project to ascertain whether at least the minimum attitudes of cooperation and abilities to implement are present.

E. Adequacy of Data

It is essential that adequate and reliable data are available, or will be compiled for economic analysis and plan formulation, if the services of planning advisors are to be utilized effectively. If the preliminary survey reveals that data are not adequate in priority fields, consideration should be given to a collateral project in statistics and data processing with the assistance of organizations (e.g., the International Division of the U.S. Bureau of the Census or the Department of Labor) which possess extensive international experience in assisting developing countries with their statistical needs.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL		ORDER NO.	PAGE
		1201.1	1
SUBJECT		TRANS. LETTER NO	EFFECTIVE DATE
		11:1	Sept. 30, 1963
Capital Assistance: Introduction and Definitions		SUPERSEDES	

I. Introduction

This introductory manual order for Chapter 1200 sets forth the policies and procedures for Capital Assistance. It defines Capital Assistance, and summarizes the basic steps involved in the planning, review, approval and implementation of Capital Assistance Activities.

Successive manual orders in this section describe the statutory and policy requirements applicable to Capital Assistance (M.O.s 1202.1 and 1203.1).

Section 1210 discusses the approach to be followed in identifying capital activities which may merit external financial assistance.

Section 1220 summarizes AID engineering and construction requirements and policies to be taken into account in developing a capital activity, and the technical requirements relating to the operation and maintenance of capital projects.

Section 1230 provides guidance on the role of Missions and the responsibilities of the applicant in preparing an application for capital assistance, including the content of the application.

Section 1240 describes the procedures to be followed in reviewing a capital activity proposal, and considerations to be taken into account in conducting such reviews.

Section 1250 describes procedures for authorizing and announcing approvals of Capital Assistance Activities.

Section 1260 establishes policies and describes procedures for the implementation of capital activities, including the preparation, negotiation and execution of agreements, the preparation and content of implementation letters, and the execution and monitoring of capital activities.

II. Definition of Capital Assistance

Capital Assistance is aid made available through the transfer of financial resources, whether on a loan or grant basis, to establish or expand physical facilities and financial institutions (including financing and feasibility studies for achieving these ends) that contribute to the basic economic development of cooperating countries. Specifically, a capital assistance activity is defined to include:

A. A "capital project", which, in turn, is defined as the construction, expansion, equipping, or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000 (including related advisory, managerial and training services) and not undertaken as part of a project of a pre-dominantly Technical Assistance character; or

B. An AID-financed feasibility study of a specific potential capital project or of several specific potential capital projects, except such feasibility studies as may be financed as Surveys of Investment Opportunities pursuant to Section 231 of the FMA as amended;

C. AID dollar assistance and any accompanying advisory assistance, to one or more development banks or other intermediate credit institutions.

(For a detailed definition of capital assistance, including a discussion of the distinctions between capital assistance and other forms of assistance, see Annex A to this manual order.)

III. Capital Assistance Process

It is AID policy, with regard to all Capital Assistance Activities whether financed by loan or grant, to assure that the activities are soundly conceived and efficiently implemented. The appraisal, approval and implementation of a capital activity will normally bring to bear knowledge of engineering, economics, finance, law and the political, economic and social conditions prevailing in the cooperating country. The same basic methods of appraisal, approval and implementation will be applied to such activities whether they are financed on a loan or grant basis. Variations of method will be required only by the nature of the activity involved.

A. Identification of Capital Activities

The capital development process begins with the identification of those activities within a cooperating country which may merit external assistance, whether from AID or other sources. The emphasis at this stage is on identifying activities likely to offer the most economical and feasible opportunities for

PAGE 2	ORDER NO. 1201.1	EFFECTIVE DATE Sept. 30, 1963	TRANS. LETTER NO. 11.1	AID MANUAL
-----------	---------------------	----------------------------------	---------------------------	------------

fostering the economic development of the cooperating country and for carrying out the assistance strategy of AID in that country. The object is to translate broad development and strategy goals and plans into specific potential activities. Within AID, the primary responsibility for this task is borne by the Missions. M.O. 1211.1 - Planning Capital Assistance: Identification of Capital Activities discusses this phase of the capital development process. M.O. 1212.1 - Planning Capital Assistance: Assistance in the Development of Capital Activities discusses methods available to AID for collaborating with the government or private sector in cooperating countries in identifying and developing capital activities.

Once activities which might merit external assistance have been identified within a cooperating country, focus is directed toward the selection of those which it would be most appropriate for AID to assist. This evaluation is made in accordance with over-all statutory and administrative criteria of AID including policy regarding assistance where alternative financing is available from other Free World sources on reasonable terms (see M.O. 1213.1 and Section 1050. on Loan Policies and Procedures). M.O. 1202.1 describes the statutory framework for Capital Assistance Activities; M.O. 1203.1 discusses basic AID policies governing Capital Assistance.

B. Preparation of Applications for AID Assistance

Direct responsibility for the planning and preparation of a capital activity application for AID financing is borne by the prospective borrower/grantee. He must provide supporting data and justification sufficient to demonstrate clearly to the satisfaction of AID the eligibility of the activity for financial assistance under the Foreign Assistance Act of 1961, as amended (FA Act). While AID personnel will assist prospective applicants in the preparation of applications, the AID staff should normally avoid actual preparation of the applications or participation in the underlying planning. Any such participation should be expressly noted in the request for intensive review.

The role of the borrower/grantee in preparing applications for AID financing is discussed in Section 1230. Guidance for the preparation of applications is provided in M.O. 1232.1 (Capital Projects), M.O. 1233.1 (Intermediate Credit Institutions) and M.O. 1234.1 (Feasibility Studies).

The review process has two basic phases: a) preliminary review and b) intensive review. Although these two phases are not always clearly separable, it is useful to distinguish between them in controlling the flow of activities under review and in identifying problems and issues at an early stage of the review process.

C. Preliminary Review

Preliminary review of all applications for Capital Assistance is undertaken by the Mission in the cooperating country, except when the regional Assistant Administrator has determined that it is not feasible for the Mission to assume this responsibility. Such preliminary review is intended to determine whether the proposed activity warrants the commitment of the substantial staff and other Agency resources necessary for a detailed examination of the merits of the proposal. If the Mission concludes that such a detailed examination is warranted, it submits a request for intensive review (IRR) to the regional Assistant Administrator. This request form assists the regional Assistant Administrator in coordinating the review process in AID/W and the field, in determining whether intensive review shall be conducted by a Capital Assistance Committee located in the Mission or in AID/W, in assuring that all appropriate agency staffs are consulted as to the proposed activity at the earliest possible time, and in identifying policy problems and other potential difficulties at an early stage in the review process. The procedures for preliminary review, the considerations to be taken into account at this stage, and the content of the IRR are discussed in M.O. 1241.1 - Capital Assistance: Preliminary Review.

D. Intensive Review

The object of the Intensive Review process is to develop a specific recommendation that AID either provide financing or reject the proposal. The Capital Assistance Committee conducting the Intensive Review normally comprises a Capital Activity Officer, Engineer, Counsel and (a Program Officer when the IR is carried out in the Mission, or a Desk Officer when such review is carried out in AID/W). The Committee examines, in depth, the technical, economic and financial details of the proposed capital activity. In many cases, much of this work will need to be conducted in the country in which the activity, if approved, will be undertaken. The examination may be performed by individuals assigned to the Mission if necessary skills are available, or by outside

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO	PAGE
	11.1	Sept. 30, 1963	1201.1	3

staff temporarily detailed to the Mission for this purpose. The committee is composed of AID/W or field personnel, as determined by the regional Assistant Administrator or his designee.

In the course of the Intensive Review the Committee undertakes thorough, detailed examination of the proposal's acceptability in terms of the relevant statutory criteria (see M.O. 1202.1) applicable AID policies, criteria, objectives and special regional and country considerations. The manner in which these are taken into account in reviewing a particular Capital Activity Proposal is discussed in M.O. 1242.1, paragraph III.E. (see also M.O. 1202.1); M.O. 1203.1; M.O. 1211.1 - Planning Capital Assistance: Identification of Capital Activities; M.O. 1221.1 Capital Projects: Engineering and Construction Considerations and M.O. 1222.1 - Capital Projects: Managerial and Operational Considerations.

The intensive review culminates in the submission to the regional Assistant Administrator of a Capital Assistance Paper recommending that AID finance, or decline to finance, the proposed activity. The regional Assistant Administrator assures that the Capital Assistance Paper is submitted to the Office of Development Finance and Private Enterprise and the Office of Program Coordination in AID/W for comment. Copies of all Papers recommending AID loan financing in excess of \$2.5 million are submitted to the members of the Development Loan Committee. (See M.O. 1251.1 Authorization of Capital Assistance.)

The intensive review process is discussed in M.O. 1242.1.

E. Approval of Capital Activity Financing

Capital Activities involving AID financing of less than \$10 million may be approved by the responsible regional Assistant Administrator, or his designee, unless in his judgment: a) the proposal presents a policy issue not previously resolved through other AID processes; b) the proposal involves a significant deviation from established standards and criteria; or c) unless a member of the Development Loan Committee (DLC), in the case of a loan, requests formal consideration of the proposal by the Committee. In any such case, or if the requested AID financing is for \$10 million, or more, approval authority is vested solely in the Administrator or his Deputy.

The DLC convenes for formal consideration of a Capital Assistance loan proposal when convened by the Administrator a) on his own

notion, or b) at the request of the Assistant Administrator for the initiating regional bureau, or c) at the request of another DLC member.

F. Implementation and Monitoring

After the loan or grant is extended, the principal role of AID in project implementation is to keep the activity under surveillance to assure that physical and financial progress is a) consistent with the plans, schedules and arrangements made to carry out the project; and b) proceeding with due diligence and efficiency in conformity with sound engineering, management, and financial practices. AID also assures that the activity is being implemented in compliance with the terms of the Capital Assistance Agreement and subsidiary documents. The Agency will work directly with the borrower/grantee on any problem affecting the progress of the project. Minimum checks made by AID in monitoring the project include: a) approval of the proposed engineering firm and the contract for engineering and other professional services; b) approval of bidding documents, including plans and specifications; c) approval for award of construction contracts and of the firms to whom the awards are made; d) review of periodic progress reports submitted under the terms of the agreement to assure that implementation is proceeding satisfactorily; and e) site inspection by the Mission and AID/W personnel as appropriate. In addition, AID keeps the covenants contained in the Capital Assistance Agreement under continuing review to assure compliance with all requirements, including those which extend beyond the execution period of the activity. In the performance of these monitoring responsibilities, assumption by AID personnel of the direct implementation responsibilities of the borrower/grantee, or his consulting engineers and technicians, should be avoided. Any objections that AID may have to the manner in which the activity is performed should normally be pursued through the borrower/grantee. M.O. 1264-1 describes the role of AID in monitoring and implementing Capital Activities.

At the same time, it is the aim of AID to cooperate with the borrower/grantee in achieving the objectives of the activity. If the borrower/grantee fails to discharge its obligations, a number of remedies are available to AID. These include a) during the disbursement period, the right to suspend payment and, thereafter, b) the right to require a refund and, c) in the case of loans, the right of acceleration.

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO	AID MANUAL
4	1201.1	Sept. 30, 1963	11:1	

G. Contractual Relationships

The contractual relationships through which Capital Assistance Activities are implemented are between the borrower/grantee and the contractor (or the supplier, in the case of procurement of goods). Normally, AID is not a party to the contracts.

For all engineering and construction contracts, AID must approve both the contractors and the contracts, in order to assure a) that the contractors are competent, b) that the scope(s) or work and terms of the contract(s) are adequate to achieve the desired objectives and c) that the price is reasonable.

See Manual Order's 1443.1 and 1443.2 for discussion of the process and criteria for approving AID financing of engineering and construction contracts.

H. The Capital Assistance Agreement and Implementation Letters

The instruments utilized by AID to achieve the purposes for which a Capital Assistance loan or grant is made are the Capital Assistance Agreement and Implementation Letters.

1. The Agreement provides the legal foundation for a) AID's obligation to finance b) the requirements to be met by the borrower/grantee, and c) the supervisory, and monitoring rights of AID prior to disbursement and during the course of project implementation.

2. One or more Implementation Letters, based on the Agreement, provide the borrower/grantee with detailed information and instructions

as to the methods and procedures to be used in carrying out the activity, including requirements or reports to AID on progress achieved and compliance with applicable requirements.

I. Provisions for Flexibility

The methods, procedures and supporting documentation described above and in succeeding manual orders in this Chapter are those to be utilized, under usual and normal circumstances, in processing and implementing Capital Assistance Activities. Where the country situation or the special circumstances of a particular capital activity make it advisable, different techniques and procedures for implementing and monitoring such activities may be adopted by the regional Bureau as deemed appropriate by the regional Assistant Administrator or his designee. Such techniques and procedures, as necessary for the success of the activity may provide for AID assumption of direct responsibility for one or more implementing actions, or phases or implementation. In such cases, the Bureau should develop in the Capital Assistance Paper a concise implementation plan which describes the technical and management competence which is required but lacking, why it cannot be obtained by the borrower/grantee and specifically the actions of, or phases of, the activity which are proposed for AID direct implementation. Following authorization of the activity for financing under the proposed implementation plan, the Capital Assistance Agreement must be appropriately drawn up to prescribe the necessary implementing arrangements and to reflect the deviations from the norm.

AID MANUAL	TRANS. LETTER NO. 11.1	EFFECTIVE DATE Sept. 30, 1963	ORDER NO. Annex A to M.O. 1201.1	PAGE 1
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Definition of Capital Assistance

A. Capital Assistance

Capital Assistance is aid made available through the transfer of financial resources, whether on a loan or grant basis, to establish or expand physical facilities and financial institutions (including financing of feasibility studies for achieving these ends) that contribute to the basic economic development of cooperating countries. Specifically, a capital assistance activity is defined to include:

1. A Capital Project which, in turn is defined as the construction, expansion, equipping, or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000 (including related advisory, managerial and training services) and not undertaken as part of a project of a predominately Technical Assistance character; or
2. An AID-financed feasibility study of a specific potential capital project or of several specific potential capital projects, except such feasibility studies as may be financed as Surveys of Investment Opportunities pursuant to Section 231 of the FA Act, as amended; or
3. AID dollar assistance, and any accompanying advisory assistance, to one or more development banks or other intermediate credit institutions.

In addition to the activities clearly encompassed under paragraph A.1 above, capital equipment imports (e.g., machine tools and locomotives) in excess of \$100 thousand may be properly categorized as a capital project where AID is significantly concerned with the operation of the facility, system or institution for which the imports are intended. For example, provision of road repair equipment or a fleet of trucks for a highway maintenance department should be classed as a capital project under such circumstances. In marginal cases where there is doubt as to the proper category for a proposed activity, the Mission should seek guidance from the responsible regional Assistant Administrator.

The term Capital Assistance does not include:

1. Dollar support of surveys or studies which do not meet Capital Assistance criteria for feasibility studies (item two above) (see M.O. 1301.1 - Technical Assistance Activities: Definition and Major Processes and M.O. 1523.1 - Investment Surveys); or
2. Projects financed exclusively under P.L. 480, Title I, Section 104(e) local currency (Cooley loan and Section 104(g) economic development loans (see M.O. 1521.1 - Private Enterprise, General); or
3. Investment guarantees authorized under Title III of the FA Act, as amended (see M.O. 1522); or
4. Projects financed exclusively from counterpart funds (see M.O. 1513 - Local Currency Activities); or
5. Commodity Program assistance (see M.O. 1101 - Program Assistance, General); or
6. Advice to participating countries or other borrowers or grantees, not directly related to AID-financed capital activities, regarding procurement, engineering or management (see M.O. 1301 - Technical Assistance Activities, Definition and Major Processes).

B. Distinction Between Capital Assistance and Program Assistance

Program Assistance is any activity of a non-project nature undertaken to provide resources to a cooperating country, under circumstances where the totality of the resources made available, rather than their particular use, constitute the primary U.S. concern.

The purpose of the assistance, in the sense of the focus of agency attention and degree of U.S. control over the use of the particular resources made available, is the critical factor in distinguishing between program assistance and capital assistance.

PAGE 2	ORDER NO Annex A 1201.1	EFFECTIVE DATE Sept. 30, 1963	TRANS. LETTER NO. 11.1	AID MANUAL
-----------	-------------------------------	----------------------------------	---------------------------	------------

Where, for example, the primary U.S. interest is in construction of a physical facility, even one financed mainly or wholly with local currencies, dollars made available for that purpose would not be deemed "program assistance", even though used to finance commodity imports for general consumption within the cooperating country. In such cases, the proposal for AID financing of the physical facility would be documented, reviewed and approved in accordance with the procedures prescribed in this chapter (1200). On the other hand, where the primary purpose of the assistance is to meet a cooperating country's balance of payments or budgetary needs, or to achieve indirectly a policy purpose, such dollar assistance is program assistance. It is documented, reviewed and approved in accordance with the procedures prescribed in Chapter 1100, notwithstanding the fact that the local currencies thereby generated may ultimately be used to finance technical assistance or capital projects in the cooperating country.

Gray area cases, in which categorization will be difficult, are inevitable. AID may have a multiplicity of objectives in providing assistance, and it may be difficult to determine in a particular case whether project or program objectives, analysis and implementation processes are more appropriate. The U.S. motivation may be both to fill a balance of payments gap by providing needed commodity imports and also to channel local currency into priority projects. In these marginal cases, the categorization of assistance is determined by the responsible regional Assistant Administrator, according to the foregoing criterion and with the advice of interested staff offices and the Mission concerned. Whichever the choice, all of the relevant policies, criteria, documentation, review, approval and implementation processes prescribed for that form of assistance will apply.

The nature of the commodities to be financed is not the determining factor. Capital equipment may well be included in program assistance, e.g., in an equipment loan where AID is interested in supporting a sector or budget rather than in reviewing specific uses or beneficiaries. On the other hand, raw materials or operating supplies may be provided under project assistance when AID is concerned with the specific uses to which they will be put, e.g., fertilizer in support of a new irrigation or extension system.

Missions should propose whichever type of analysis they consider most appropriate to a particular proposed activity. In doubtful cases, however, they should also provide information relevant to the alternative treatment. For example, a program assistance proposal for an equipment loan should indicate what the equipment will be used for; and, a project proposal involving operating supplies should relate the requirements to the country's import financing requirements and to the budget of the ministry concerned or to the payments by the recipients.

C. Distinction Between Capital Assistance & Technical Assistance

Technical assistance is the process through which AID assists cooperating countries in developing human skills and attitudes and in the creation and support of the institutions necessary for social, economic and political growth and development.

Technical assistance usually takes the form of advisory services, including the provision of professional personnel (AID, other U.S. agencies, or contract personnel), and of training participating country nationals in the U.S. or selected third countries. For administrative purposes, technical assistance is defined to include all AID dollar supported-project activities, loan or grant, except those within the adopted definition of "capital assistance" (see above) and except certain "special activities", primarily inter-regional, (See Chapter 1500). Thus, as used in the manual orders and for purposes of AID procedures established in Chapter 1300, technical assistance includes:

1. AID dollar-financed engineering, economic or management studies or surveys, undertaken to identify future projects, including prospective capital projects, (e.g., a general survey of the transportation needs of a cooperating country);
2. AID dollar-financed construction, expansion, equipping or alteration of a public sector physical facility (e.g., an agricultural research laboratory), in which the AID investment is less than \$100,000;
3. AID dollar-financed construction, expansion, equipping or alteration of a physical facility, regardless of dollar cost where this activity, as determined by the regional Assistant Administrator, directly supports or is an integral part of a project essentially technical assistance in character.
4. AID-financed engineering or management services to a cooperating country government agency administering a non-AID-financed capital construction program (e.g., the services of a power consultant to a country ministry.)

AID MANUAL	TRANS. LETTER NO. 11.1	EFFECTIVE DATE Sept. 30, 1963	ORDER NO. 1201.1, Annex A	PAGE 3
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Training, managerial and other advisory services, directed toward the realization or efficient utilization of a capital assistance activity should normally be processed, approved and administered as part of such activity rather than in accordance with the procedures prescribed for Technical Assistance in Chapter 1300.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL		ORDER NO. 1301.1	PAGE 1
SUBJECT Technical Assistance Activities: Definition and Major Processes	TRANS. LETTER NO. 12:1	EFFECTIVE DATE September 9, 1963	
	SUPERSEDES		

I. Introduction

A. Chapter 1300 establishes AID policies and procedures for Technical Assistance Activities arranged under the following section headings:

- 1300 - Technical Assistance Activities, General
- 1310 - Planning Technical Assistance: Pre-Planning Considerations; Economic, Social and Political Considerations; Managerial Considerations
- 1320 - Description, Submission, Review and Approval of Technical Assistance Projects
- 1330 - Project Agreements; Authorizations, Negotiation, and Execution
- 1340 - Implementation Methods and Criteria
- 1350 - Contract Service Actions (PIO/T)
- 1360 - Direct Hire Personnel Actions (SPAR)
- 1370 - Commodity Procurement Actions (PIO/C)
- 1380 - Participant Training (PIO/P)
- 1390 - Reporting and Evaluation

B. Programming guidance for Technical Assistance is provided in Manual Orders 1024.1 - The Connection Between Overall Objectives and Specific Projects; 1024.2 - The Goal Plans (GP) Content of a Goal Plan; and 1012.2 - AID Assistance Instruments: Development Grants and Technical Cooperation, Sector and Multi-Sector. Guidance is contained in Chapter 1600 except for Public Safety which is covered in Section 1540 and the Use of Local Currencies, in Section 1510.

II. Definition

A. Technical Assistance is the process through which AID assists cooperating countries to develop human skills and attitudes and to create and support the institutions necessary for social, economic and political growth and development. (See M.O. 1303.1 - The Objectives of Technical Assistance.)

B. Technical Assistance most commonly takes the form of advisory services, including the provision of professional personnel (AID, other U.S. agency, or contract personnel), and of training cooperating country nationals in the U.S. or selected third countries. For administrative purposes, a Technical Assistance Activity is defined to include all AID dollar-supported project activities, loan or grant, except those within the adopted definition of a Capital Assistance Activity (see M.O. 1201.1 - Capital Assistance Activity, General) and except Special Activities (see Chapter 1500 - Special Activities and Procedures). AID Technical Assistance projects may be directed toward development objectives in the public or the private sector of the cooperating country. Thus, as used in these manual orders and for purposes of the procedures herein established, technical assistance is broadened to include:

1. AID dollar-financed engineering, economic or management studies or surveys undertaken to identify future projects, including prospective capital projects, (e.g., a general survey of transportation needs in a cooperating country);
2. AID dollar-financed construction, expansion, equipping or alteration of a public sector physical facility (e.g., an agricultural research laboratory), where the AID investment is less than \$100,000;
3. AID dollar-financed construction, expansion, equipping or alteration of a physical facility, regardless of dollar cost, where this activity, as determined by the regional Assistant Administrator, directly supports or is an integral part of a project of essentially technical assistance character.
4. AID dollar-financed engineering or management services to a cooperating country government agency administering a non-AID-financed capital construction program (e.g., the services of a power consultant to a country ministry).

C. Excluded Activities

Certain advisory services and studies, closely related to capital assistance, have been categorized as Capital Assistance Activities (see M.O. 1201.1 - Capital Assistance Activity, General) and are excluded from the present definition of Technical Assistance: Training, managerial and other advisory services, directed toward the realization, or efficient utilization,

PAGE 2	ORDER NO. 1301.1	EFFECTIVE DATE Sept. 9, 1963	TRANS. LETTER NO 12:1	AID MANUAL
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of a Capital Assistance Activity should normally be processed, approved and administered as a part of the pertinent Capital Assistance Activity, rather than according to procedures prescribed in this chapter for Technical Assistance. Other excluded activities are: Inter-regional projects; Research projects; Investment Guaranties; Investment Surveys under Section 231 of the Foreign Assistance Act (see M.O. 101); Local Currency Activities where no AID dollar input is involved (See M.O. 1513 - Local Currency Activities) and Cooley loans (M.O. 1526.1); Public Safety (M.O. 1540); and certain other programs of a nonregional character which have been categorized as Special Activities (see Chapter 1500, Special Activities and Procedures, for the complete listing).

II. Technical Assistance, Major Processes

A. Succeeding sections of this Chapter describe the processes whereby AID technical assistance projects are programmed, planned, approved, funded, mutually agreed upon in bilateral project agreements, implemented and evaluated. A capsule view of these processes is provided below.

B. The timing of most AID technical assistance procedures reflects the requirements of the annual Congressional authorization appropriation system. Such timing requires the regional bureaus to maintain procedural flexibility with regard to early (preoperational year) and multiyear project approval.

1. Program Planning

a. Goal Plans and Separate Activities are proposed by the Mission, normally as part of the annual program submission, and within the framework of the Country Assistance Strategy Statement (CASS) approved by the AID Administrator. (See M.O. 1022.2 - Scope and Content of the Long-Range Assistance Strategy (LAS) - for a description of the programming procedures relating to the Long-Range Assistance Strategy and M.O. 1023.1 for similar guidance on the Country Assistance Program (CAP). See M.O. 1024.1 - The Connection Between Overall Objectives and Specific Projects - for discussion of the nature, purpose and content of Goal Plans.)

b. A separate Activity Description is submitted for each active or proposed Technical Assistance project, describing the project in the required detail and setting for the project justification, i.e., the relationship of the project to U.S. objectives or to a Goal Plan of which the project forms a part. The Activity Description includes:

(1) A Form E-1 summary budgetary table;

(2) An Activity Target statement, identifying the expected results, qualitatively and quantitatively, if feasible:

(3) A Course of Action narrative section, describing the major actions planned to achieve the target, (i.e., personnel, supplies and equipment, contract services, physical facilities, etc.):

(4) A Progress to Date statement, required only for continuing projects, and

(5) A Funding Requirements section, showing cost estimates by project element for the Operational and Budget Years (i.e., technicians, participants, contract services, commodities and Other Costs of the project.) This section should identify local currencies for which AID has administrative and/or approval responsibility, contributions of the cooperating country from other sources, and financing from other donors. If approval has been provided for the local currencies required by AID or the cooperating country in an earlier action this should be indicated. (See also M.O. 1021.2 - General Aspects of the Programming System: Principles Underlying the System.)

2. Program Review and Approval

a. The annual submission of Activity Descriptions to AID/Washington normally takes place in September or October. Data thus provided are used for the development of estimates used in the Bureau of the Budget submission for the President's Annual Budget Message to the Congress, the Congressional presentation supporting the requested foreign economic assistance authorization and appropriations legislation, and the AID/Washington review and approval process.

b. Washington approval of proposed technical assistance projects, including new projects where proposed, is given to the Mission by AID/W in the quarter year preceding the new operational year, to the extent feasible. Approvals at this time are, necessarily, "in substance" and are subject to future availability of funds.

c. Approval by the Administrator is required for projects which, in the judgment of the responsible regional Assistant Administrator, either involve a potential U.S. commitment in excess of prescribed amounts or present significant political, economic or strategic issues not previously resolved. All other projects are approved by the regional Assistant Administrator or his designee. The regional Assistant Administrator may delegate this approval authority or any part thereof.

d. Selected projects are presented

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	12:1	Sept. 9, 1963	1301.1	3

for formal regional bureau consideration at hearings which may be chaired by the regional Assistant Administrator and in which concerned AID offices or staffs participate. This procedure is designed to assure formal consideration of significant projects at the Assistant Administrator level. It is analogous to the regional bureau practice for the review of capital projects.

e. The advice of substantive project approval, subject to fund availability, which is given by AID/W to the Mission may be subject to conditions or limitations imposed by the approving authority. By providing the approval, qualified approval, or disapproval during the last quarter of the fiscal year prior to the beginning of the Operational Year, the Mission will be able to proceed immediately on approved projects with the completion of all necessary preagreement arrangements, including the development of technical procurement specifications, and to reach understandings (short of implied commitments on U.S. assistance) with the cooperating country. Such understandings should embrace the series of complementary actions to be undertaken by the cooperating country, whose fiscal year may not be coterminous with that of the U.S.

f. Substantive approval may be granted by AID/W for the anticipated life of the project, subject to comprehensive AID/W reassessment at least every three (3) years of the objectives, progress and effectiveness of such projects. Such approvals are for intra-Agency purposes only and do not constitute authority for multiyear obligation or commitment to the cooperating country. Further Washington review during the approved period is concerned with 1) any significant deviation from original projections, as the project develops; 2) satisfactory progress; 3) any material change in the country situation; and 4) funding considerations.

Regardless of the character and extent of the AID/W approval, the Mission Director is responsible, in the first instance, for continuing project surveillance and evaluation to assure 1) satisfactory progress and prospects, 2) continuing consistency with U.S. objectives, and 3) that it will be possible to complete the project or transfer continuing responsibility to the cooperating country according to plan and on schedule. The Mission Director's responsibility accordingly includes that of proposing such changes in the project as, in his judgment, may be necessary to achieve the intended results.

3. Funding

Missions receive allotments of funds from AID/W for technical assistance

projects as early as possible following congressional appropriation action (including enactment of continuing resolutions) and necessary adjustments in AID/W of previously proposed country program levels. The estimated cost of projects already substantively approved by AID/W is taken into account in determining allotment amounts.

4. Project Execution

a. Upon receipt of substantive approval and allotment of funds from AID/W, Missions should proceed, wherever feasible, with further negotiations and all other necessary steps requiring attention prior to execution of the Project Agreement. Execution of the Project Agreement should take place as soon as possible after Missions receive notification of allotment of the required funds. Early substantive approval of projects by AID/W is intended to expedite the implementation process, and to mitigate the peaking of Mission obligations and workloads during the last quarter of the fiscal year.

b. Procedures relating to the obligation of funds for technical assistance projects (see M.O. 1332.1 - Technical Assistance: Project Agreement - Scope, Execution and Revision) and to the issuance of Project Implementation Orders (PIOs) concurrently with the execution of the Project Agreement are derived from prior Agency practice. Project Implementation Order instruments will continue to be used to authorize procurement actions: commodities (PIO/C); contract services (PIO/T) and participant training (PIO/P).

c. Missions are authorized and encouraged to submit draft PIO/Ts to AID/W following substantive project approval as far in advance of the project agreement stage as possible (see M.O. 1352.1 - Preparation of the Project Implementation Order - Technical Services (PIO/T)). Such drafts should include full details of the work to be done including the required technician services, participant training, commodity elements and other items needed to complete the actions contemplated during the period to be covered by the financing, in order to prevent costly delays in the implementation process.

5. Reports and Evaluation

The two basic types of information required by AID/W for technical assistance reporting and evaluation purposes are the Progress to Date section of the annual Activity Description, briefly described in M.O. 1322.1 - Technical Assistance Activity Description, Content and Submission and the Project History and Analysis Report, (see M.O. 1392.1 - Preparation and Submission of the Project History and Analysis

PAGE 4	ORDER NO. 1301.1	EFFECTIVE DATE Sept. 9, 1963	TRANS. LETTER NO. 12:1	AID MANUAL
-----------	---------------------	---------------------------------	---------------------------	------------

Report) required at three year intervals for continuing projects and upon project termination. Together, these reports provide AID/W with basic project information and permit longer-term critical assessment of the results

of the activity, the validity of the judgments which led to approval of the project, the effectiveness of U.S. and cooperating country implementation, and the overall usefulness of the project in terms of U.S. country objectives.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO. 1101.1	PAGE 1
SUBJECT Program Assistance: Introduction	TRANS. LETTER NO. 10:1	EFFECTIVE DATE Sept. 30, 1963
	SUPERSEDES	

I. General

This manual order provides a general introduction to the guidance on Program Assistance contained in Chapter 1100 of the AID Manual. Program Assistance is an activity of a non-project nature (i. e., loan or grant) undertaken to provide resources to a cooperating country, under circumstances where the totality of the resources made available, rather than their particular use, constitute the primary U.S. concern. The major Program Assistance activities are:

- A. AID Commodity Program Assistance;
- B. Public Law 480 Program Assistance, i. e., commodity financing activities under P. L. 480, Titles I and IV, economic development activities under P. L. 480, Title II, Section 202, certain donation programs under P. L. 480, Section 302, and barter of agricultural surpluses under P. L. 480, Title III, Section 303;
- C. Local Currency Use for Budget Support; and
- D. Cash Transfers.

It should be noted that commodity programming procedures and methods are used not only for Commodity Program Assistance but as a means of meeting capital or technical project local costs.

Succeeding manual orders in this section describe the statutory and policy requirements applicable to Program Assistance and the distribution of responsibilities for the implementation of such assistance. (For the complete text of the FA Act and of P. L. 480, see M. O. 101 - Foreign Assistance Legislation and Related Documents.)

Section 1110 discusses the budgetary, balance of payments, and other considerations that are assessed in the planning and approval of Program Assistance. (See M. O. 1111.1 - Program Assistance Planning: Introduction and M. O. 1114.1 - Selection of Program Assistance Category and Commodity Assistance Procedures.)

Section 1120 establishes procedures for dollar and P. L. 480 Program Assistance approvals, and contains directions as to the content and form of the Program Assistance Approval Document (PAAD), AID 1120-1. (See M. O. 1121.1 - Program Assistance Approval Document.)

Section 1130 covers the Program Assistance Agreement for dollar activities, whether financed on a loan or grant basis.

Section 1140 covers approvals, agreements, and implementation of P. L. 480 programs for foreign currency sales, long-term dollar credits, and grants to governments of surplus agricultural commodities.

The procedural and introductory guidance for P. L. 480 program activities is also included.

Section 1150 covers approval agreements and implementation procedures for the use of U.S.-owned or -controlled local currency for budget support purposes and cross references manual orders covering proposals.

Section 1160 describes implementation and reporting procedures for dollar commodity financing.

Finally, Section 1170 is concerned with reporting and evaluation requirements for Program Assistance as a whole.

II. Role and Objective of Program Assistance

Program Assistance has the objective of influencing a complex economic entity considered as a whole. In ideal terms this complex entity is the total economy of a cooperating country, frequently it is smaller. The special characteristic of Program Assistance is that neither the immediate form of the assistance nor the specific use of the funds is necessarily directly related to the objective to which the aid is addressed. For Program Assistance, questions of policy objectives, total amount and timing are primary, while questions of commodity content or channels of implementation are secondary. These attributes of Program Assistance do not mean, however, that the selection of the commodities which AID finances is of no significance. Some categories of commodity imports may enhance the possibility of achieving the overall objectives of Program Assistance; others may be counterproductive. (See M. O. 1144.1 - Selection of Program Assistance Category and Commodity Assistance Procedures for further discussion.)

Program Assistance is most useful as a means of achieving AID goals when the cooperating country provides either a commercial and investment market or a budget of government activity, which allocates the necessary amount of additional resources more effectively than AID could through detailed activity planning. This tends to be the case in countries where relatively massive support is needed. In certain countries, for example, the need for relatively large-scale aid may exceed the capability of AID and the government of the cooperating country to mount projects. Reliance on the market or the general budget for distribution of the assistance is then necessary. In countries with relatively advanced development plans and/or extensive private enterprise, this method of operation may be inherently preferable. The reasons for choosing Program Assistance rather than Project Assistance must be made clear in the Country Assistance Strategy Statement or in the Program Assistance Approval Document.

PAGE 2	ORDER NO. 1101.1	EFFECTIVE DATE Sept. 30, 1963	TRANS. LETTER NO. 10:1	AID MANUAL
-----------	---------------------	----------------------------------	---------------------------	------------

III. Distinction Between Program Assistance and Project Assistance

The purpose of the assistance, in the sense of the focus of AID attention and degree of U.S. control over the use of the particular resources made available, is the critical factor in distinguishing between Program Assistance and Project Assistance.

Where, for example, the primary U.S. interest is in construction of a physical facility, even one financed mainly or wholly with local currencies, dollars made available for that purpose are not deemed Program Assistance, even though used to finance commodity imports for general consumption within the economy of the cooperating country. In such cases, the proposal for AID financing of the physical facility is documented, reviewed and approved in accordance with the procedures prescribed for Capital Assistance in Chapter 1200 of the AID Manual. On the other hand, where the primary purpose of the assistance is to meet a cooperating country's balance of payments or budgetary needs, or to achieve indirectly a policy purpose, such dollar assistance is Program Assistance, and is documented, reviewed and approved in accordance with the procedures presented in this chapter, notwithstanding the fact that the local currencies thereby generated may ultimately be used to finance Technical Assistance or Capital Assistance projects in the cooperating country.

It is inevitable that in certain cases categorization will be difficult. AID may have a multiplicity of objectives in providing assistance, and it may be difficult to determine in a particular case whether project or program review procedures are more appropriate. The U.S. motivation may be both to fill a balance of payments gap by providing needed commodity imports and to obtain local currency for priority projects. In these marginal cases, the categorization of assistance is determined by the responsible regional Assistant Administrator, in light of the foregoing criterion and with the advice of interested staff offices and the Mission concerned. Whichever the choice, all of the relevant policies, criteria, documentation, review, approval and implementation processes prescribed for that form of assistance will apply.

The nature of the commodities to be financed is not the determining factor. Capital equipment may well be included in Program Assistance, e.g., in an equipment loan where AID is interested in supporting a market or budget rather than in reviewing specific uses or beneficiaries. On the other hand, raw materials or operating supplies may be provided under project assistance when AID is concerned with influencing the specific uses to which they will be put, e.g., fertilizer in support of a new irrigation or extension system.

Missions are free to propose whichever type of analysis and presentation, program or project, it feels is most appropriate to a particular activity. In doubtful cases, however, it also provides information relevant to the alternative treatment. For example,

a Program Assistance proposal for an equipment loan indicates what the equipment will be used for; and a project proposal involving operating supplies relates the requirement to the country's import financing requirements and to the budget of the ministry concerned or to the payments by the recipients.

IV. Categories of Program Assistance

The various categories of Program Assistance described above are covered in detail in subsequent manual orders in this chapter. Considerations bearing on the choice among them are indicated in M.O. 1114.1.

The Program Assistance Activities are:

A. AID Commodity Program Assistance

This may be provided under any AID appropriation, on a loan or grant basis, and may be made available for security, development or other objectives, and either primarily to meet a deficit in external resources or primarily to generate local currency. AID Commodity Assistance may be administered under any of the following commodity financing procedures which are also used to meet project local costs:

1. Standard Commodity Financing Procedure

This procedure applies where prior authorization by the cooperating country of individual import transactions makes compliance with AID Regulation I possible. (See M.O. 1162.2.)

2. Alternative Commodity Financing Procedure

This procedure applies where prior authorization by the cooperating country of individual import transactions is not feasible, but where the requirement for a Supplier's Certificate is feasible. (See M.O. 1162.3.)

3. Commodity Financing, Minimum Requirement Procedure

The minimum requirement procedure for commodity financing is applicable where inability to require the Supplier's Certificate means that compliance with the statutory commodity financing requirements can only be enforced against the borrower/grantee. (See M.O. 1162.4 - Minimum Requirements Commodity Financing Procedure.)

4. Attribution to U.S. Exports of Dollar Local Cost Financing

This procedure applies where budget support and project local cost financing, which in total does not significantly affect the cooperating country's import requirements, is transferred to the cooperating country by financing imports from the U.S. through procedures similar to those described

AID MANUAL	TRANS. LETTER NO. 10:1	EFFECTIVE DATE Sept. 30, 1963	ORDER NO. 1101.1	PAGE 3
------------	---------------------------	----------------------------------	---------------------	-----------

in paragraphs A. 2. and 3. above, without regard to the requirements governing commodity financing. Program Assistance is rarely so small as to qualify for such attribution of local cost financing to imports of U.S. source, without also being subject to the statutory requirements governing commodity assistance, but in a number of countries Capital and Technical Assistance local costs can be so covered. (See M.O. 1114.1.)

B. Public Law 480 Program Assistance

1. Title I. Sales for Foreign Currency

Title I is a flexible instrument for financing a limited range of surplus agricultural commodities on terms which may range from nearly commercial to extremely generous. Under this Title, agricultural commodities designated by the Secretary of Agriculture as in surplus supply are sold for local currencies under agreements with friendly nations. Part of the local currency acquired by the U.S. from these sales is reserved for "U.S. uses" and is subject to the provisions of Section 1415 of the Supplemental Appropriation Act of 1953; the remainder is designated for country use and is made available to AID to administer for loans or grants for economic development or for the common defense. The sale of the commodities constitutes Program Assistance, regardless of the local currency uses stipulated in the agreement. Use of the local currencies for budgetary support also falls within the Program Assistance category. (See manual orders in Section 1510 for the statutory requirements and other guidance applicable to the various types of local currencies.) (See M.O. 1142.1 - Program Assistance: Public Law 480 - Title I, Sales of Surplus Agricultural Commodities for Foreign Currencies.)

2. Title IV. Long-term Dollar Credits

Surplus agricultural commodities may also be programmed through commercial channels under Title IV of P. L. 480 which authorizes the sale of surplus agricultural commodities under long-term supply contracts of up to 10 years duration, repayable in dollars to the U.S. over period of up to 20 years. While the law does not require formal arrangements concerning the use of the sales proceeds, the purpose of the title is economic development, and both the commodities supplied and the sales proceeds offer opportunities for furthering assistance objectives. Credit terms under this program generally approximate those for development loans. Title IV may provide a simpler and clearer policy instrument than Title I with a cooperating country, especially a country with which a Title I agreement would contain a substantial U.S. use share of the sales proceeds and a loan repayable in local currency which would in turn be consigned for U.S. uses. (See M.O. 1145.1 - Program Assistance: Public Law 480, Title IV, Sales of Surplus Agricultural Commodities for Dollars.)

3. Title II, Section 201. Commodity Grants for Emergency and Extraordinary Relief.

Section 201 of P. L. 480 authorizes emergency and extraordinary relief assistance, normally through the direct distribution of food or feed through government or private channels to friendly, but needy, populations. Section 201 aid is not categorized as Program Assistance. In some instances the most effective way of distributing this emergency assistance is through commercial sale with the sales proceeds being used to finance relief and reconstruction projects on which needy people in the disaster area are employed. For criteria and procedures for handling this special activity see Section 1560 - Foreign Disaster Relief.

4. Title II, Section 202. Commodity Grants for Economic Development (see M.O. 1143.1 - Public Law 480, Title II, Grants of Surplus Agricultural Commodities (Section 202))

Section 202 of P. L. 480 authorizes commodity grants for economic development projects and programs which cannot be accomplished under Title I, provided the commodities transferred will not displace or interfere with sales which might otherwise be made.

Those Section 202 grants which are contributions to dollar-supported projects are considered for approval and administration within the context of such projects. This authority is also used, however, for agreements governing nationwide or regional school-lunch or work-relief programs. The criteria and procedures for such programs are covered in M.O. 1143.1 - Program Assistance: Public Law 480, Title II, Grants of Surplus Agricultural Commodities (Section 202)).

5. Title III. Voluntary Agency Donations

Section 302 of P. L. 480 authorizes the donation of surplus agricultural commodities to non-profit American voluntary relief agencies and inter-governmental organizations for use as assistance to needy persons outside of the United States. This special activity is considered Program Assistance only in those relatively few cases covering large-scale, governmentally administered school-lunch and relief programs which, for various reasons, are continued under Title III rather than being handled under Title II, Section 202. (See Subsection 1551 of the AID Manual.)

6. Title III, Section 303. Barter of Agricultural Surpluses

Section 302 of P. L. 480 requires federal agencies to cooperate with the Department of Agriculture in using surplus stocks of agricultural commodities to finance offshore procurement of goods

PAGE 4	ORDER NO. 1101.1	EFFECTIVE DATE Sept. 30, 1963	TRANS. LETTER NO 10:1	AID MANUAL
-----------	---------------------	----------------------------------	--------------------------	------------

for use overseas. (See M.O. 1144.1 - Program Assistance, P.L. 480, Title III, Barter.) This authority is particularly useful for meeting needs for commodities of which the U.S. is a net importer. Procurement is arranged by the USDA under a PA/PR (See M.O. 1163.5 - Procurement Authorization/Purchase Requisition) and is chargeable to the appropriate AID appropriation and allotment.

C. Cash Transfers

A Cash Transfer is the release of funds to a cooperating country in the absence of, or in advance of, requirements for documentation to showing actual use of the funds, usually associated with an emergency situation. Cash Transfers for Program Assistance purposes are generally provided as budget support and, less commonly, for emergency foreign exchange support. Because use of Cash Transfers negates many important programming objectives, this device is employed only when other program financing methods are demonstrably inoperable and when specifically authorized by the Administrator. For further information see M.O.'s 1114.1 - Selection of Program Assistance Category and Commodity Procedures, 1121.1 - Program Assistance Approval Document, and 1131.1 - Program Assistance Agreement, Dollar Activities.

D. Local Currency Budget Support

The preferred method of providing budget support and for covering any other local-cost financing requirement which the U.S. agrees to meet is to provide counterpart or sales proceeds of program commodity financing under the FA Act or P. L. 480. In every country where commodity Program Assistance provides an opportunity for the generation of local currencies, a review of local currency supply and requirements is an integral part of the program presentation and of the AID/W review and approval process. Implementation responsibility, however, is generally the responsibility of the Mission and the cooperating country. (See M.O. 1151.1 - Local Currency Program Assistance - Approval, Agreement and Implementation. See also manual orders in subsection 1512 setting forth the statutory and other requirements pertaining to the various types of local currencies owned and controlled by the United States and in subsection 1514 providing guidance on the financial management of these currencies.)

For further discussions see M.O. 1011.4 - Programming Principles and Techniques: Choice Between the Program Approach and the Project Approach.

V. The Program Assistance System

The categories of Program Assistance - AID Commodity Program Assistance, P. L. 480 Program Assistance, Local Currency used for Budget Support, and Cash Transfers - although different in many respects, have important procedural similarities. Generally, in each case the system comprises five

steps-- 1) program planning, 2) approval, 3) agreement, 4) implementation, and 5) reporting and evaluation.

A. Program Planning

The basic planning for Program Assistance is part of the Country Assistance Program (CAP) or the Long-Range Assistance Strategy (LAS) process described in subsections 1022 and 1023 of the AID Manual. Since Program Assistance is intended to affect the economy as a whole, decisions concerning the level of aid and the selection of broad categories of assistance are based on over-all analyses of the cooperating country's internal economic situation and balance of payments in the light of established U.S. objectives. These analyses are prepared and summarized by the Mission in the CAP or LAS submission. The preparation of the supporting analysis and choice of the Program Assistance category are discussed in Section 1110 of the AID Manual.

Dollar and P. L. 480 Program Assistance often result in the generation of local currency, a portion of which is available for country use subject to AID approval. In order to assure that these currencies are used as planned, to avoid excess local currency accumulations of amounts reserved for specific purposes, and to prevent unnecessary resort to the use of FA Act dollar funds for local costs, the generation and the use of local currency must be coordinated at every stage. This "parallel programming" process begins with the CAP or LAS submission in which local costs and local currency availabilities and proposed uses are analyzed and related meaningfully by the Mission. In the course of its review of the CAP or LAS submission, AID/W also analyzes the local cost implications of each program and reflects its decisions in the approval, or disapproval, of the recommended local currency budget support program. Local currency requirements for Capital and Technical Assistance projects and Local Currencies Activities, where applicable, also enter into this review but are approved through project approval procedures.

The LAS and CAP Program Assistance analyses, together with similar information on other types of assistance are the basis for the annual Bureau of the Budget submission and the Congressional Presentation. They are also the basis for the Operational Year Budget (OYB), prepared following the passage of the appropriations legislation by the Congress, through which the Administrator approves planning levels for Program Assistance and other types of aid including that under P. L. 480.

B. Approval

P. L. 480 and dollar Program Assistance activities are approved for obligation by means of the Program Assistance Approval Document (PAAD) (See M.O. 1121.1 - Program Assistance Approval Document (PAAD). The PAAD provides basic information as to the nature, amount, purpose and timing

AID MANUAL	TRANS. LETTER NO. 10:1	EFFECTIVE DATE Sept. 30, 1963	ORDER NO. 110:1	PAGE 5
------------	---------------------------	----------------------------------	--------------------	-----------

of the proposed Program Assistance and contains, or is accompanied by, an up-to-date analytical justification in aggregate economic terms. The controls proposed for the local currency to be generated are indicated and explained. The PAAD is approved by the Administrator for all activities which 1) deviate from OYB levels by more than the adjustment authority delegated to the regional Assistant Administrators or the Assistant Administrator for Program Coordination, 2) present significant policy issues, or 3) are in the area for which the Administrator has reserved approval authority. For example, PAAD's for proposed Cash Transfers are approved by the Administrator. Other PAAD's, not reserved for the approval of the Administrator, are approved by the regional Assistant Administrator. The approval process is described in M.O. 1121.1 - Program Assistance Approval Document (PAAD). (See also M.O.'s 1114.1 and 1151.1.)

Within levels authorized by the regional bureau for budget support, local currency use for this purpose is approved by the Mission Director for obligation when funds are available or for commitment. The Mission document corresponding to the PAAD is called a "Release Authorization." No standard form is prescribed. (See M.O. 1151.1 - Program Assistance: Local Currency - Approval, Agreement and Implementation.)

C. The Agreement

The Program Assistance Agreement is the obligating instrument which sets out the nature, purpose, amount, and major conditions of the approved Program Assistance activity. (See M.O. 1131.1 - Program Assistance Agreement, Dollar Activities.) It is concerned primarily with the broad purposes for which the Program Assistance is to be extended, and only incidentally with implementation. It may contemplate amendment from time to time, as to amount, or may be intended to apply only to a single release of funds.

The Program Assistance Agreement is used for AID Commodity Program Assistance and Cash Transfer Program Assistance. It is usually negotiated in the field based on instructions from AID/W.

The Agreement document for P. L. 480 Title I. and IV. is the Sales Agreement (M.O.'s 1141.1 - Public Law 480 - General and 1145.1 - Public Law 480, Title IV, Sales of Surplus Agricultural Commodities for Dollars). Unlike the Program Assistance Agreement, it is not an obligating document in the fiscal sense. Instructions for field negotiation of Sales Agreements are prepared by The Agricultural Resources Division, Office of Material Resources (MR/ARD).

Both Sales Agreements and Program Assistance Agreements should provide for the uses to be made of the local currency that will be generated. The Sales Agreement ordinarily apportions

sales proceeds among the pertinent major use categories recognized in Section 104 of P. L. 480, establishing the U.S. use and Country use shares. Agreements for particular local currency uses should be negotiated, whenever feasible, concurrently with the signing of the Sales or Program Assistance Agreement.

An overall agreement may be used for substantial and continuing Title II projects, followed or accompanied by Transfer Authorizations (TA's) or the Transfer Authorization may serve as the agreement. (See M.O. 1143.1 - Public Law 480, Title II, Grants of Surplus Agricultural Commodities (Section).)

For local currency use for budget support, the agreement obligating the U.S.-owned local currencies or approving the commitment or withdrawal of counterpart funds is normally negotiated by the Mission. While no standard form is prescribed, standard provisions are required, depending on the type of currency involved. (See M.O. 1151.1 - Local Currency Program Assistance - Approval, Agreement and Implementation and Subsection 1514 - Financial Management of Local Currencies.)

D. Implementation

Program Assistance does not involve the degree of direct AID participation in implementation required in project assistance. Where local currency is provided for budget support, the cooperating country assumes primary responsibility for implementation, with varying degree of AID control or participation. Except for possible collection and deposit of local currency counterpart, AID usually has no implementation function beyond that of making the dollar available in the case of Cash Transfer Assistance beyond the terms contained in the agreement. These terms may, however, stipulate the specific uses to be made of the local currency equivalent of the dollars. P. L. 480 Title I. and IV. programs are implemented by the United States Department of Agriculture (USDA).

In the area of AID Commodity Program Assistance however, AID exercises considerable control over the use of the dollars for commodity imports. The Commodity Financing Procedure to be employed depends on the existence and character of import and exchange controls in the cooperating country and on the amount and purpose of the assistance. (See Section 1160 of the AID Manual.) There are three Commodity Financing Procedures - 1) Standard, 2) Alternative, and 3) Minimum, in descending order of U.S. control. The three procedures provide for varying degrees of documentation as regards compliance with legal and administrative commodity financing requirements. Any of the Commodity Financing procedures may be coupled with any of four basic financing "methods": 1) Direct Reimbursement, 2) Letter of Commitment to a U.S. banking institution, 3) Letter of Commitment to a Supplier, and 4) Special Letter of Credit. The choice of financing method is based on the urgency of the need for local currency counterpart, and administrative convenience. The special letter of credit method is used to make local

PAGE 6	ORDER NO. 1101.1	EFFECTIVE DATE Sept. 30, 1963	TRANS. LETTER NO. 10:1	AID MANUAL
-----------	---------------------	----------------------------------	---------------------------	------------

currency available more quickly than is possible by the other financing methods. See M.O.'s 1162.1 - AID Commodity Financing Procedures and Methods, General, and 1162.5 - AID Commodity Financing by Special Letter of Credit in regard to Commodity Financing Procedures and Commodity Financing Methods.

E. Reporting and Evaluation

Existing AID Controller and statistical reports cover AID commodity financing and procurement, loan obligations and expenditures, other AID obligations and expenditures, project and non-project, and local currency collections, disbursements and balances. Because of this, no additional special reporting is required for Program Assistance.

Each year the CAP or LAS revision however, provides an evaluation of prior year Program Assistance in connection with the current analysis of the cooperating country's balance of payments, internal economic situation and self-help measures. This assessment is particularly relevant not only when further program assistance to the country is proposed but to presenting the effects of such assistance to the Congress.

Local currency budget support activities continues to be reported as required by M.O.'s 756.2 - Foreign Currency Reports - Sections 402, 505(a) and P.L. 450 (Title I) and 756.5 - Counterpart Funds - Reporting Requirements.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO.	PAGE
	1099.1	1
SUBJECT	TRANS. LETTER NO.	EFFECTIVE DATE
	9:1	Dec. 11, 1963
AID IMPLEMENTATION SYSTEM	SUPERSEDES	

GENERAL ASPECTS OF THE IMPLEMENTATION SYSTEM

Table of Contents

- Part I History, Objectives, Basic Factors
- Part II Summary of Procedures
- A. Introduction
- B. Program Assistance Procedures
1. General Policies and Criteria
2. Major Features of Program Assistance Policies and Procedures
3. Categories of Program Assistance
4. Definitions and Financing Procedures
5. The Program Assistance Implementation System
- C. Capital Assistance
1. General Policies and Criteria
2. Major Features of Capital Assistance Policies and Procedures
3. Categories of Capital Assistance
4. Identification and Planning Capital Assistance Activities
5. Review and Approval
6. Implementation and Monitoring of Capital Assistance Activities

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
2	1099.1	Dec. 11, 1963	9:1	

D. Technical Assistance

1. Nature and Scope of Technical Assistance
2. Major Features of Technical Assistance Policies and Procedures
3. Categories of Technical Assistance
4. Program Planning of Technical Assistance
5. Review and Approval
6. Procedures for Project Implementation
7. Special Implementation Procedures
8. Progress Reporting

E. Procurement

F. Miscellaneous Activities

G. Sector and Multi-Sector Guidance

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL		ORDER NO. 1099.1	PAGE 1
SUBJECT AID Implementation System	TRANS. LETTER NO. 9:1	EFFECTIVE DATE Dec. 11, 1963	
	SUPERSEDES		

I. History, Objectives, and Basic Factors

A. Introduction

Following the issuance of the Program Guidance Manual (AID Manual Chapter 1000, August 1962), the Administrator directed that the next major effort be concentrated on "the development of a more effective, uniform, and consistent system" of implementing program decisions. This manual order summarizes the results of this effort. It is in two parts:

Part I - History, Objectives, and Basic Factors

Part II - Summary of AID Implementation Procedures

B. History

In the period following the establishment of AID, the Agency was operating under divergent procedural systems inherited from its predecessors the Development Loan Fund and the International Cooperation Administration; interim policies and procedures had been issued through various uncoordinated instruments; and both the program concepts and the structure of the organization had been changed. Thus, a full scale re-examination of its implementation procedures became essential to insure that they were (a) appropriate to the Agency's new organizational structure, (b) adapted to the revised program concepts, objectives and techniques as set forth in the Program Guidance Manual of August 1962 and (c) that they gave effect to the policy determinations of the Executive Staff.

Accordingly, a comprehensive internal re-examination of the Agency's practices was initiated in January 1963. A special mechanism was created to coordinate the efforts of the several Working Groups appointed to conduct the review and to develop a coordinated implementation system geared to current policies, programs and organization. The Working Groups were instructed to take particular account of the very basic changes in program concepts -- the accelerating shifts from grants to loans, the balance of payments considerations calling for tied loans repayable in dollars, the stress upon long-range assistance strategy and integrated country development plans, and the wide acceptance of the principle of selectivity based upon self-help.

The Implementation Project was terminated in October 1963 with the issuance of revised Chapters 1100, 1200, and 1300 and a number of sections in Chapters 1400, 1500, and 1600. As of that time, considerable work remained to be done in the latter three chapters. The responsibility for the development and clearance of the remaining manual orders was returned to the functional offices concerned. Overall responsibility for monitoring the new system and for identifying problem areas for further work was vested in the AA/A.

C. Objectives of the AID Implementation System

The objectives around which the AID implementation system is built are:

First - to improve executive control and management of program implementation;

Second - to assure more direct responsiveness of proposed activities to U.S. goals in each country;

Third - to accelerate the implementation of approved programs and projects;

Fourth - to codify operating policies and instructions;

Fifth - by eliminating unnecessary administrative stringency, to improve relations with cooperating countries, other U.S. agencies, contractors, private investors, banks, and the academic community;

Sixth - to give increased responsibility to the overseas missions within the limitations of their varying resources; and,

Seventh - to reduce clearances, reports and documentation to the minimum consistent with prudent management.

An important outgrowth of the new procedures is the restructuring of the approval process for all types of assistance and actions to insure that the attention of the Administrator and/or the Assistant Administrators is brought to bear on significant policies, issues or actions at the appropriate stage.

PAGE 2	ORDER NO. 1099.1	EFFECTIVE DATE Dec. 11, 1963	TRANS. LETTER NO. 9:1	AID MANUAL
-----------	---------------------	---------------------------------	--------------------------	------------

D. Basic Factors in Determining the Implementation Procedures

The categories of assistance authorized by the Foreign Assistance legislation are distinguished primarily by the objectives to be achieved. They represent a compromise of various possible classifications intended to permit maximum flexibility to the Agency in the selection and use of the various resource tools. The categories are: Development Assistance (which includes both loans and grants for the Alliance for Progress and elsewhere) designed to contribute to economic and social growth; Supporting Assistance directed primarily toward maintaining economic and political stability and meeting security objectives and contributions to International Organizations. In addition, the Contingency Fund provides the flexibility necessary to meet assistance needs arising from unforeseen international situations.

Under each of these legislative categories, AID may finance the transfer of resources in the form of commodities, personnel services or cash, and may review and administer assistance on a program, capital project or technical assistance project basis. Because the analyses, data, and documentation required for capital projects, however, differ significantly from those required for flow commodity, import financing or technical advice, program review and implementation guides and procedures have been organized around the three primary ways the Agency conducts its business. Hence, regardless of whether extended on a loan or grant basis, AID procedures are now based on the following major forms of assistance:

1. Program Assistance, defined as the transfer of non-project resources (commodities, cash or local currency for budget support), loan or grant, under circumstances where the totality of the resources made available, rather than their particular use, constitute the primary U.S. concern;

2. Capital Assistance, defined as the transfer, either by loan or grant, of resources to establish or expand capital facilities and financial institutions (including financing of feasibility studies for achieving these ends);

3. Technical Assistance, defined as the transfer of knowledge, skills, and techniques, either by loan or grant, to assist cooperating countries to develop the human skills and attitudes and to create and support the institutions necessary for social, economic and political growth and development.

These distinctions provide the conceptual foundations upon which rest the systems that have been devised for developing, approving, financing, and implementing the major portion of AID programs. There are, however, other essential AID activities which, because of their special characteristics, justify separate treatment. These include: projects funded entirely with local currency (M.O. 1511.1), private enterprise activities (M.O. 1520), research projects (M.O. 1530), public safety (M.O. 1540), assistance to voluntary agencies (M.O. 1511), and foreign disaster relief (M.O. 1560).

Pertinent legislative provisions covering the three major forms of assistance will be found in M.O. 1103.1 - Program Assistance; M.O. 1202.1 - Capital Assistance; M.O. 1302.1 - Technical Assistance.

Although implementation is generally considered to begin after programs or projects are approved, it is actually an inseparable part of the whole programming process. It is thus in the early stages of programming that choices are made as to the form and purpose of the resources to be provided, whether they are to be treated logically as program or project assistance, and if the latter, whether capital or technical assistance in character. The decision as to the approach to be taken in providing for the transfer of resources lies in an assessment of the advantages and disadvantages of each technique in a particular situation and must take into account the recipient's ability and willingness to manage the resources under the method chosen. (Factors affecting the choice are discussed in some detail in Section 1011 of the Program Guidance Manual, and M.O. 1104.1.) Thus, it follows that at the time of the preparation of the Annual CAP or LAS budgetary data, decisions are made which determine the form of the assistance and which set the subsequent implementation pattern. (Ref. M.O. 1023 and M.O. 1111.1.)

A brief discussion of the implementation procedures applicable to each major form of assistance follows in Part II of this manual order.

HOW ECONOMIC AID APPROPRIATIONS ARE USED

APPROPRIATION CATEGORIES (Military Assistance and Administrative Categories Not Included)		
<u>LOANS</u>	<u>GRANTS</u>	<u>LOANS OR GRANTS</u>
DEVELOPMENT LOANS SOCIAL PROGRESS TRUST FUND	DEVELOPMENT GRANTS TECHNICAL COOPERATION INTERNATIONAL ORGANIZATIONS AND PROGRAMS*	ALLIANCE FOR PROGRESS SUPPORTING ASSISTANCE CONTINGENCY FUND SCHOOLS & HOSPITALS

MAY BE USED TO TRANSFER
RESOURCES IN THE FORM OF...

1. COMMODITIES
2. PERSONAL SERVICES
3. FOREIGN EXCHANGE

IN THESE CATEGORIES OF ASSISTANCE

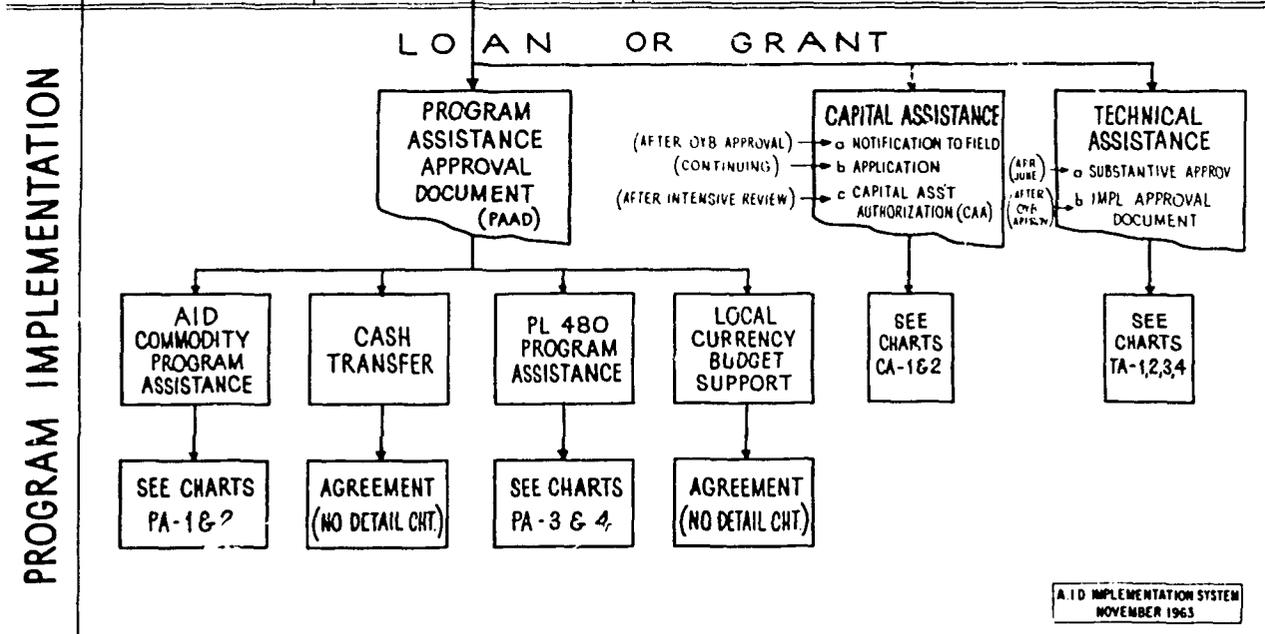
<p><u>PROGRAM ASSISTANCE</u> TRANSFER OF RESOURCES, NOT RELATED TO A SPECIFIC PROJECT, UNDER CIRCUMSTANCES WHERE TOTALITY OF RESOURCES MADE AVAILABLE RATHER THAN THEIR PARTICULAR USE IS OF PRIMARY U.S. CONCERN</p>	<p><u>CAPITAL ASSISTANCE</u> TRANSFER OF RESOURCES TO EXPAND OR ESTABLISH CAPITAL FACILITIES OR FINANCIAL INSTITUTIONS</p>	<p><u>TECHNICAL ASSISTANCE</u> TRANSFER OF KNOWLEDGE, SKILLS AND TECHNIQUES TO ASSIST IN DEVELOPING HUMAN SKILLS AND ATTITUDES AND TO CREATE AND SUPPORT INSTITUTIONS NECESSARY FOR SOCIAL, ECONOMIC AND POLITICAL GROWTH AND DEVELOPMENT</p>
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*NOTE: GRANTS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS ARE ALLOCATED TO STATE DEPARTMENT FOR TRANSFER TO UNITED NATIONS

PROGRAMMING U.S. FOREIGN ASSISTANCE

SCHEDULE OF AID PLANNING AND APPROVAL PROCESS

	PROJECTED SCHEDULE	PROGRAM DOCUMENT	ORIGIN AND ACTION
PROGRAM PLANNING AND APPROVAL	MAY	FRAMEWORK OF U.S. STRATEGY	SUBMITTED BY COUNTRY TEAM (UPDATED ANNUALLY)
	BY JUNE 30	APPROVED COUNTRY ASSIST. STRATEGY STATEMENT (CAAS)	REVIEWED BY AID/WASHINGTON, STATE AND OTHER U.S. AGENCIES AND APPROVED BY ADMINISTRATOR/AID
	AUGUST	CAP/LAS PROGRAM DETAILS (E-TABLES)	SUBMITTED BY MISSION, (ACTIVITY DESCRIPTIONS (a) UP-DATED FOR CURRENT OPERATIONAL YEAR AND (b) PROJECTED FOR BUDGET YEAR), REVIEWED AND APPROVED BY AID/WASHINGTON
	OCTOBER	OPERATIONAL YEAR BUDGET (OYB)	AID/WASHINGTON PROGRAM COORDINATION STAFF DRAFTS OYB; HEARINGS BEFORE ADMINISTRATOR/AID WITH PARTICIPATION OF BUREAUS AND STAFF OFFICES; ADMINISTRATOR APPROVES (DISTRIBUTED TO OFFICES IN AID; STATE; DOD; BOB; AND WHITE HOUSE)
	CONTINUING	APPROPRIATE IMPLEMENTING DOCUMENT (SEE BELOW)	BUREAUS (AND STAFF OFFICES AS APPROPRIATE) ISSUE AUTHORIZING DOCUMENT PERTINENT TO EACH TYPE OF ASSISTANCE AS APPROVED IN OYB AS BASIS FOR PROGRAM IMPLEMENTATION



AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	9:1	Dec. 11, 1963	1099,1	5

II. General Aspects of the Implementation System - Summary of Procedures

A. Introduction

This part contains a summary of the implementation procedures by which the three major forms of assistance are to be authorized and administered: Program Assistance, Capital Assistance, and Technical Assistance. The basic factors which led to establishment of these categories as the basis for determining implementation procedures are discussed in Part I of this manual order.

B. Program Assistance Procedures

1. General Policies and Criteria

General policies and criteria applicable to program assistance planning, including coverage of balance of payments analysis, budget analysis, and institutional considerations are covered in M.O. 1104.1 and Section 1110. The criteria underlying the decision that program assistance should be provided to a cooperating country are set forth in Section 1011 of the Program Guidance Manual. The reasons for choosing program assistance rather than one of the other types of assistance must be made clear in the Country Assistance Strategy Statement or in the Program Assistance Approval Document (ref. M.O. 1121.1).

2. Major Features of Program Assistance Policies and Procedures

a. Analytical guidance is provided for the planning of program assistance, including selection among the available forms of program assistance listed in paragraph 3. below, and balance of payments and internal financial analysis.

b. For purposes of programming, review, approval and implementation, Program Assistance includes, on both loan or grant basis, all dollar and local currency non-project, PL-480, and cash transfer assistance.

c. The procedures provide for improved analysis in the annual programming of local currency uses and projections, and for an assessment of local currency resources in relation to dollar needs at the OYB approval stage.

d. Criteria are established for the submission of program assistance proposals for review and approval by the Administrator.

e. Provision is made for the application of the same approval procedures to grants and loans.

f. A "Program Assistance Approval Document," (PAAD) with appropriate supporting economic and commodity analysis is required prior to authorization, thus, permitting a more logical and rationalized AID/W review and approval process. If loan, the PAAD with supporting analyses and attachments, as required, becomes the "loan paper."

g. A "Program Assistance Agreement," loan or grant, is required for commodity program assistance and cash transfers to record the essential undertakings by both the U.S. and the participating country. This agreement instrument is designed to overcome the previous inadequacy of the Procurement Authorization as the mechanism for recording broad understandings and undertakings on the part of both governments. Provision is also made for delegation to the missions of authority to negotiate and execute Program Assistance Agreements.

h. The manual orders contain comprehensive instructions on PL-480 agreements, procedures, documentation, and division of responsibility.

i. There is comprehensive codification and guidance on all forms of commodity financing, including alternative procedures to implement policy decisions relating to situations where countries lack import or exchange controls.

j. A single system of commodity assistance implementation is provided, applicable to both grants and loans.

k. Regulation I, as revised, is applicable only to "program assistance" and to supplies and equipment furnished in connection with technical assistance projects.

l. These procedures provide for changes in the OYB approval process as it relates to program assistance which will give the Administrator more meaningful supporting analyses and more direct control of the content, direction and timing of program assistance.

3. Categories of Program Assistance

The major categories of program assistance are:

a. AID Commodity Program Assistance

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
6	1099.1	Dec. 11, 1963	9:1	

- ance
- b. Public Law 480 Program Assist-
- and
- c. Local Currency Budget Support,
- d. Cash Transfers

Considerations bearing on the choice among these four categories are discussed in M.O.s 1011.4 and 1114.1.

4. Definitions and Financing Procedures

a. AID Commodity Program Assistance

AID commodity program assistance is non-project dollar assistance made available by financing non-project imports, for security, development, and other objectives, and either primarily to meet a deficit in external resources or to generate local currency when it has been determined that program objectives cannot be met with available local currency or surplus agricultural commodities. AID dollar financing of commodity program assistance may be made available from any AID appropriation (usually Development Loan or Supporting Assistance), on a loan or grant basis, for import transactions, through one of the financing procedures outlined below:

(Note: These financing procedures are also used for AID financing of non-project commodities stemming from the commitment of AID dollars in project agreements to cover capital and technical project local costs -- see M.O. 1161.1).

(1) Standard Commodity Financing Procedure - M.O. 1162.2 - where prior authorization by the cooperating country of individual import transactions makes possible compliance with all of AID's statutory and policy requirements as defined in AID Regulation I.

(2) Alternative Commodity Financing Procedure - M.O. 1162.3 - where prior authorization by the cooperating country of individual import transactions is not feasible, but where compliance with AID statutory, policy, and administrative requirements (including the submission of a Supplier's Certificate) is feasible. Under these circumstances compliance with small business and labelling requirements is not feasible.

(3) Minimum Requirements Commodity Financing Procedure - M.O. 1163.4 - where it is not feasible to obtain a Supplier's Certificate but where compliance with AID's

statutory and policy requirements can be assured through audit of standard commercial documentation.

(4) Special Situations - In certain cases, budget support and project local cost financing which is so small as not to significantly affect the participating country's import requirements, may be transferred to the participating country by financing imports from the U.S. through procedures similar to (2) and (3) above, providing for AID payment against standard commercial documents. This type of financing is subject to special determinations either by the regional Assistant Administrator or the Administrator as prescribed in M.O. 1161.1, IV.

b. Department of Agriculture Financing of Surplus Agricultural Commodities Under PL-480

(1) Title I - Foreign Currency Sales - M.O. 1142.1

Title I is a flexible instrument for financing a limited range of commodities on terms which may range from nearly commercial to extremely generous. Under this Title, agricultural commodities designated by the Secretary of Agriculture as in surplus supply are sold under agreements with friendly nations, for local currencies. Part of the local currency acquired by the U.S. is reserved for "U.S. uses" and usable for purposes covered by dollar appropriations; the remainder is made available to AID to administer for loans or grants for economic development or for the common defense. The sale of the commodities is treated as program assistance.

(2) Title IV - Long-Term Dollar Credits - M.O. 1145.1

Surplus agricultural commodities may also be programmed through commercial channels under Title IV, PL-480 repayable in dollars over periods of up to 20 years. Credit terms under this program generally approximate those for development loans. Both the commodities supplied and the sales proceeds offer opportunities for furthering economic development assistance objectives.

(3) Section 202 - Commodity Grants for Economic Development - M.O. 1143.1

This section of PL-480 authorizes commodity grants for economic development projects and programs which cannot be accomplished under Title I, provided the commodities

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	9.1	Dec. 11, 1963	1099.1	7

transferred will not displace or interfere with sales which might otherwise be made from any friendly source, including production within the country. School lunch and work relief programs are covered by this authority.

(4) Title III, Section 302 - Voluntary Agency Donations - M.O. 1551

Under Section 302 of PL-480, surplus agricultural commodities may be donated to non-profit American Voluntary Relief Agencies and inter-governmental organizations for use as assistance to needy persons outside the United States. This activity IS considered program assistance ONLY in those relatively few cases covering large scale governmentally-administered school lunch and relief programs.

(5) Title III, Section 303 - Barter of Agricultural Surpluses - M.O. 1141.1

Where surplus agricultural commodities are used to finance offshore procurement under barter arrangements, particularly in meeting needs for commodities of which the U.S. is a net importer, procurement is arranged by USDA under a Procurement Authorization Purchase Requisition issued by AID, and the charge is against AID appropriation.

c. Local Currency Budget Support - M.O. 1151.1

Wherever available, the counterpart or sales proceeds of program commodity financing under AID or PL-480 are the preferred sources for budget support financing and for covering any other local cost financing requirement for which the U.S. must undertake responsibility. Format and guidance for the preparation of a local currency program covering all sources and proposed uses is contained in M.O.s 1023.3, 1011.6, and 1011.8.

d. Cash Transfers

A cash transfer is the release of funds to a participating country in the absence of, or in advance of, any requirements for documentation showing the actual use of funds. Because use of cash transfers negates many important programming objectives, this device is employed only when other program financing methods are demonstrably inoperable and when specifically authorized by the Administrator. The Agreement must make clear the purpose and conditions of the transfer. (For further information, see M.O.s 1114.1, 1121.1, and 1131.1.)

5. The Program Assistance System

a. Planning

The basic planning for program assistance, including the supporting analyses to be prepared by the mission, is an integral part of the CAP-LAS process described in M.O.s 1022, 1023, and Section 1110. (See Chart PA-1, page 10.) Parallel programming of the generation and use of local currency must take place at every stage of the planning process to avoid excess local currency accumulations or unnecessary resort to use of AID dollar funds for local costs. The LAS and CAP program assistance analyses are used as a basis for the Bureau of the Budget submission, the Congressional Presentation, and the OYB.

b. Approval

(1) Operating Year Budget (OYB) - M.O. 1033.1

The first step in the approval process is the early fall review of the proposed current year programs in light of the revised field submissions and the Congressional appropriations. This review results in the initial issuance of the OYB bearing the Administrator's approval. This document is the mechanism through which funds are earmarked for the bureaus or other claimant offices and constitutes authority to proceed with the development and approval of specific program assistance proposals.

(2) Program Assistance Approval Document (PAAD) - M.O. 1112.1

The PAAD is the document by which the regional Assistant Administrator or A/AID approves a "Program Assistance Activity" for obligation and implementation. The PAAD is prepared by the regional bureau to cover a specified amount of one of the three external resource categories of program assistance (AID commodity program assistance, PL-480 program assistance, or cash transfer). The draft PAAD is submitted for comment to DFPE (if loan), AA/MR (if commodity), to AA/PC, and A/CONT. If the PAAD covers AID commodity program assistance or PL-480 program assistance, the commodity information included in the draft PAAD should be in sufficient detail to permit AA/MR to determine what, if any, special requirements or restrictions should be included in the instructions to the authorized procuring agent. The bureaus will be guided by MR's comments when drafting the implementing document.

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
8	1099.1	Dec. 11, 1963	9:1	

The PAAD is approved within the OYB planning levels, or it may be used to effect a change in such planning levels when approved by an authorized official (ref. M.O. 1033.1). Criteria determining whether a PAAD requires approval by the Administrator or regional Assistant Administrator are set forth in M.O. 1121.1. (See Chart PA-2, page 11.)

Local Currency Activity Approval

It is AID policy to delegate financial management of local currencies to the missions to the maximum extent feasible. Local currency programs are developed by the missions and submitted to AID/W as a part of the CAP-LAS. The regional Assistant Administrator's approval of the budget year local currency proposals may be given by cable or airgram, cleared by AA/PC, and should be sent to the missions as soon as feasible after receipt of proposed program.

Local currency for budget support is approved for obligation by the Mission Director within levels authorized by the regional bureau. The mission document corresponding to the PAAD is called the "Release Authorization," but no standard form is prescribed. (Ref. M.O. 1151.1.)

(3) The Agreement

(a) Dollar Activities - M.O. 1131.1

The approved PAAD forms the basis for the drafting and negotiation of the Program Assistance Agreement. The Agreement sets out the nature, purpose, amount, and major conditions of the approved program assistance activity. It is concerned primarily with the broad purposes for which program assistance is to be extended, and need not necessarily cover all details of implementation. It may refer only to the part of the planned program which is to be initially committed, or it may cover the whole amount authorized by the PAAD.

The Program Assistance Agreement is used for AID Commodity Program Assistance and cash transfer program assistance. It is usually negotiated in the field on instructions from AID/W. When signed, it constitutes the obligating document. (See Chart PA-3, page 12.)

(b) PL-480 Activities - M.O.s 1141.1 and 1145.1

The Agreement document for PL-480, Titles I and IV, is the Sales Agree-

ment. Unlike the Program Assistance Agreement, it is not an obligating document but does constitute a firm U.S. supply commitment. Instructions for field negotiation of Sales Agreements are prepared by AA/MR.

An overall agreement may be used for substantial and continuing PL-480 Title II projects, followed or accompanied by Transfer Authorizations (TAs) or the Transfer Authorization may serve as the Agreement. (Ref. M.O. 1133.1.)

Both the Program Assistance and the Sales Agreements should contain provisions regarding the uses to be made of the local currency which will be generated.

(c) Local Currency - Budget Support

The obligating agreement is normally negotiated by the mission under terms and conditions mutually agreed by the parties to the agreement and in conformity with the terms of the program or project approval. While no standard form is prescribed, standard provisions are required, depending on the type of currency involved. (Ref. M.O.s 1151.1, 1514.1, and 1514.5.) Execution of the agreement constitutes an obligation of the U.S.-owned local currencies involved. The agreement must make clear whether financing is on a reimbursable basis or by advance of funds.

(4) Activity Execution

Program Assistance does not involve the degree of direct AID participation in implementation required in other types of assistance. Where local currency is provided for budget support, the cooperating country assumes the implementation burden with varying degrees of AID monitoring or control. In the case of cash transfer assistance, AID has no implementation function except for possible collection and deposit of local currency counterpart. The implementing actions under PL-480 Transfer Authorizations are the responsibility of USDA. (See Chart PA-4, page 13.)

In the area of AID Commodity Financing, however, AID exercises considerable control over the use of the dollars for commodity imports. The commodity assistance procedures - "Standards," "Alternative," and "Minimum Requirements," in descending order of U.S. control, are described in detail in Section 1160. The three procedures provide for varying degrees of documentation as regards compliance with legal and administrative commodity financing require-

AID MANUAL	TRANS. LETTER NO. 9:1	EFFECTIVE DATE Dec. 11, 1963	ORDER NO. 1099.1	PAGE 9
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ments. Any one of the commodity assistance procedures may be coupled with any of the four basic "financing methods" - direct reimbursement, Letter of Commitment to a U.S. banking institution, Letter of Commitment to a supplier, and Special Letter of Credit - although the Letter of Commitment to a supplier is ordinarily not used for Program Assistance. Choice of financing method is based on the urgency of the need for local currency counterpart and administrative convenience. The Special Letter of Credit is used when it is important that the local currency be made available more quickly than is possible under other financing methods. (Ref. M.O.s 1162.1 and 1162.5.)

In the majority of AID commodity financing transactions, procurement responsibilities rest with the participating country and its importers. In commodity financing of this kind, AID's role is substantially that of banker and auditor. The country and its importers

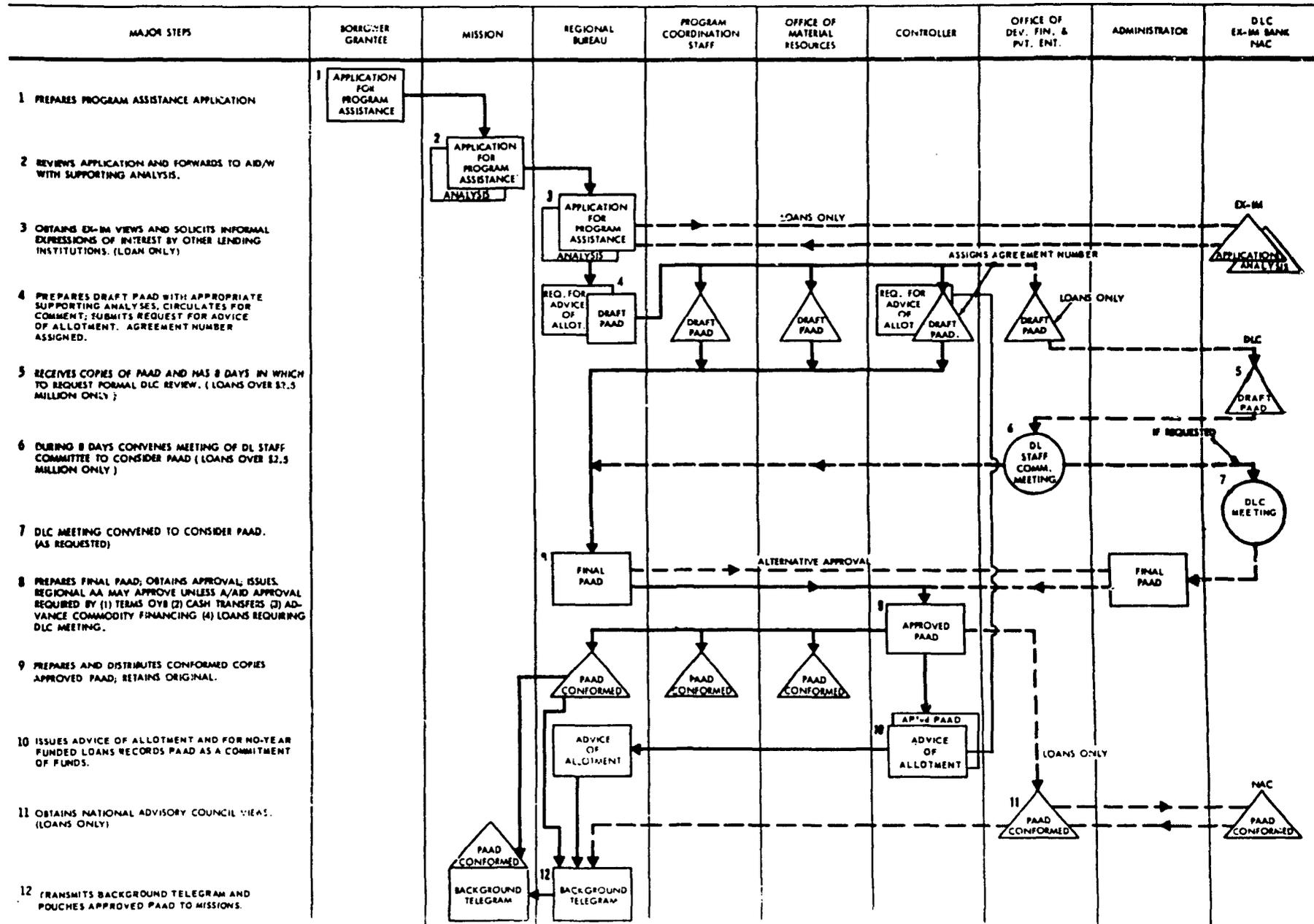
arrange for procurement and delivery in accordance with conditions prescribed by AID and AID insures compliance on the basis of post audit of prescribed documentation, and as appropriate, on field reviews and observations, including end-use examinations.

6. Progress Reporting and Evaluation

Various fiscal, accounting, and statistical reports relating to the utilization of program assistance are required under manual orders in the 700 Chapter. No special reports are required for progress evaluation of Program Assistance considered as a whole. The requisite facts and judgments as to its effectiveness in achieving U.S. program objectives in the participating country are included in the analytical and explanatory material of succeeding CAP or LAS revisions and are reviewed and evaluated as a part of the program review process. (M.O. 1171.1.)

AID COMMODITY PROGRAM ASSISTANCE (LOAN OR GRANT) APPLICATION, REVIEW AND APPROVAL

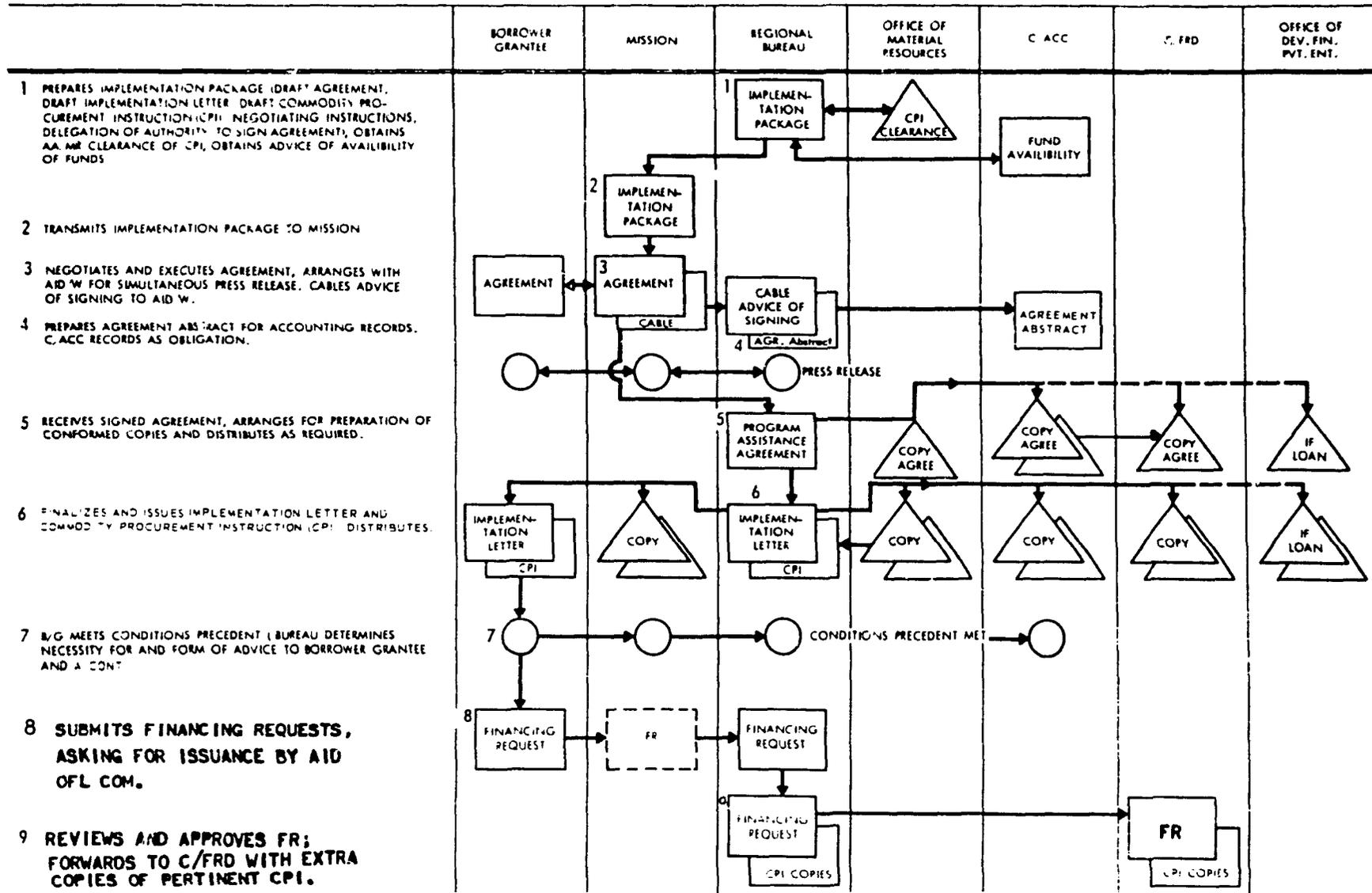
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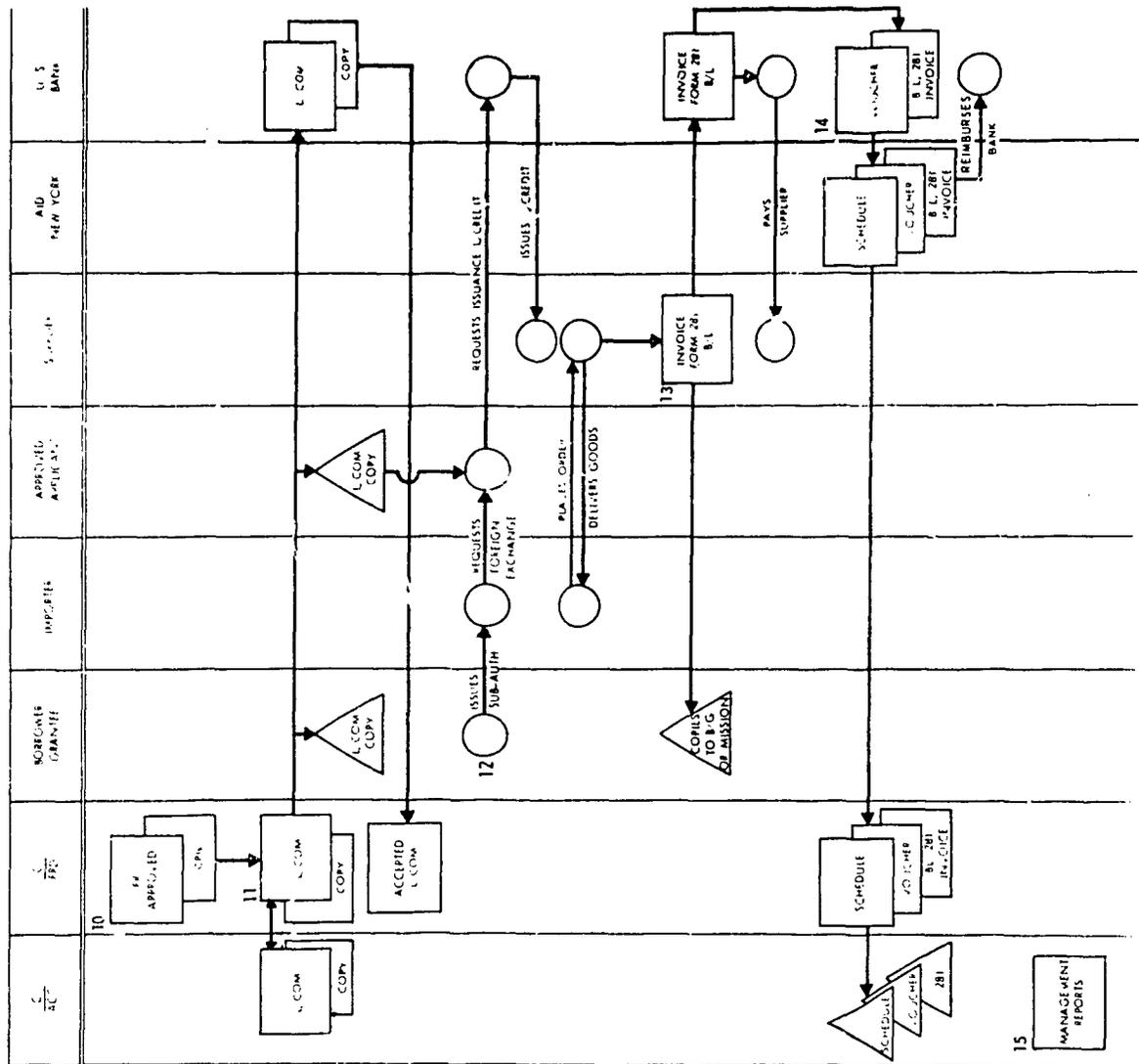


AID COMMODITY PROGRAM ASSISTANCE (LOAN OR GRANT)

IMPLEMENTATION

LETTER OF COMMITMENT METHOD OF FINANCING





10 RELIEVES APPROVED IS AND EXTRA COPIES OF PERTINENT CPI FROM REGIONAL BUREAU

11 PREPARES L/C, ATTACHING SPECIAL PROVISIONS FROM CPI AS REQUIRED. DETERMINES AVAILABILITY OF FUNDS UNDER AGREEMENT. ASKS CONTROL NUMBER. FORWARDS L/C TO US BANK FOR CONCURRENCE. DISTRIBUTES COPIES, RECEIVES AND FILES ACCEPTED L/C. FILES FR

12 B.G. ISSUES SUB-AUTHORIZATION OF EQUIVALENT TO IMPORTER. IMPORTER APPLIES FOR L/C. REGIONAL BUREAU PROVIDES APPROVED L/C LETTER OF CREDIT INSTRUCTIONS TO US BANK. US BANK ISSUES L/C TO SUPPLIER. IMPORTER PLACES ORDER WITH SUPPLIER. SUPPLIER DELIVERS COMMODITIES TO IMPORTER.

13 SUPPLIER SUBMIT INVOICE, SUPPLIER'S CERTIFICATE, BILL OF LADING, OTHER REQUIRED DOCUMENTS FOR PAYMENT. US BANK PAYS SUPPLIER.

14 US BANK PREPARESoucher FOR REIMBURSEMENT BY AID. US BANK COPIES AND FORWARDS TO NEW YORK. NEW YORK DISTRIBUTES TO C.F.D. FOR AUDIT AND FURTHER PROCESSING WITHIN A.C.O.T.

15 A C.O.T. REPORTS ON STATUS OF ALLOCATIONS, OBLIGATIONS, DISBURSING AUTHORIZATIONS AND EXPENDITURES. BUREAU OBTAINS ADDITIONAL REPORTS FROM BORROWER GRANTEE, IF REQUIRED, AND MONITORS PROGRESS OF IMPLEMENTATION.

CHART: PA-3

PL 480 PROGRAM ASSISTANCE

(U.S. FOOD FOR PEACE PROGRAM)

TITLE I (SALES FOR LOCAL CURRENCIES) & TITLE IV (SALES FOR DOLLARS)

AID PROCESSING AS A PART OF COUNTRY PROGRAMS

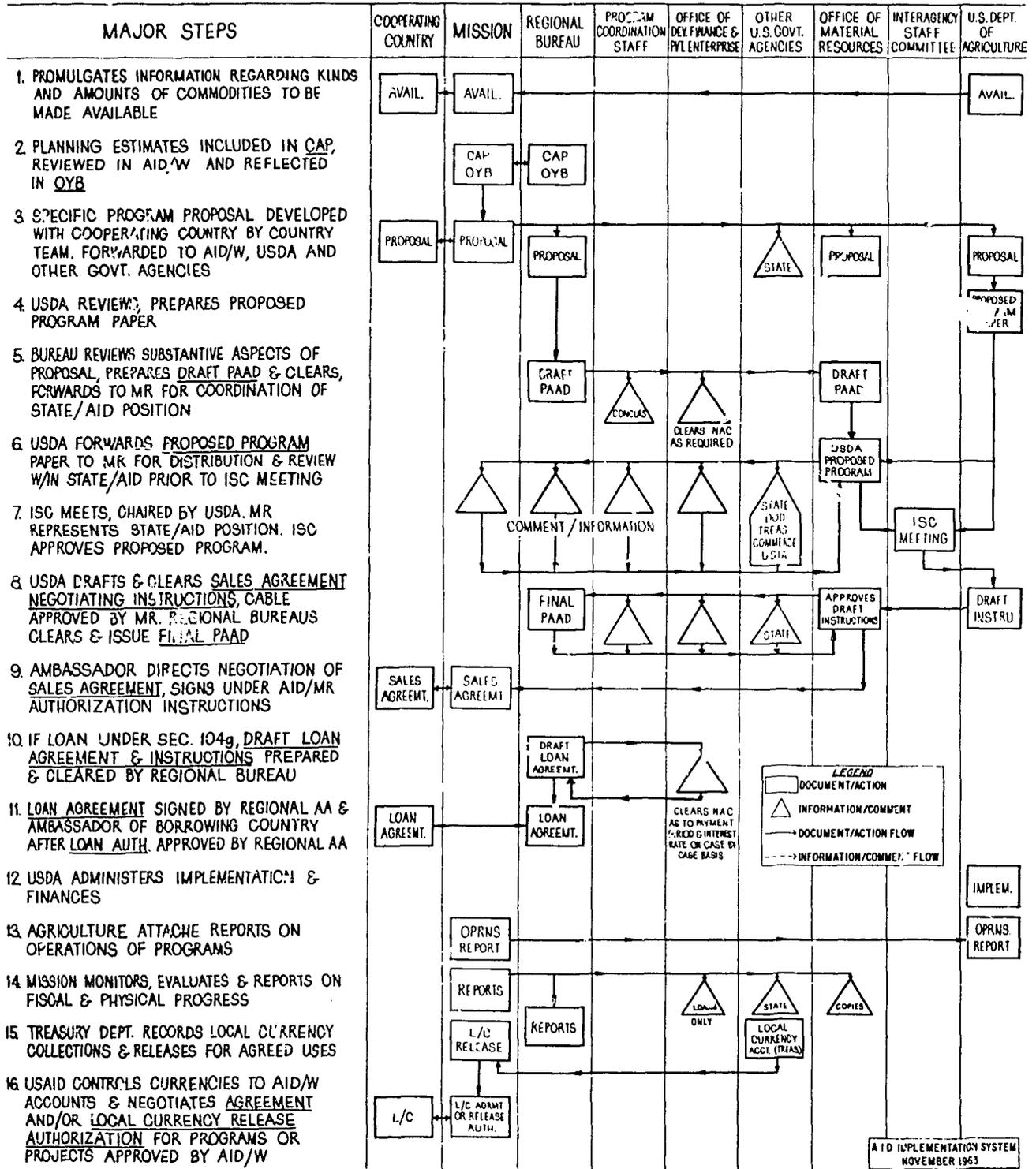
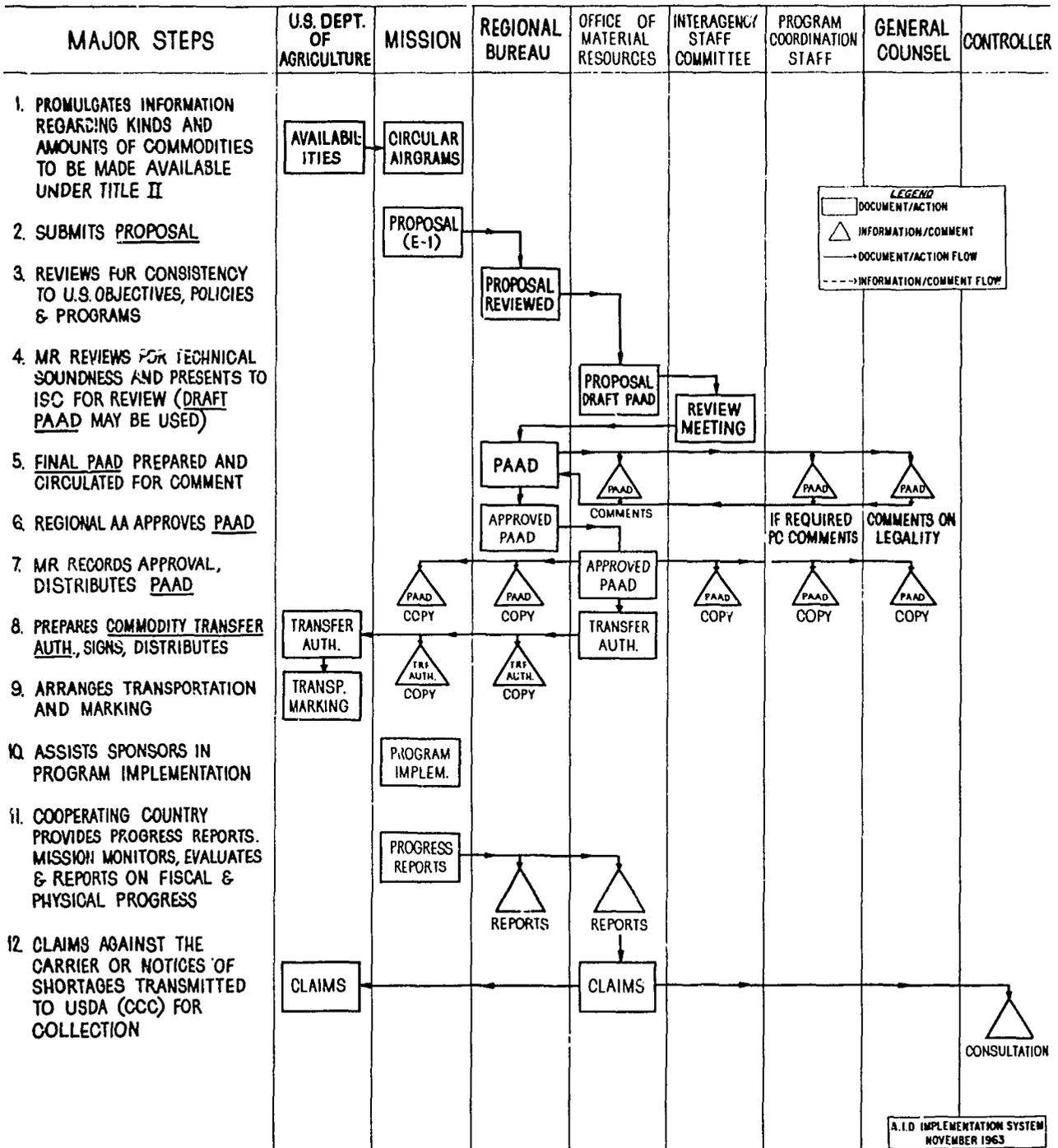


CHART: PA-4

PL 480 PROGRAM ASSISTANCE (U.S. FOOD FOR PEACE PROGRAM) TITLE II (SEC. 202 GRANTS) AID PROCESSING AS A PART OF COUNTRY PROGRAMS



AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	9:1	Dec. 11, 1963	1099.1	15

C. Capital Assistance

1. General Policies and Criteria

General policies and criteria applicable to capital assistance are covered in M.O.s 1203.1 and 1210 series. The manual orders emphasize that the objective is to translate broad development and strategy goals into specific activities which are not only technically sound and useful but which are the most economical and efficient feasible alternatives for producing the desired results. The process of making this determination, which is a connecting or intermediate analysis between the determination of overall U.S. objectives and the analysis of specific projects, is discussed in detail in M.O. 1024.1.

2. Major Features of Capital Assistance Policies and Procedures

a. The manual orders provide for field assumption of responsibilities in connection with proposal analysis, agreement negotiation and execution, and fiscal and physical monitoring of activities, within the limits of their available resources as determined by the regional Assistant Administrators.

b. These orders stress the role of the missions in cooperating with governments and the private sector in participating countries in identifying and developing a sufficient number of well-conceived projects to permit meaningful choice among objectives. (Ref. M.O. 1211.1.)

c. Guidance for the identification and evaluation of capital activities, including a discussion of methods available to missions for working with recipient governments, and discussions and checklists of applicable legislative and policy requirements are provided. (Ref. M.O.s 1211.1 and 1212.1.)

d. The mission is required to make a preliminary review of project applications and to submit to AID/W a request for intensive review (IRR). (Ref. M.O. 1241.1.)

e. The procedures require a formally documented decision to undertake intensive review, with obligatory participation by staff offices. The intensive review is authorized by a formal document (AIR) -- Annex A, M.O. 1241.1 -- which establishes a Capital Assistance Committee, either in Washington or in the mission. Manual Order 1242.1 provides detailed guidance for the Capital Assistance Committee on the factors to be taken into account in the intensive review

and in the preparation of a Capital Assistance Paper. This Paper concludes with a recommendation that AID financing be either authorized or rejected.

f. Specific criteria have been established covering the conditions under which approval of the Administrator is required for activities under \$10 million. (M.O. 1251.1.)

g. The regional Assistant Administrators have been given the authority to approve projects up to \$10 million, except as indicated in e. above. (M.O. 1251.1.)

h. The role and functions of the Development Loan Committee have been changed. (M.O. 1251.1.) Loan proposals over \$2.5 million are submitted to the DLC members but no DLC meeting is called unless requested by AID, or by a DLC member after the proposal has been discussed at a staff level (DLC) meeting of DLC agencies, the regional Assistant Administrator or A/AID.

i. Policy Determination #5 has been translated into definite guidance regarding the respective roles of AID and the "borrower/grantee," throughout the planning and implementation process.

j. The procedures for review, approval and implementation of capital assistance are now the same regardless of whether loan or grant.

k. Standard guidance has been established for the preparation of capital assistance agreements (M.O. 1262.1) and letters of implementation (M.O. 1263.1).

l. Uniform documentation requirements have been established for the "intensive review request," and "activity authorization form (either loan or grant), and illustrative forms are provided for the letters of advice, loan agreements, letters of implementation and notice to borrower/grantee that conditions precedent have been met.

m. There is detailed coverage on implementation and post agreement functions and responsibilities. (M.O. 1264.1.)

n. There have been introduced into the capital assistance paper requirements for a supporting "implementation plan" which indicates the projected schedule of major actions, timing, the division of responsibility among AID/W, mission, and borrower/grantees, and terminal dates for meeting conditions precedent and for disbursements. (M.O. 1242.1.)

PAGE 16	ORDER NO. 1099.1	EFFECTIVE DATE 9:1	TRANS. LETTER NO. Dec. 11, 1963	AID MANUAL
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3. Categories of Capital Assistance

a. Capital Assistance is aid made available mainly through the transfer of financial resources, either by loan or grant, for one of the following categories.

(1) "Capital Projects" - the construction, expansion, equipping or alteration of a physical facility or facilities, financed by AID dollar assistance of not less than \$100,000 (including related advisory, managerial, and training services) and not undertaken as a part of a project predominantly technical assistance in character.

(2) "Feasibility Study" - a study undertaken to determine the feasibility of one or more specific potential capital assistance activities, except such feasibility studies as may be financed as "surveys of investment opportunities" pursuant to Section 231 of the legislation, as amended.

(3) "Assistance to Credit Institutions" - AID dollar assistance and any accompanying advisory assistance to one or more development banks or intermediate credit institutions.

b. The distinction between "Capital Assistance" and other forms of assistance is discussed in some detail in M.O. 1011 of the Program Guidance Manual and in Appendix A of M.O. 1201.1.

4. Identification and Planning of Capital Assistance Activities

a. Identification

The process of selecting, developing, and/or evaluating specific capital assistance activities begins with the identification of those activities which may merit external assistance, whether from AID or other sources. The emphasis at this stage is on identification of those activities likely to offer the most economical and feasible opportunities for fostering the economic development of the cooperating country and for carrying out AID's assistance strategy in that country. Manual Order 1211.1 discusses this phase of the process and lists the types of considerations which should be taken into account in making these judgments. The primary responsibility for this task is borne by the missions. Once these activities have been identified, attention is directed toward selection of those which would be most appropriate for AID assistance. The statutory and admin-

istrative criteria governing this selection are discussed in M.O. 1050 of the Program Guidance Manual and M.O.s 1202.1, (legislative requirements), and 1213, (other sources of financing). Self-help measures are discussed in M.O. 1011.1 and AID financing of non-dollar costs are governed by the considerations outlined in M.O. 1203.1. Detailed guidance on alternative methods of analysis for relating specific projects to the general planning process is given in M.O. 1024.1.

b. Application

Since capital assistance postulates the identification and submission of applications for AID financing of specific activities, the first step in the implementation process is the preparation and submission of the application. Direct responsibility for the planning and preparation of the capital assistance application is vested in the prospective borrower/grantee. The borrower/grantee is expected to develop proposals and provide supporting data and justification to a point where the activity's eligibility for AID financial assistance is clearly demonstrated to the satisfaction of AID. While AID should be ready to offer assistance to prospective applicants in the form of guidance and advice on the planning and content of capital assistance applications or in locating appropriate consulting firms, AID staff should not normally become deeply involved at this stage of planning. Instructions regarding the nature and content of applications for the various categories of capital assistance are contained in M.O. 1232.1.

5. Review and Approval

a. Preliminary Review: Request for Intensive Review and Authorization of Intensive Review

Preliminary review of capital assistance applications is to be undertaken by the missions, except in those cases where the regional Assistant Administrator has determined that it is not feasible for the mission to assume this responsibility. Such preliminary review does not include a detailed analysis of the application but focuses on the merits of the proposed activity in light of overall U.S. strategy and whether it warrants the commitment of substantial staff and other agency resources necessary for a detailed examination of the proposal. If the mission determines that such an examination is warranted, it submits a request for intensive review (IRR) to the regional Assistant Administrator. This request is designed to assist the regional Assistant Administrator in determining whether the request should be approved

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	9:1	Dec. 11, 1963	1099.1	17

and where the review should be conducted. The procedures for preliminary review, the considerations to be taken into account at this stage, and the content of the IRR are discussed in M.O. 1241.1.

Upon receipt of a request for intensive review, the region scans the request for general acceptance of the proposal and circulates the IRR to the staff offices, the State Department, and the Export-Import Bank. The staff offices are given seven days in which to comment. The reaction of the Ex-Im Bank should also be obtained at this stage although indication of "no interest" on the part of the Bank is not a condition precedent to authorization of the intensive review. Except as otherwise provided by the responsible regional Assistant Administrator, if the mission states in the IRR that it has the full staff capacity necessary to conduct the intensive review, and if no adverse comments are received by the mission within three weeks of the date of transmittal of the IRR to AID/W, the mission may place the proposal under intensive review. Whether the review is to be undertaken in Washington or the field, the authorization to place the proposal under intensive review should be recorded by a formal document, Authorization for Intensive Review (Annex A, M.O. 1241.1), which also designates the members of the Capital Assistance Committee. The missions are to be advised of the regional Assistant Administrator's determination.

b. Intensive Review

The Capital Assistance Committee is normally comprised of a capital activities officer as chairman, an engineer, a counsel, and a desk officer. The regional Assistant Administrator, or his designee, determines whether the Committee is to be made up of field or AID/W personnel, or both. This Committee examines in depth the technical, economic and financial details of the proposed activity. The Capital Assistance Paper also includes a draft of the proposed Capital Assistance Authorization and, to the extent feasible, drafts of the proposed agreement and implementation letter.

Capital Assistance Papers prepared in the mission are reviewed by the Mission Capital Assistance Executive Committee. All such papers are reviewed by the regional bureau with the participation of DFPE and PC prior to the final judgment by the regional Assistant Admin-

istrator as to whether AID should finance the proposed activity. Following the regional bureau review, the Capital Assistance Committee prepares a final authorization for signature. At this stage of the processing, the procedures provide alternative courses of action depending on the amount of the proposed loan and other factors involved. The result of their work is a recommendation to the regional Assistant Administrator that AID provide the requested financing or that the application be rejected. This recommendation is submitted in the form of a "Capital Assistance Paper." A detailed outline and instructions for the preparation of this paper are contained in M.O. 1242.1. One important element of this paper, if the recommendation is for approval of AID financing, is the "Implementation plan" which outlines (i) the steps required to execute the project, (ii) the means by which these steps are to be taken, (iii) the estimated timetable for completion of the various steps, (iv) the proposed terminal date for meeting conditions precedent to disbursement and the proposed terminal date for disbursement, and (v) the assignment of the monitoring responsibility to appropriate AID personnel:

(1) If the proposal is for less than \$2.5 million and the approval of the DLC or A/AID is not required under criteria established in M.O. 1251.1, III.B, the regional Assistant Administrator executes the authorization.

(2) If the proposal is between \$2.5 million and \$10 million and no significant issues are involved, the bureau notifies the DLC (including A/AID) through DFPE of intent to authorize. Recipients have eight days to comment. During this period, DFPE will convene a Development Loan Staff Committee (DLSC) meeting to consider the paper and will ascertain whether a DLC meeting is required (M.O. 1251). If no further consideration is required, the regional Assistant Administrator may execute the authorization.

(3) All authorizations over \$10 million, those the regional Assistant Administrator identifies as containing significant issues, and those acted upon by DLC, are executed by A/AID.

c. Authorization and Announcement of Capital Assistance Activities

(1) Authorization

Formal AID approval of a

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
18	1099.1	Dec. 11, 1963	9:1	

capital assistance activity is accomplished through the instrument of a "Capital Assistance Authorization," (loan or grant). This document "commits" loan funds or "reserves" grant funds and serves to authorize the negotiation and execution of a capital assistance agreement. Capital assistance authorizations may be executed by the regional Assistant Administrator, or his designee, or by the AID Administrator, as discussed above. Authorizations submitted for approval must be supported by the Controller's Advice of Allotment. (M.O. 1252.1.)

The signed document is delivered to DFPE for dating and distribution of information copies. DFPE insures NAC consideration of loan proposals. Detailed procedures and samples of required forms are contained in M.O. 1251.1.

(2) Announcement

Following the issuance of the Capital Assistance Authorization in the case of grants, and following NAC action in the case of loans, the regional bureaus arrange for the dispatch of a background telegram to the mission and a letter of advice to the borrower/grantee. Releases to the press are coordinated by the AID/W Office of Information and the missions. Detailed procedures are contained in M.O.s 1253.1 and 1254.1.

6. Implementation and Monitoring of Capital Assistance Activities

a. Administrative Framework and Designation of Responsibilities

The philosophy and principles described in M.O. 1201.1 provide the basis for the operating framework and techniques for implementing capital assistance activities. While the framework and the implementing techniques may vary in some detail for the several types of capital assistance activities described in paragraph C.3 above, the following apply in each case:

(1) The Capital Assistance Committee is responsible for reviewing all aspects of the proposal, including implementing arrangements, measures and procedures to meet the particular requirements of the activity in question.

(2) The implementation plan (i) describes actions to be taken by AID to assure adequate monitoring of the activities and (ii) assigns monitoring responsibility to designated AID units.

(3) The agreement establishes the legal foundations for AID's continuing relationships with the borrower/grantee. Of particular significance in the implementation process are (i) conditions precedent to disbursement, (ii) disbursement, (iii) covenants, and (iv) the responsibility of the chairman of the Capital Assistance Committee (or implementation officer) for supervision and coordination of AID's monitoring activities. The administrative framework and designation of responsibilities are discussed in M.O. 1261.1.

b. Agreement

The Capital Assistance Authorization constitutes direction to the Capital Assistance Committee to (i) prepare, negotiate and submit for approval and execution a Capital Assistance Agreement and (ii) to prepare a draft implementation letter. The major difference between capital assistance agreements for loans and grants is that the former includes provisions relating to repayment. Details of what should be included in the agreements, illustrative samples of loan and grant agreements, and requirements for clearance and approval are contained in M.O. 1262.1. When the draft agreement and the draft implementation letter (see para. c. below) have been cleared, a letter of transmittal is prepared forwarding the documents to the borrower/grantee. If the locus of the Capital Assistance Committee is AID/W, transmittal is made through the mission. Illustrative forms of letters of transmittal are contained in the annexes to M.O. 1262.1. Although the Capital Assistance Authorization is the instrument which authorizes the preparation of the agreement and the letter of implementation, in cases where there is reasonable likelihood of approval of the activity, the drafting of the loan agreement and the implementation letter should proceed concurrently with the preparation of the Capital Assistance Paper and/or the Authorization.

c. Implementation Letters

The implementation letter sets forth (i) specific AID requirements which the borrower/grantee must meet including conditions precedent to disbursement, (ii) the mechanisms and procedures to be followed in the course of accomplishing the activity, and (iii) the documents and reports which the borrower/grantee must furnish to keep AID fully informed as to physical progress, current financial status, any action which might be required after disbursement begins, any anticipated and actual problems affecting the activities, and continued compliance with the provisions of the agreement. Normally, the first implementation letter sent to the borrower/grantee

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO.	PAGE
	9:1	Dec. 11, 1963	1099.1	10

covers all the matters referred to above. Supplementary implementation letters may be required as problems arise, but ordinarily the implementation letter will not be used to modify or alter obligations or conditions prescribed in the agreement (M.O. 1263.1). The basic implementation letter is prepared in draft form and presented to the borrower/grantee at the same time as the draft capital assistance agreement. Details of the items to be covered in the implementation letter and illustrative attachments are covered in considerable detail in M.O. 1263.1.

d. Execution and Monitoring

The implementation letter makes clear the conditions which the borrower/grantee must meet prior to any disbursement of AID funds. The Capital Assistance Committee or Implementation Officer has the responsibility for verifying that the agreed upon conditions precedent have been fulfilled. A suggested record sheet which registers official acceptance of each condition precedent is shown in Appendix A to M.O. 1264.1. When official acceptance of all conditions precedent have been recorded, a formal notification is sent to the borrower/grantee indicating that requests for disbursement and issuance of commitment documents will be considered by AID. A copy of the notice to the borrower is sent to the Controller as his authority for the first release of funds under the agreement.

It is after the notification to the borrower/grantee that conditions precedent have been met and disbursement can be initiated that the monitoring role of AID expands considerably to insure that the activity is carried out properly. The implementation plan developed as a part of the "capital assistance paper" provides the guidelines for monitoring action by AID, further supplemented by the specifically defined and enumerated requirements to be met by the borrower/grantee in carrying out the activity. The basic methods used by AID in monitoring the execution of an activity are:

- (1) review and approval of contractor selection, scope of work, and contract terms;
- (2) review of payment requests;
- (3) post-audit of payment documentation;
- (4) site inspection;
- (5) review of reports; and,
- (6) audit, including end-use checks where appropriate.

Considerations to be taken into account under the monitoring activities listed above are discussed in detail in M.O. 1264.1. When there is failure in compliance in meeting specific statutory and policy requirements of AID or in achieving the agreed principal targets in executing the activity, normally the first step is to notify the borrower/grantee to correct the deficiency. Where the borrower/grantee fails to rectify the situation promptly, AID, under the terms of the agreement, may use its control of disbursements to obtain the desired ends by (i) informally holding up or formally suspending disbursements, (ii) obtaining a refund, or (iii) in extreme cases accelerating the maturity date of the loan. All communications with the borrower/grantee regarding such problems are to be authorized by the responsible regional bureau official unless such responsibility has been specifically assigned to a staff office by the regional bureau.

Manual Order 1264.1 also provides for a written record to be established for internal AID use identifying the monitoring tasks and the AID staff assigned to discharge them. A suggested outline for recording such assignments is contained in an attachment to M.O. 1264.1.

CAPITAL ASSISTANCE APPLICATION, REVIEW AND APPROVAL

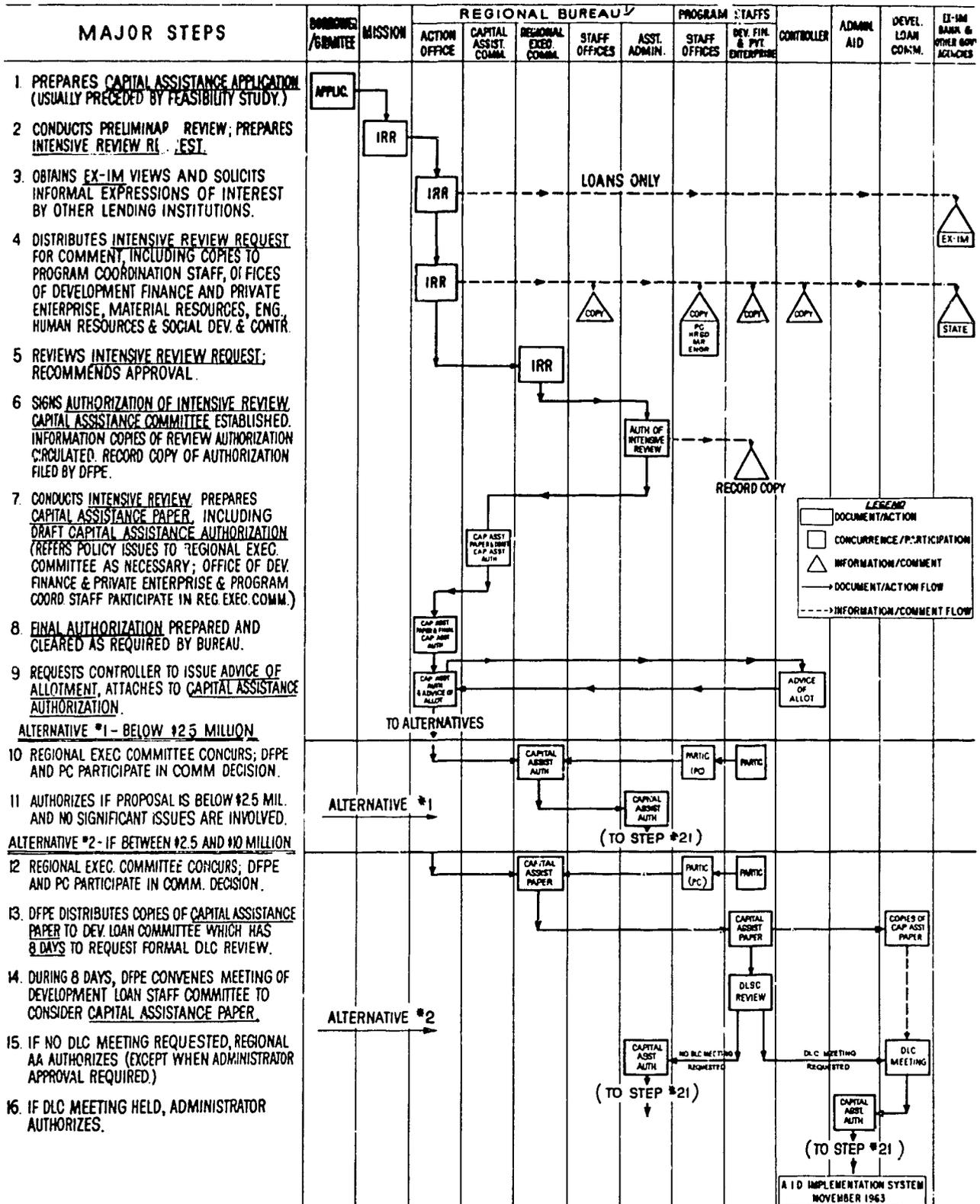
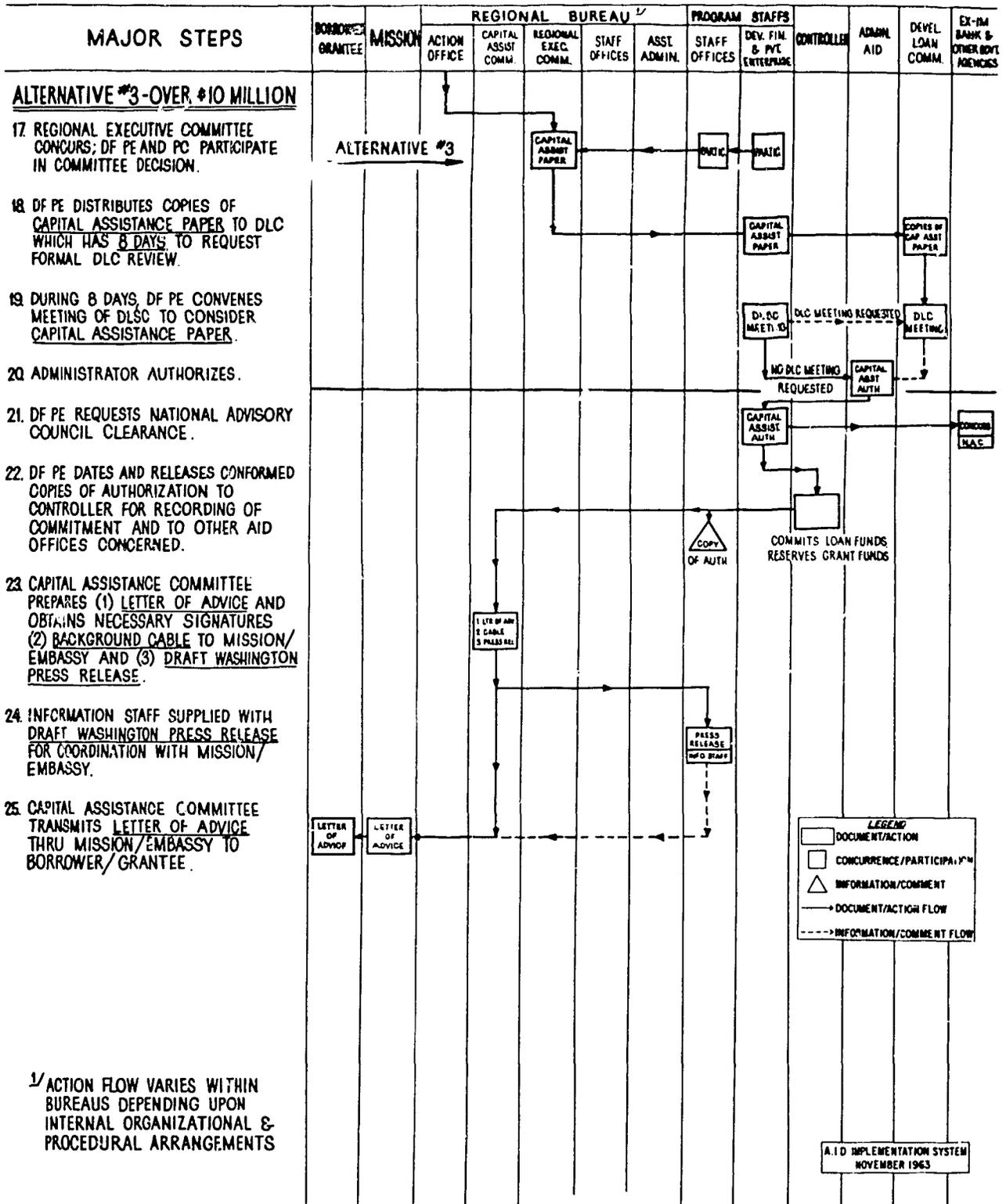


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PAGE 2 OF
2 PAGES

CAPITAL ASSISTANCE (Cont'd)

APPLICATION REVIEW AND APPROVAL



CAPITAL ASSISTANCE IMPLEMENTATION

ILLUSTRATIVE - CAPITAL CONSTRUCTION PROJECT

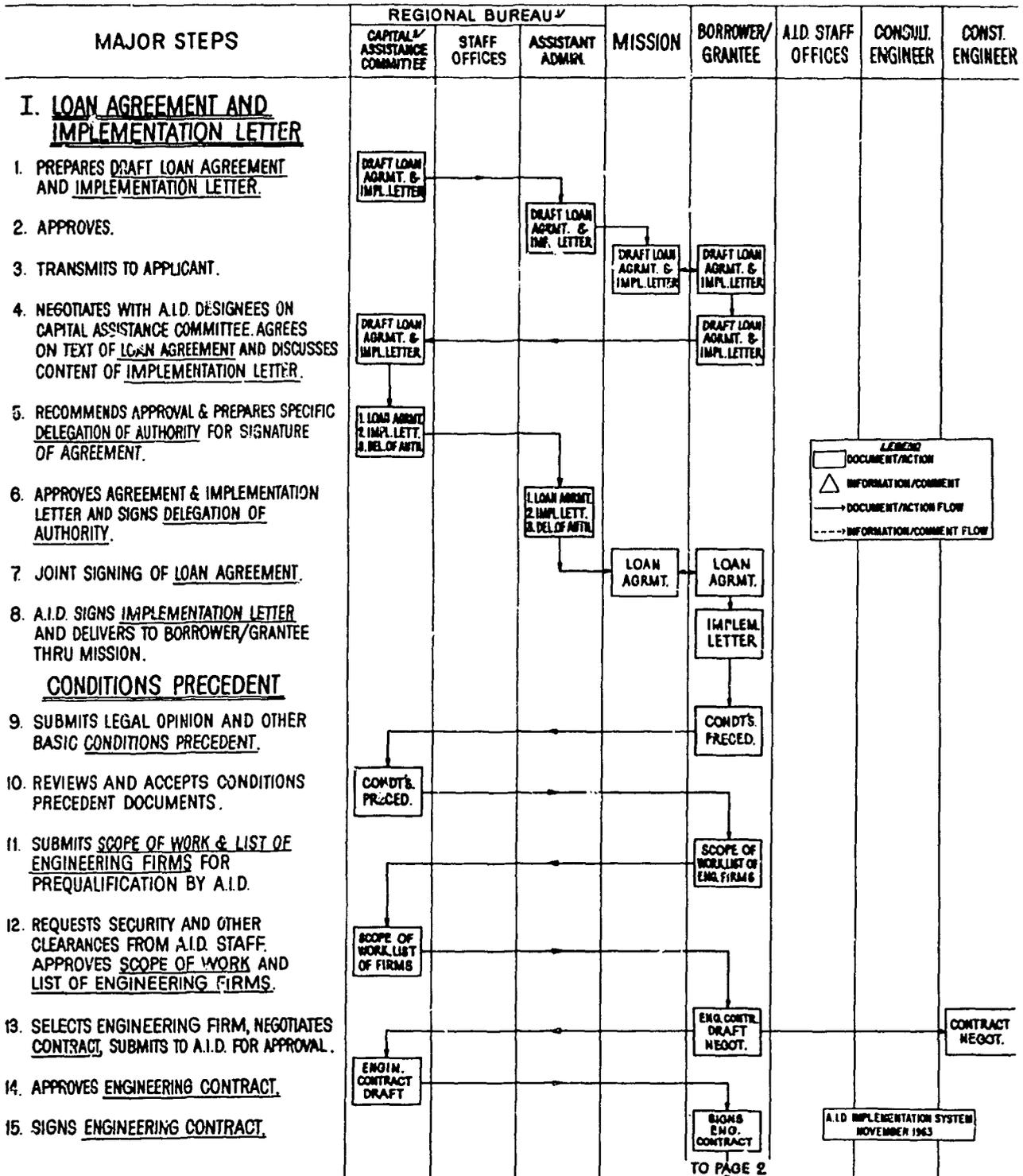
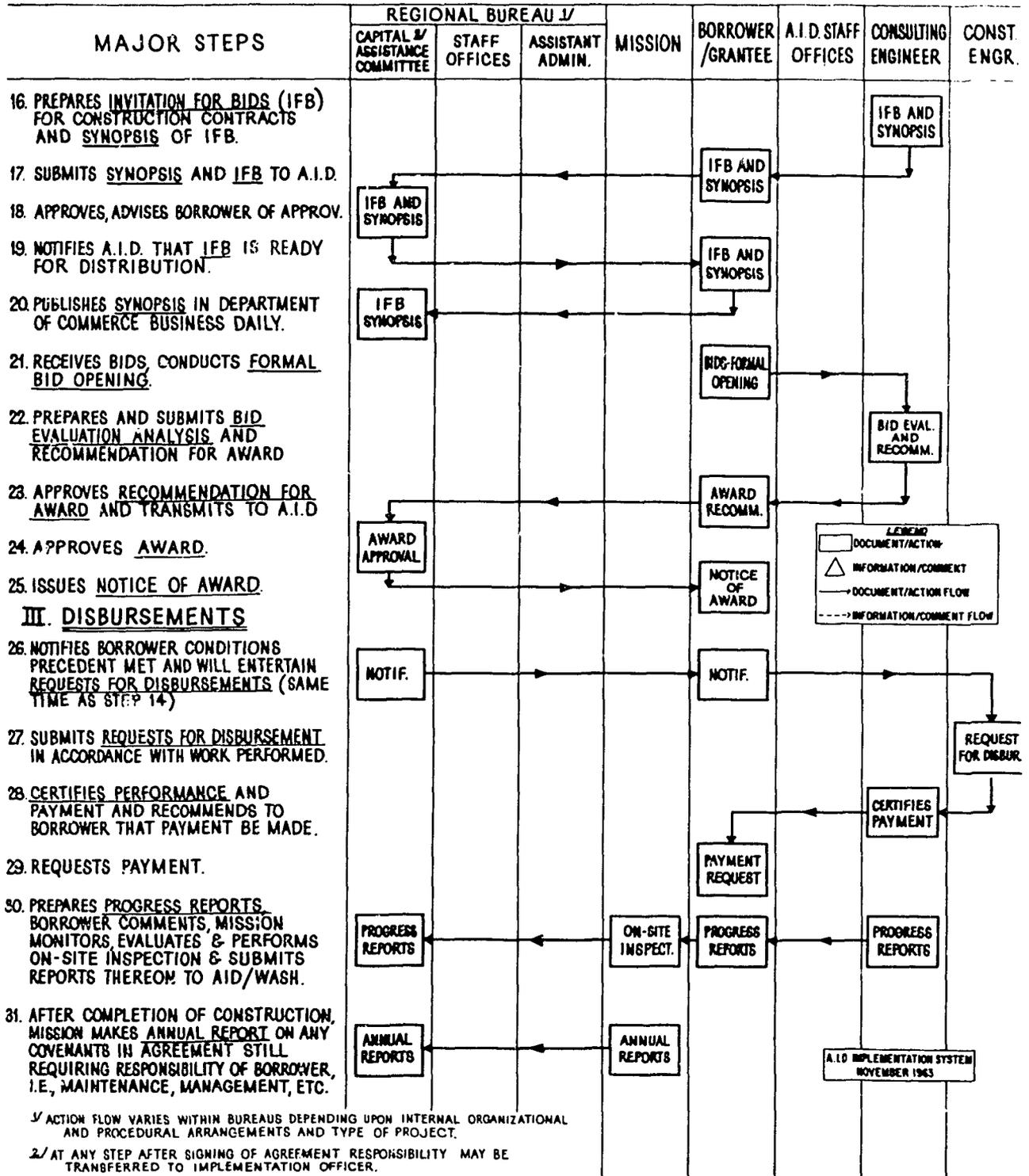


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PAGE 2 OF
2 PAGES

CAPITAL ASSISTANCE (Cont'd.) IMPLEMENTATION (ILLUSTRATIVE - CAPITAL CONSTRUCTION PROJECT)



AID MANUAL	TRANS. LETTER NO. 9:1	EFFECTIVE DATE Dec. 11, 1963	ORDER NO. 1099.1	PAGE 25
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D. Technical Assistance

1. Nature and Scope of Technical Assistance

Technical assistance is the process through which AID assists cooperating countries to develop human skills and attitudes and to create and support the institutions necessary for social, economic, and political growth and development. It is basically an educational process and, as such, is inherently long-range in character.

In most countries aided by the U.S. today, the development of human resources and supporting institutions is critical to the attainment of both U.S. and country objectives. Perhaps more than any other form of external aid, technical assistance seeks to stimulate change and to shape the social and institutional foundations upon which more stable and progressive societies can be built. This program is the catalyst designed to accelerate the efforts of the countries themselves to create and tap the resources of their own people and institutions.

AID technical assistance projects may be directed towards approved development objectives in either the public or the private sector of a cooperating country and on either a loan or grant basis.

2. Major Features of Technical Assistance Policies and Procedures

a. The basic planning principles and factors to be taken into account in developing technical assistance programs and projects, including coverage of preplanning considerations, economic, social and political considerations, and managerial considerations, with emphasis on realistic targets and action schedules, are discussed in M.O. 1311.1. These guides are intended to eliminate former difficulties in the formulation of technical assistance programs based on well defined and realistic targets.

b. More meaningful guidance is provided for the preparation of the activity description (E-1) which is the basic programming instrument for technical assistance activities. This document provides the basic project data, justification, and funding information necessary for AID/W review and approval purposes and for annual budget and Congressional submissions (M.O.s 1321.1 and 1322.1).

c. Programming emphasis is placed on a more precise explanation of the relationship and responsiveness of proposed projects to approved U.S. strategy goals (M.O. 1322.1).

d. The procedures require that all technical assistance projects involving a potential future total commitment of \$1 million for a new project or a total of \$7 million or more for a continuing project, and those which present significant issues, be presented to the AID Administrator for approval (M.O. 1323.1).

e. A checklist is provided to assure compliance with statutory, policy, and administrative requirements prior to entering into project agreements with countries (M.O. 1322.1).

f. Missions are required to maintain documentation, in a form and content satisfactory to the Mission Director, serving the purposes of a detailed project "work plan." This plan is to describe in detail the component elements (procurement, training, recruitment, etc.) of the project, by whom to be undertaken, when, and the inter-relationships of individual project actions. As revised and updated, this documentation will provide the Mission Director with a major management tool to assure proper project administration and meaningful evaluation of U.S. and country performance in the execution of projects (M.O. 1324.1).

g. Special emphasis is placed on the essentiality of quantifying project targets to the extent possible.

h. Special recognition is given to the multi-year nature of most technical assistance projects, the need for assessing the potential future commitment against both U.S. and country resources. Consequently, the review procedures emphasized the need for consideration on a "whole-project" basis as contrasted to year-by-year planning and approval (M.O. 1323.1).

i. The manual orders standardize and tighten regional bureau review practices. A formal bureau "hearing" before the regional Assistant Administrator is required for certain technical assistance projects, new or continuing (M.O. 1323.1). This requirement, analogous to the capital projects review process, is intended to assure consideration of significant technical assistance projects at the Assistant Administrator, and, in some cases, the Administrator level. This provision introduces a degree of executive control and discipline considered essential to the proper planning and review of technical assistance programs.

PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
26	1099.1	Dec. 11, 1963	9:1	

j. The manual orders give explicit recognition to the possibility of loan financing of technical assistance projects (M.O. 1332.1).

k. An evaluation system has been introduced which requires the submission at prescribed intervals of a comprehensive "project history and analysis report" (M.O. 1393.1). This is in addition to the more frequent fiscal and program data otherwise provided.

l. A number of refinements in prior policy and procedure have been introduced to provide missions with increased operating flexibility; e.g., the earlier multi-year project approval procedures.

3. Categories of Technical Assistance

Technical Assistance is most commonly made available in the form of (a) advisory services (provided by professional personnel on the rolls of AID or other U.S. agencies, or under contract) and (b) the training of country nationals in the U.S. or selected third countries (M.O. 1301.1). As used in the manual orders, technical assistance also includes:

a. AID dollar-financed engineering, economic or management studies or surveys undertaken to identify future projects, including prospective capital projects;

b. AID dollar-financed construction, expansion, equipping or alteration of a public sector physical facility where the AID investment is less than \$100,000;

c. AID dollar-financed construction, expansion, equipping or alteration of a physical facility, regardless of dollar cost, where this activity, as determined by the regional Assistant Administrator, directly supports or is an integral part of a project essentially technical assistance in character.

4. Program Planning of Technical Assistance

a. Relationship to Total Program

Although the primary objectives and tools of technical assistance remain substantially the same, continuing efforts to improve planning and performance have led to some changes in emphasis and approach. Under AID, a major

objective is to plan all assistance - technical, capital, and program - as an integrated program concentrating the U.S. resource input on the priority needs in each country.

b. Guidance in Selection of Programs and Projects

The success of the technical assistance effort depends, in a large part, on the skillful planning and selection of the program and projects. The selection and planning of optimum areas of technical assistance is discussed in M.O. 1311.1 under the following headings:

- (1) Pre-planning consideration;
- (2) Economic, social and political considerations;
- (3) Managerial considerations.

That manual order also provides guidance on the considerations to be taken into account in establishing better-defined and realistic targets. This point is repeatedly emphasized throughout the technical assistance planning procedures.

c. Goal Plans and Activity Descriptions

Goal Plans and Activity Descriptions are proposed by the mission, normally as part of the annual program submission and within the framework of the Country Assistance Strategy Statement approved by the Administrator (M.O. 1020 series). A separate Activity Description is submitted for each active or proposed Technical Assistance project, describing the project in the required detail and setting forth the project justification (M.O.s 1311.1, 1322.1 and 1020 series).

5. Review and Approval

a. General

AID/W review and approval of technical assistance projects is a continuing process. In terms of the program cycle, the AID/W review begins with the annual program submission from the mission, followed by the advice of AID/W substantive approval, and

PAGE 28	ORDER NO. 1099.1	EFFECTIVE DATE Dec. 11, 1963	TRANS. LETTER NO. 9:1	AID MANUAL
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"cooperative service" activities. These are being continued for historical reasons but it is anticipated that no new cooperative service activities will be authorized. Any such projects require specific AID/W approval and must be covered by two agreements: (i) the Cooperative Service Cash Contribution Agreement, and (ii) the Co-operative Service Agreement (M.O.s 1334.1 and 1335.1).

c. Project Implementation Documentation

Implementation documentation of Technical Assistance Activities begins with the signing of the Project Agreement and includes the preparation and issuance of Project Implementation Orders (PIO) or other documents applicable to specific types of required actions. The activities and the implementing documents are identified below and are more fully described in M.O.s 1350 through 1380:

- (1) AID-Employed Technicians - Document: "Staffing Pattern Action Request" (SPAR):

Procurement of the services of U.S. technicians, to be employed directly by AID or to be supplied by other U.S. government agencies on an inter-agency reimbursable basis, is initiated by means of a SPAR. Instructions for the preparation and processing of the SPAR are contained in M.O.s 1334.1 and 1361.1. Note: Funds for the employment of technicians through the SPAR process are NOT OBLIGATED by the Project Agreement.

- (2) Contract Services and Participating Agency Services - Document: "Project Implementation Order-Technical Services" (PIO/T):

Technical services, to be obtained by contract or through an inter-agency service agreement, are procured on the basis of a PIO/T, prepared and submitted to AID/W as described in M.O. 1352.1.

- (3) Commodities - Document: "Project Implementation Order-Commodities" (PIO/C):

Except when provided as a related aspect of contract services (M.O. 1352.1),

the procurement of commodities is authorized by means of a PIO/C in accordance with instructions contained in M.O. 1374.1.

- (4) Participants - Document: "Project Implementation Order-Participants" (PIO/P):

The procurement of training services for participants, except when provided for as a part of contract services (M.O. 1352.1), is authorized by means of a Project Implementation Order/Participants (PIO/T) in accordance with instructions contained in M.O. 1383.1.

- (5) Other Costs - Document: (Mission Forms)

Local procurement by the mission of the limited goods and services allowable under this category is implemented through a variety of local forms and actions in accordance with established mission procedures. Funds for such procurement are normally obligated by the Project Agreement.

- (6) General

The implementation stage includes, in addition to the actions required under the implementing documents outlined in paragraphs 1 through 5 above, all actions required for (i) recruitment of technicians by AID/W; (ii) the negotiation and execution of contract or participating agency agreements by AID/W, followed by actual performance of specified services; (iii) the development of a training program for the designated participants, followed by the actual training; (iv) all actions required for the purchase, shipment, delivery, and use of commodities; and (v) the required end-use checks, audits, or other types of inspection or follow-up.

7. Special Implementation Procedures

a. Local Currency Projects

The procedures governing the implementation of projects financed exclusively with local currency are set forth in M.O. 1510 series. These procedures allow for differing degrees of AID responsibility and control over the local currency in varying situations.

AID MANUAL	TRANS. LETTER NO. 9:1	EFFECTIVE DATE Dec. 11, 1963	ORDER NO. 1099.1	PAGE 29
------------	--------------------------	---------------------------------	---------------------	------------

b. Independently-Financed Projects

These projects are principally concerned with participant training activities in those cases where AID does not contribute direct financial support. The U.S. may provide technical backstopping, or advice, or take an active part in the execution of the project. Certain modifications to the standard procedure may be required as indicated in M.O. 1383.9.

c. Regional and Inter-Regional Projects

(1) Ordinarily, projects which concern two or more countries within a geographic region can be more efficiently conducted as "regional" projects rather than requiring several missions to conduct parallel projects. Formal documentation and implementation of such activities are the responsibility of the regional office involved. No project agreement is required.

(2) Occasionally, activities initiated by a specific regional office are transferred to a mission in a particular cooperating country to implement. In these cases, the Mission Director is authorized to obligate funds required for these activities through a Project Agreement. The mission then initiates the necessary PIOs to carry out the activity.

(3) World-wide or inter-regional activities which affect several countries and which involve two or more AID regional bureaus are implemented by the pertinent AID/W office. The responsible office initiates or issues the required PIOs. A Project Agreement is normally not required.

d. Technical Support Activities

Technical Support Activities, financed from program funds, are generally of a unilateral nature initiated by the mission and are necessary to the support of the entire program. Inasmuch as these activities are difficult to relate to specific projects, the costs involved are charged to a consolidated activity known as Technical Support. Such activities are included in a single Activity Description for each mission for each year, and may or may not be covered by a Project Agreement depending on local circumstances. Criteria for determining costs properly chargeable to "technical support" are contained in M.O. 771.1.

8. Reporting and Evaluation

Progress reporting is complementary to project planning. The documentation required for project approval (the Activity Description) is designed to show (i) the starting point of the project; (ii) the project target; (iii) the major courses of action to be taken to achieve the target. The documentation required for these purposes should permit subsequent verification and measurement, insofar as practicable, of each of these elements of the plan. Progress reports provide the reservoir of data needed for the evaluation of AID's efforts and methods, for an assessment of the results of the activity reported upon, and for the improvement of future AID technical assistance programs. The basic principles governing progress reporting are set forth in M.O. 1391.1.

a. Levels of Progress Reports

Missions and AID/W need progress reporting information at two levels: (i) information to compare the timing and substance of the actions taken against original plans, and (ii) information to assess accomplishments and failures in relation to Goal Plans, U.S. objectives and cooperating country development.

b. Progress Reporting on Action Steps

The Activity Description - For continuing projects, the "Course of Action" and "Progress to Date" sections of the Activity Descriptions over a succession of years, if properly prepared, should serve this purpose (M.O. 1321.1). Inasmuch as Activity Descriptions normally are submitted and reviewed at the time program decisions are being made in connection with the annual budget presentation, they meet the requirement for convenient timing.

Regional Assistant Administrators may find it necessary to revalidate the action and progress schedules of Activity Descriptions at more frequent intervals than the regular yearly submissions. The regional Assistant Administrator may at his discretion require resubmission of an Activity Description in whatever detail he deems advisable at intervals prescribed by him (M.O. 1391.1).

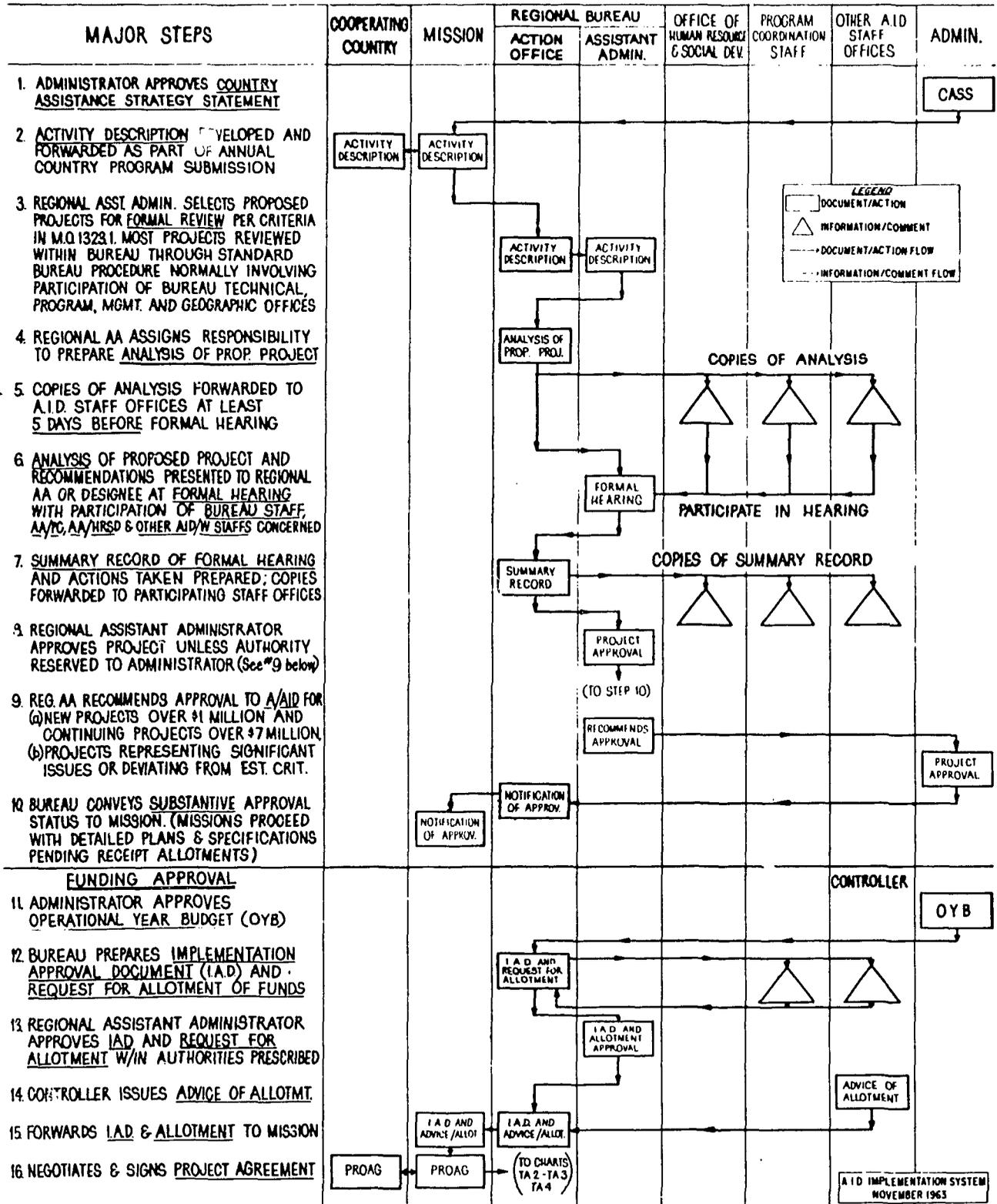
PAGE	ORDER NO.	EFFECTIVE DATE	TRANS. LETTER NO.	AID MANUAL
30	1099.1	Dec. 11, 1963	9:1	

c. Progress Reporting on Program Accomplishments

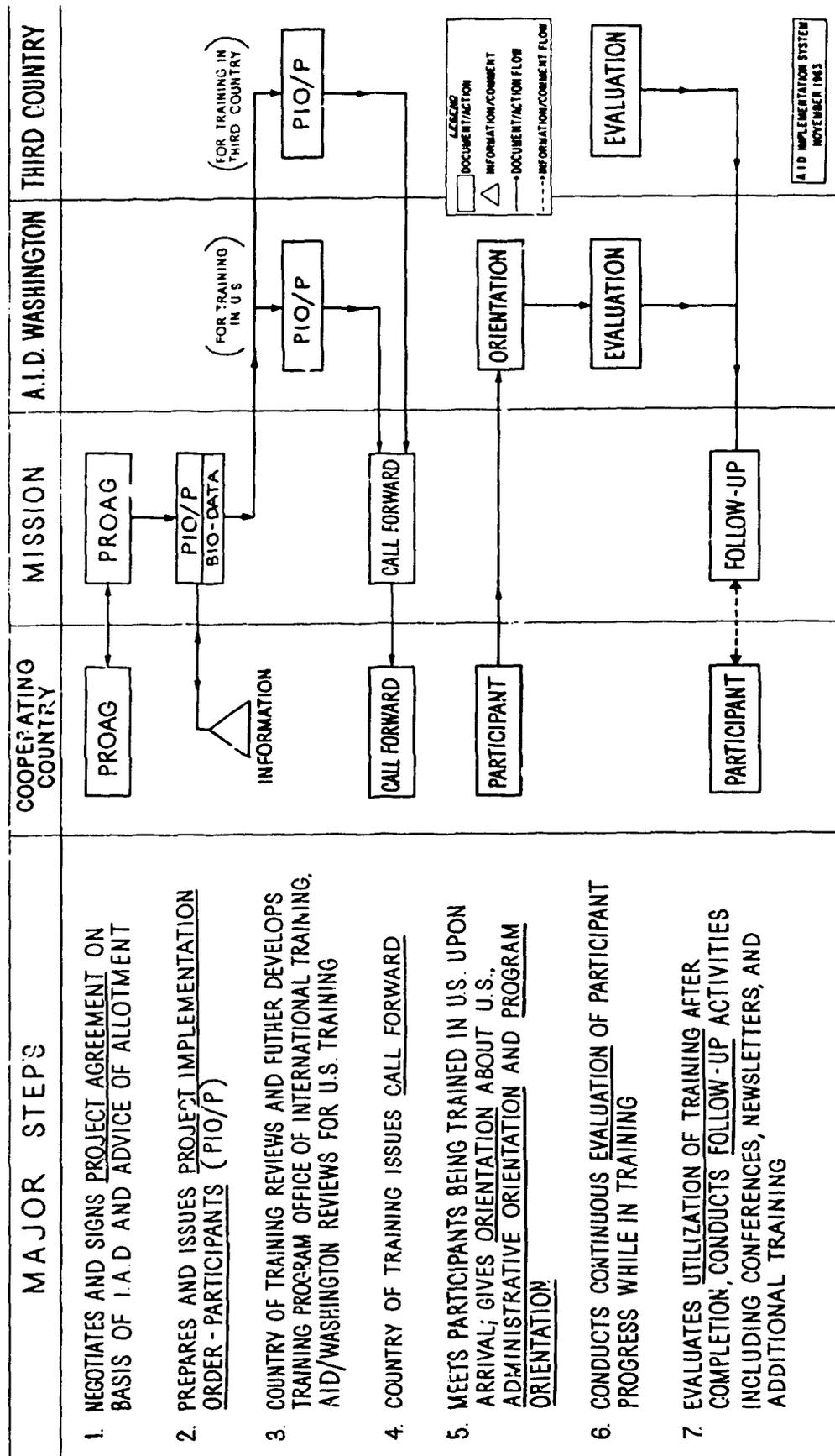
The Project History and Analysis Report - A second reporting need for technical assistance activities is for information by which to assess the accomplishments of the project. Detailed instructions for the preparation and submission of the comprehensive, long-term

"project history and analysis" reports are contained in M.O. 1393.1. These reports are required on each project at three-year intervals and include data designed to permit an evaluation of the validity of the judgments which led to approval of the project, the effectiveness of U.S. and country performance, and the overall usefulness of the project in terms of current U.S. objectives.

TECHNICAL ASSISTANCE PROPOSAL, REVIEW AND APPROVAL

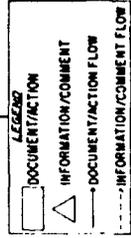
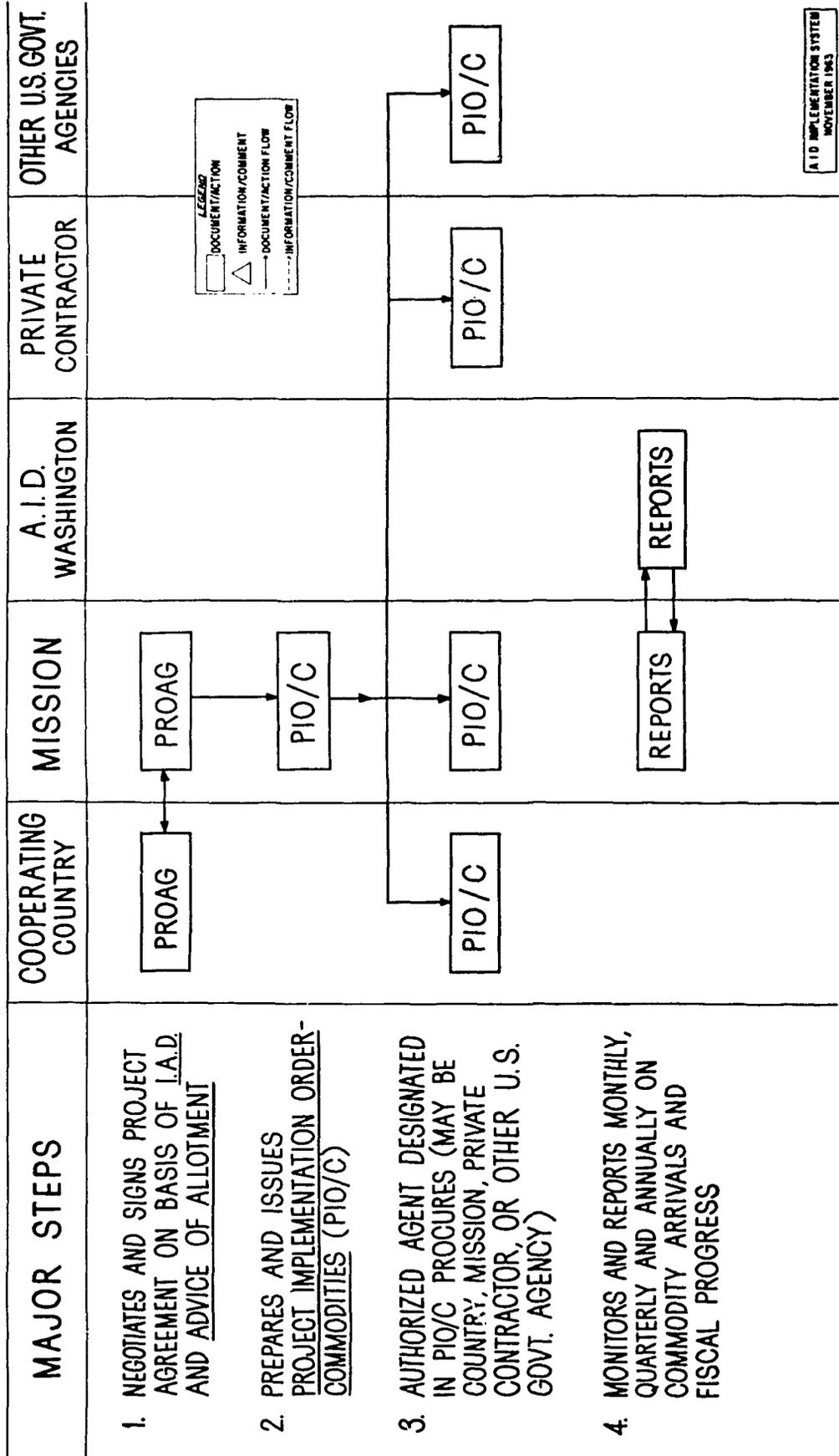


TECHNICAL ASSISTANCE IMPLEMENTATION PARTICIPANT TRAINING PIO/P



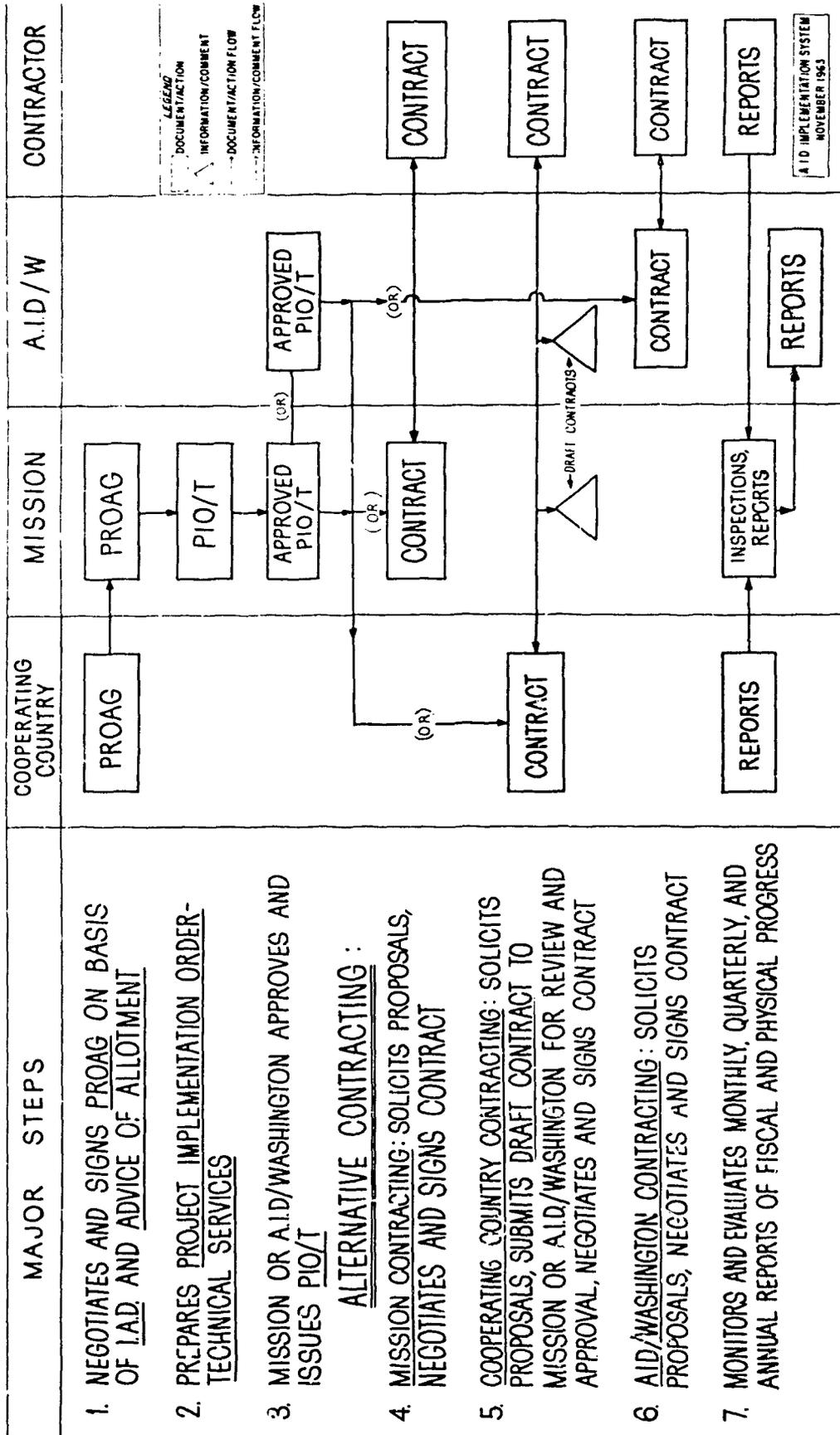
TECHNICAL ASSISTANCE

IMPLEMENTATION COMMODITY PROCUREMENT - PIO/C



AID IMPLEMENTATION SYSTEM
NOVEMBER 1963

TECHNICAL ASSISTANCE IMPLEMENTATION TECHNICAL SERVICES PROCUREMENT-PIO/T



LEGEND
 - DOCUMENT/ACTION
 - INFORMATION/COMMENT
 - DOCUMENT/ACTION FLOW
 - INFORMATION/COMMENT FLOW

A.I.D. IMPLEMENTATION SYSTEM
NOVEMBER 1963

AID MANUAL	TRANS. LETTER NO.	EFFECTIVE DATE	ORDER NO	PAGE
	9:1	Dec. 11, 1963	1099.1	35

E. Procurement

Chapter 1400 of the manual, when completed, codifies in a rational pattern of organization AID's general procurement policies and directives. As now organized, the operative distinctions are not based--as they once were--on the nature of what is to be procured or on the method of financing. Rather, such distinctions now hinge upon the identity of the major procuring channel--whether AID itself (services and commodities), (M.O. 1420), a participating U.S. agency (commodities), (M.O. 1430), a borrower/grantee (services and related commodities), (M.O. 1440), or borrower/grantee, a foreign importer (commodities and related services), (Section 1450). General procurement policies and statutory requirements are set forth in Section 1440. This organization enables the procedures to reflect the different types and degrees of control that AID is able to exert over the contracting process in each situation.

In addition, this chapter includes the text of AID Regulation I, Federal Procurement Regulations (AID/PR), policies and procedural guidance on source and origin for both commodities and services, procedures for procurement through other U.S. agencies, criteria for borrower/grantee contracting, small business policies and procedures, and guidance on other major aspects of procurement.

F. Special Activities

A number of special activities (such as the use of local currency for projects requiring no dollar input, private enterprise, public safety, etc.) are carried on by AID which do not fall within the major categories of Program, Capital, or Technical Assistance, or which require special treatment for other reasons. Special policies, procedures, and delegations of responsibility for such activities are contained in M.O. Chapter 1500.

G. Sector and Multi-Sector Guidance

The manual orders in Chapter 1600 are designed to provide guidance in the selection of individual sector activities (e.g. development of an agricultural credit program, malaria eradication, strengthening the planning actions of local communities, soil fertility improvement, seed improvement, etc.), and integrating such activities into a unified inter-sector U.S. aid program. The principles applicable and the factors to be considered in the selection of goals are discussed in M.O. 1611.1.

This chapter includes coverage on the major sectors of concern to the AID program (agriculture and natural resources, industry and mining, transportation, labor, health and sanitation, education, public administration, community development, social welfare and social security, housing, mass communications media) as well as guidance on national development planning, atomic energy, material resources management, and communications resources guidance.

AGENCY FOR INTERNATIONAL DEVELOPMENT MANUAL	ORDER NO. 1099.2	PAGE 1
SUBJECT Checklist of Program Approval Authorities within the AID Programming and Implementation System	TRANS. LETTER NO. 9:17	EFFECTIVE DATE Jan. 25, 1965
	SUPERSEDES	

I. General

Attachment A to this manual order is a summary of the authorities held by officials in AID/W and field missions for approval of major programming and implementation actions and documents. All authorities which are reserved for the Administrator are also vested in the Deputy Administrator. Special authorities are delegated to the Coordinator of the Alliance for Progress under Delegation of Authority No. 57 of December 8, 1964. For simplicity these special authorities are not shown in this manual order, and reference should be made to the delegation on all questions relating to the Alliance for Progress.

This manual order covers the major activities described in the following AID Manual Chapters:

- Chapter 1000 -- Program Guidance Manual
- Chapter 1100 -- Program Assistance
- Chapter 1200 -- Capital Assistance
- Chapter 1300 -- Technical Assistance
- Chapter 1500 -- Special Activities and Procedures
(Sections 1510, 1520, 1540 and
1560 only)

Attachment B to this manual order is a chart showing the AID program cycles for the budget year, operational year and prior years. If read in conjunction with the manual order, the chart helps to visualize the sequence of events and temporal relationships covered in Attachment A.

This manual order is a checklist and as such is not intended to supplant or amend the policies and procedures detailed in the chapters listed above. A number of specific references to the relevant manual orders are incorporated in the checklist for ease of reference.

CHECKLIST OF PROGRAM APPROVAL AUTHORITIES WITHIN THE A.I.D. PROGRAMMING AND IMPLEMENTATION SYSTEM ^{1/}

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
<u>I. PROGRAM PLANNING--Budget Request Formulation, and Approval</u>					
A. Annual Program Guidance	AA/PC	Regional Bureaus, and concerned Staff Offices	A/AID	Manual Subsections 1022 and 1023 and supplemental guidance issued in airgram form	The annual guidance supplements the standard guidance in the AID Manual. Supplementing this general guidance, the regional Assistant Administrator may authorize and transmit regional and country guidance as needed, consistent with the A/AID approved guidance.
B. Country Assistance Strategy Statements (CASS) annual review, revision and re-issuance as necessary	Regional Bureau	AA/PC, Department of State	A/AID		No fixed schedule, but closely related to issuance of annual guidance. CASS based on previous Parts I and II of the Country Assistance Program (CAP) or Long Range Assistance Strategy (LAS), pertinent policy papers and significant new developments.
C. Regional and/or Country Guidance	Regional Bureau	AA/PC and concerned Staff Offices	AA/Region	Manual Subsections 1022 and 1023	No fixed schedule. Guidance is tailored to meet special situations in the region and is ordinarily transmitted by airgram.
D. Country Program Submissions (CAP or LAS), Parts I, II, and III Simultaneously, AID/W Regional Bureaus and responsible Staff Offices or Missions develop and submit proposals for other programs (e.g., regional, non-regional, research).	Mission	Country	U.S. Ambassador	Manual Section 1020	Submission may be preceded by a cabled summary of estimated requirements for preliminary budget review. Parts I and II of CAP or LAS are submitted several months before Part III. (AA/Region and AA/PC jointly determine the countries for which a LAS is to be prepared and the extent of updating required in previous submissions.)
E. Review and planning approval of proposed programs	<u>Budget Year</u>	<p>In summary, the review process for the Budget Year consists of a series of meetings initiated by AA/PC involving the AID Bureau and Staff Offices and other U.S. agencies concerned. For country programs, this review process is initiated by the Regional Bureaus. AA/PC holds hearings on key countries and functional problems. On occasion, such meetings are chaired by the Administrator. Unresolved or special problems are referred to the Administrator for decision. The review focuses first on the development and submission of budget estimates to the Bureau of the Budget (BOB) for BOB review and approval. The approved amount is included in the President's Annual Budget Message to Congress (see Item F., below). Upon receipt of the BOB clearance and completion of the detailed internal review of Part III of CAP, the Congressional Presentation is prepared and submitted. (See Items G and H, below.) Finally, there follows the comprehensive comment to the Missions on their submissions and substantive approval of particular activities (e.g., Technical Assistance and Local Currency projects) in preparation for funding and implementation in the forthcoming Operational Year. (See Item J, first paragraph.)</p>			

^{1/} The sequence of actions described herein is outlined in the Program Cycles chart shown as Attachment B.

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
<u>Operational Year</u>					
Concurrently, the country program submission and other program proposals are reviewed by the concerned Regional Bureaus, Staff Offices, and appropriate U.S. agencies for new developments in connection with approval, funding, and other program determinations and implementing actions related to activities in the current Operational Year. (See Items G and J second paragraph.)					
F. Preparation of Budget Year program recommendations for submission to BOB. Adjustment of proposal after BOB mark-up. (The Administrative portion of the budget is developed and submitted separately).	AA/PC	Regional Bureaus and Staff Offices	A/AID	Subsection 1023	
G. AID/W review of proposed programs (Part III of CAP) and establishment of specific program funding requirements for the Congressional Presentation	AA/PC, Regional Bureaus, concerned Staff Offices	Regional Bureaus, and Staff Offices and A/CONT	A/AID	Subsections 1022 and 1023	The schedule for the submission of Part III is established each year and may vary slightly by region or country. Generally it is submitted in the period, October-November.
H. Preparation and submission of the Congressional Presentation	AA/PC, Regional Bureaus, Staff Offices and A/CONT	AA/PC and A/CONT	A/AID		Program proposals are adjusted to reflect changes made during the comprehensive review.
I. Congressional Action	After the submission of the Congressional Presentation, there follow various Congressional committee hearings and the passage of the authorization and the appropriations legislation. Upon approval of the appropriations legislation by the President, the funds made available are apportioned in accordance with Operational Year Budget procedures (M.O. 1033.1) for the approved purposes (see Items E second paragraph and J) and program implementation begins.				
J. Operational Year Approval of Programs	Prior to the beginning of the new Operational Year, the Regional Bureaus transmit substantive program and project approval determinations on particular activities (e.g., Technical Assistance and Local Currency projects) to each mission, thereby enabling it to proceed with the development of final plans with the cooperating country and to continue the preparation of funding and implementation documents for issuance when funds are made available.				
During the Operational Year, a continuous review is made to determine what adjustments are needed in previously funded or approved programs. New proposals are presented, reviewed and determinations made on a case-by-case basis.					

106

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
II. ACTIVITY DEVELOPMENT AND IMPLEMENTATION ^{1/}					
A. PROGRAM ASSISTANCE				M.O. 1101.1 M.O. 1105.1	The various types of program assistance are described in M.O. 1101.1.
1. AID Commodity Assistance (Loan or Grant)					
a. Commodity Assistance Request	Mission and Cooperating Country		Mission Director and authorized representative of the Cooperating Country		Usually originates with the cooperating country and is based on Table E-5 of Part III of the CAP submission. (See M.O. 1023.3, Annex A.)
b. Program Assistance Approval Document (PAAD) and request for allotment	Regional Bureau	AA/MR, AA/PC, A/CONT and for loans: AA/DFPE and the MAC. The DLC is consulted for loans over \$2.5 million.	AA/Region or A/AID	M.O. 1121.1	A/AID approval of PAAD for commodity financing is required; 1) when Administrator so directs in O.A. or elsewhere; 2) when the regional Assistant Administrator decides the proposal a) presents significant political, economic, or strategic issues not previously resolved; or b) deviates from established standards or criteria. Responsibility for determining the financing procedure is covered in Manual Subsections 1161 and 1162.
c. Program Assistance Agreement	Regional Bureau	GC (reviews agreements). A/CONT or Mission Controller	AA/Region or Mission Director	M.O. 1131.1	The PAAD is forwarded to the Mission by the Bureau and contains necessary substantive guidance to the Mission Director for the negotiation (or preparation and negotiation) of the Program Assistance Agreement. (Agreements may be negotiated and executed in AID/W.)
2. Cash Transfer					
				M.O. 1101.1 M.O. 1105.1	
a. Cash Transfer Request	Mission and Cooperating Country		Mission Director	M.O. 1114.1	Originates with the cooperating country and is based on Parts II and III of the CAP submission.
b. PAAD	Regional Bureau	AA/PC, A/CONT and for loans: AA/DFPE, and the MAC. The DLC is also consulted for loans over \$2.5 million	A/AID or AA/Region	M.O. 1121.1 M.O. 1161.1	Cash transfers are always approved by the Administrator except those for purposes of dollar local cost financing totaling less than \$500,000 annually for a single country, which may be approved by the regional Assistant Administrator. (M.O. 1161.1, IV.B.)

^{1/} This section covers only country programs; special guidance for regional, inter-regional and other activities will follow.

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
c. Program Assistance Agreement	Regional Bureau (See comments)	GC (reviews agreement)	AA/Region or Mission Director	M.O. 1131.1	See II.A.1.c. above. (AID Commodity Financing.)
3. <u>PL 480 Program Assistance</u>				M.O. 1101.1	
a. Title I and Title IV Sales Agreements				M.O. 1142.1 M.O. 1145.1	Initial plans for Title I and IV programs are presented in the CAP (Part I, above).
1) Program Proposals	Mission and Cooperating Country	Country Team	U.S. Ambassador		If there are inconsistencies between CT proposals and CAP plans, the Bureau resolves them with the Mission, AA/PC and AA/MR, consulting with the State Department and USDA and utilizing the ISC as appropriate.
2) PAAD Preparation	Regional Bureau	AA/MR, AA/DFPE AA/PC * and the Bureau of Economic Affairs and appropriate regional bureau of the Department of State. *AA/PC clearance is needed only if program proposal departs substantially from CASS or if it exceeds PL 480 assistance included in the OYB by more than 20%.	AA/Region	M.O. 1121.1	The PAAD is prepared for AA/MR use in developing the AID position for discussion in the Interagency Staff Committee (ISC) and is modified to reflect ISC action. If the PAAD is to include a provision for allocating a portion of the sales proceeds for economic grants to the cooperating country under Section 104 (e) of PL 480, the Regional Bureau initiates action to secure a waiver from AA/MR of Section 1415 of the Supplemental Appropriations Act of 1953 (P.L. 547). (See M.O. 1512.5, V.A.)
3) Interagency Staff Committee (ISC) consideration of AID proposals (draft PAAD)	AA/MR		ISC: USDA, BOB, Treasury, USIA, Office of Emergency Planning, AID/State (MR Representative)	M.O. 1141.1 M.O. 1142.1	Regional Bureau representatives may participate at the ISC meeting.

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
4) State Department consultation on AID proposals	State Department or AID Regional Bureau	(See comments)		M.O. 1142.1 M.O. 1145.1	The State Department Bureau of Economic Affairs consults with other friendly governments regarding amounts of commodities and marketing requirements included in Title I programs. (The State Department is also concerned with functions under Title I which were not redelegated to A/AID. See M.O. 1142.1, IV.B.)
5) Preparation of Sales Negotiation Package				M.O. 1142.1 M.O. 1145.1	
a) negotiating instructions b) draft sales agreement c) draft exchange of notes	AA/MR	GC (reviews agreement)	AA/MR		If the Title I program provides for a loan under Section 104(g) the negotiating instructions normally specify that the sales agreement and the loan agreement are negotiated simultaneously.
d) draft loan agreement and negotiating instructions (for Title I, Section 104(g) loans only).	Regional Bureau	DFPE			When commodities are provided on a credit basis requiring repayment in dollars, the provisions for repayment are included in the sales agreement.
6) Negotiation and execution of Title I and Title IV Sales Agreements	Mission	Country Team	AA/MR gives authorization to sign ----- U.S. Ambassador and appropriate representative of the cooperating country sign agreement	M.O. 1142.1 M.O. 1145.1	Responsibility is normally delegated to Mission Director who acts with advice of elements of the Country Team. Proposed changes to Sales Agreements must be cleared by the Department of State and AID/W and agreements may not be signed without specific authorization from AA/MR or his designee after completion of all negotiations. In rare instances sales agreements are negotiated in Washington by AA/MR assisted by the Regional Bureau, USDA and appropriate ISC agencies.

109

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
7) Negotiation and execution of loan agreements for local currency sales proceeds under 104(g) (side agreement to the basic sales agreement).				M.O. 1142.1 M.O. 1145.1	
a) Loan Authorization	Regional Bureau	Regional Bureau, GC, A/CONT	AA/Region		
b) Loan Agreement	Regional Bureau	GC (reviews agreements), A/CONT	AA/Region and Ambassador of Cooperating Country		Loan agreement is normally not signed until the signed sales agreement is received in Washington. Authority to sign loan agreements may be delegated to the U.S. Ambassador in the Cooperating Country and authorized representative of the Cooperating Country.
8) Implementation of the sales agreement	USDA			M.O. 1142.1 M.O. 1145.1	Implementation is the responsibility of the Department of Agriculture. See reference for description.
b. Title II, Section 202				M.O. 1143.1	
1) Program Proposal	Mission, Cooperating Country and Voluntary Agency	Regional Bureau AA/MR, ISC	AA/Region	M.O. 1143.1	
2) Program Determination (Approval of PAAD)	Regional Bureau	AA/MR, GC, Department of State regional bureau, and AA/PC for any proposal which departs substantially from approved program terms included in the OYB.	AA/Region	M.O. 1121.1 M.O. 1143.1	If desired, the PAAD may be drafted prior to ISC consideration as a basis for developing and obtaining concurrences on the Agency proposal for presentation to the ISC.
3) Commodity Transfer Authorization	MR/FFP	Cooperating Sponsor (foreign government and/or U.S. voluntary agency)	AA/MR or designee	M.O. 1143.1	
4) Transportation Transfer Authorization (TA)	MR/RTD		AA/MR or designee	M.O. 1143.1	Issued on the basis of the commodity TA.

110

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
4. <u>Local Currency for Budget Support</u>				M.O. 1011.8 M.O. 1101.1 M.O. 1105.1 M.O. 1151.1 M.O. 1511.1 and other M.O.s in Section 1510.	<p>Local currencies generated by various types of assistance provided under the FA Act of 1961, as amended, and PL 480 are available under certain circumstances for budgetary support and other country program uses, subject to AID control. The various types of U.S.-owned and controlled local currencies available for budget support and policies and regulations applicable to their use are covered in detail in Subsection 1512.</p> <p>A general understanding for this type of assistance is reached with the cooperating government, and is firmed up in an agreement on the basis of the AID/W approval action. The local currency is subsequently released to the Cooperating Country on the basis of this agreement.</p>
a. Local currency program in CAP	Mission in consultation with the Cooperating Country	Country Team	U.S. Ambassador	M.O. 1023.3	The proposed program is set forth in the CAP; see especially Tables E-3a and E-3b in Part III.
b. Approval of local currency for budget support	Mission	AA/PC and A/CONT; and DOD/ISA for military budget support	AA/Region	M.O. 1511.1	
c. Agreement with Cooperating Country for local currency uses	Mission	Mission Controller, Cooperating Country, and for loans; DFFE	Mission Director or Ambassador and authorized representative of the Cooperating Country		
d. Release agreement	Mission	Mission Controller, Cooperating Country	Mission Director and authorized representative of the Cooperating Country		

111

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
B. <u>CAPITAL ASSISTANCE</u>					The various types of Capital Assistance are defined in M.O. 1201.1. Capital Assistance also includes development bank loans (M.O. 1521.1) and dollar loans to private borrowers M.O. 1525.1).
1. Capital Assistance Application	Borrower or Grantee	-	-	M.O. Section 1230	
2. Intensive Review Request	Mission or Regional Bureau	Regional Bureau or Mission as appropriate, DFPE, AA/FC, AA/MR, A/CONT, ENGR, TCR, and the appropriate State Department country desk.	AA/Region	M.O. 1241.1	The Intensive Review Request is the culmination of a preliminary review of the application conducted at the Mission or in the Regional Bureau, as determined by the regional Assistant Administrator. The preliminary review is directed toward determining whether the activity warrants the subsequent commitment of substantial staff or other Agency resources to detailed consideration of the proposal. AID also contacts the Export-Import Bank and, in appropriate cases, IBRD or other financing institutions to determine whether financing can be provided from other sources.
3. Capital Assistance Authorization and Request for Allotment				M.O. 1242.1 M.O. 1251.1	During intensive review the Capital Assistance Committee prepares the Capital Assistance Paper which is the basis for project proposal review. The regional Assistant Administrator may authorize Capital Assistance projects under \$10 million unless the proposal involves: (a) policy issues not previously resolved; (b) significant deviations from established standards or criteria; or (c) formal Development Loan Committee (DLC) consideration of the proposal, requested by a member of the DLC. In such cases, the Administrator authorizes the project.
a. Loans and grants under \$2.5 million	Regional Bureau or Mission Capital Assistance Committee (CA Com)	Regional Bureau Staff, DFPE, AA/FC, GC, A/CONT, and for loans only, the National Advisory Council (NAC)	AA/Region		The location of the Capital Assistance Committee is determined by the regional Assistant Administrator. Authority to authorize Capital Assistance loans and grants under \$2.5 million may be redelegated to Mission Directors.

112

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCE	COMMENTS
b. Grants under \$10 million, and loans over \$2.5 million and under \$10 million if not considered at a formal DLC meeting.	Regional Bureau or Mission Capital Assistance Committee (CA Com)	Regional Bureau Staff, DFPE, AA/PC, GC, A/CONT; and for loans only: NAC and DLC	AA/Region		A formal meeting of the DLC may be held to consider a loan at the request of any DLC member, A/AID or AA/Region.
c. Loans over \$2.5 million and under \$10 million if considered by a formal DLC meeting.	Regional Bureau or Mission CA Com.	Regional Bureau Staff, DFPE, AA/PC, GC, A/CONT, NAC, DLC	A/AID		
d. Loans and grants \$10 million or over.	Regional Bureau or Mission CA Com.	Regional Bureau Staff, DFPE, AA/PC, GC, A/CONT; and for loans only: NAC and DLC	A/AID		
4. Capital Assistance Agreement	Regional Bureau or Mission CA Com.	A/CONT or Mission Controller	AA/Region and Borrower or Grantee	M.O. 1262.1 and A/AID Delegation of Authority No. 5, as amended.	Authority to sign loan agreements may be redelegated to the Mission Director or Ambassador.
C. TECHNICAL ASSISTANCE (TA)					
1. TA Project Proposal	Mission and Cooperating Country		Mission Director	M.O. 1023.3 M.O. 1301.1 and M.O. Sections 1310 and 1320	Technical Assistance is defined in M.O. 1301.1 TA proposals are described on E-1 forms and are normally included in Part III of the CAP. See M.O. 1023.3 as amended by Supplement 2 to Annex A.
2. TA Project Proposal Approval				M.O. 1323.1	
a. Approval of new projects up to an Operational Year limit of \$50,000 if the anticipated further life of the project does not exceed \$100,000.	Mission and Cooperating Country	Mission Controller	Mission Director		Projects must be consistent with the CASS (See Item I.B., above). Mission Director authorities are subject to any limitations established in AID/W responses to the E-1 tables and related material in the CAP, or subsequently. These authorities may be withdrawn or extended within his authority in writing by the regional Assistant Administrator Approvals apply to dollar and mixed (dollar and local currency) projects. Mission Directors may also approve TA-type projects funded solely with local currency up to \$1 million equivalent provided they are consistent with the CASS (see Item II.D.1. below).

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
b. Approval of new TA projects a) involving a potential total cost up to \$1 million and b) continuing projects where the potential cost is below \$7 million.	Regional Bureau	AA/PC, TCR and other concerned Staff Offices in AID/W, State Bureau and other U.S. agencies comment on their own initiative and; OFS concurrence required for public safety projects.	AA/Region		In addition to the internal Regional Bureau review of each TA project, each regional Assistant Administrator selects some projects for formal review according to criteria given in M.O. 1323.1. Special analyses are prepared in writing for these projects for review by appropriate AID staff offices and AA/PC.
c. Approval of new projects involving a potential total U.S. commitment of a) more than \$1 million or b) \$7 million or more for a continuing project over the anticipated life of the project.	Regional Bureau	AA/PC, TCR and other concerned Staff Offices in AID/W, State Bureau and other U.S. agencies comment on their own initiative; OFS concurrence required for public safety projects.	A/AID		In addition to the dollar levels of projects which require the Administrator's approval, his approval is required whenever the proposed project: a. presents significant political, economic or strategic issues not previously resolved, or b. deviates from established standards or criteria.
3. TA project implementation approval and request for allotment	Regional Bureau	A/CONT	AA/Region for implementation approval document; A/CONT for Advice of Allotment.	M.O. 1033.1 M.O. 1323.1 M.O. 712.1	The Regional Bureaus inform the Missions to the maximum extent possible during the last quarter of the fiscal year preceding the Operational Year of the substantive approval status of all TA projects which have been proposed for the Budget Year. Late approvals are given as circumstances require throughout the Operational Year. When funds become available through new appropriations or reprogramming, allotments are requested for approved projects. No expenditure can be made before the Advice of Allotment is issued and funds have been properly obligated.
4. Project Implementation Documentation	See Comments			M.O. 1331.1	Mission may authorize AA/Region to issue or reissue implementing documents.
a. Project agreement or equivalent documentation for dollars and any AID controlled local currencies involved	Mission in collaboration with responsible officials of the cooperating country	Mission Controller (or A/CONT for AID/W issuances) and the cooperating country	Mission Director and authorized representative of cooperating country	M.O. 1332.1 M.O. 712.3	M.O. 712.3 provides that a project agreement shall not be signed until all PIOs constituting subobligations under the agreement have been negotiated with the cooperating country and are ready for issuance or dispatch as initiated PIOs. (See M.O. 712.3 for provisions for waiving these requirements.) Unless the authority is limited, qualified and/or reinstated in writing by the responsible regional Assistant Administrators, Mission Directors are authorized to: a. increase the funding of any approved Technical Assistance project in an amount

114

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
b. Project Implementation Order/Technical Services (PIO/T).	Mission in collaboration with responsible officials of the cooperating country.	Mission Controller or A/CONT for AID/W issuances) and OPS for public safety PIO/Ts.	Mission Director and authorized representative of cooperating country	M.O. 1351.1 M.O. 1352.1 M.O. 1383.8	<p>not exceeding \$1 million (in dollars and/or foreign currency);</p> <p>b. make nonmonetary changes in approved projects, as considered necessary or advisable, provided that any such project continues to address goals or targets identified in the applicable Country Assistance Strategy Statement (CASS); and</p> <p>c. decrease the amount of an approved project at any time, as necessary or advisable. (In the exercise of this authority, due consideration should be given to applicable provisions of the project agreement.)</p>
c. Project Implementation Order/Commodities (PIO/C)	Mission in collaboration with responsible officials of the cooperating country.	Mission Controller (or A/CONT for AID/W issuances) and OPS for public safety PIO/Cs.	Mission Director and authorized representative of cooperating country for field issued PIO/Cs supplemented by AA/MR for AID/W issuances.	M.O. 1372.1 M.O. 1373.1	<p>As subobligating documents, PIOs require the signature of the cooperating country; otherwise they are administrative reservations. In the latter case the contract is to be entered into prior to the end of the fiscal year in which the funds were provided.</p> <p>When a Participating Agency Service Agreement is required, the Agreement is initiated by the responsible AID/W regional bureau or staff office and drafted, negotiated, cleared and executed in accordance with M.O. 243.1 and assigned functional responsibility.</p> <p>For certain types of PIO/Cs (see M.O. 1095.2) AA/MR reviews, provides supplementary information requested by the Mission and issues (or reissues) the PIO/C.</p>
d. Project Implementation Order/Participants (PIO/P)	Mission in collaboration with responsible officials of the cooperating country.	Mission Controller (or A/CONT for AID/W issuances) and OPS for public safety PIO/Ps.	Mission Director and authorized representative of cooperating country supplemented by A/IT for AID/W confirmation copy issuance.	M.O. 1383.1	<p>The PIO/P is an obligating document except when issued for information purposes for participants funded under a PIO/T contract. AID/W, or the Mission in a third country providing training, may increase or decrease the costs entered on a PIO/P in amounts up to 15% or \$1,000, whichever is less, without prior approval of the requesting Mission, except that during the last 60 days of the fiscal year prior approval must be obtained from the requesting Mission.</p>

115

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
e. Staffing Pattern Action Request (SPAR)	Mission	Regional Bureau (and OPS for public safety personnel)	Regional Bureau, A/MP, AA/A and A/AID, as appro- priate	M.O. 1361.1 M.O. 333.4	SPARs for FSR-8 through 3 and FSS-10 through 3 are approved by the Regional Bureaus. SPARs for FSR-2 and 1 and FSS-2 and 1 and exceptions to M.O. 333.4 are approved by A/MP. AA/A approves SPARs for Mission Directors and Deputy Mission Directors, FSR-2 and 1. A/AID approves SPARs for Class 3 and 4 Mission Directors.
D. SPECIAL ACTIVITIES AND PROCEDURES					
1. Local Currency Activities					
a. Local Currency Project Proposal	Mission	In consultation with the cooperating country	Mission Director	M.O. 1023.3 Annex A, see especially Supplement 2	Local Currency Activities, as defined in M.O. 1513.1 are loan or grant projects which do not involve AID dollar assistance, but do involve the use of U.S. owned or controlled local currencies. Proposals are included in Part III of the CAP, Table E-1b and related documents, or subsequently as necessary. The manual orders in Section 1510 describe the policy and procedural requirements for the different types of local currency.
b. Review and approval of Local Currency Project Proposals:					Local currency project proposals are reviewed by AID/W, normally as a part of the general review of the CAP or LAS, or as received subsequently. The Regional Bureau's response to the Mission Director transmitting its approval determinations may include conditions or limitations to be observed in planning and implementing local currency projects.
1) New projects up to \$1 million equivalent for technical assis- tance-type activities consistent with the CASS	Mission and cooperating country	Cooperating Country or Mission depending upon who initiates	Mission Director and the responsible official of the cooperating country	M.O. 1513.1 and other Manual Orders in Section 1510	Mission Director authorities are subject to any limitations established in the AID/W responses to the E-1b (and revised E-3) Tables in the CAP, or subsequently, as well as to the principles for implementing local currency activities outlined in M.O. 1513.1 and other pertinent M.O.s in Section 1510. These authorities may be withdrawn or extended within his authority in writing, by the Administrator or responsible regional Assistant Administrator.
2) New projects up to \$5 million equivalent for capital-type activities consistent with the CASS	Mission and cooperating country		Mission Director and the responsible official of the cooperating country		
3) Increases in funding of continuing projects not to exceed 25% of the original estimate of total cost.	Mission and cooperating country		Mission Director and the responsible official of the cooperating country		
4) Reductions in funding	Mission and cooperating country or Regional Bureau		Mission Director and the responsible official of the cooperating country		In the exercise of this authority, due consideration should be given to applica- ble provisions of the project agreement.

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
5) Local Currency Projects other than (1) through (4) above.	Mission and the cooperating country	Regional Bureau	AA/Region (or A/AID, see comments)		<p>Regional Assistant Administrator sends recommendation to A/AID for approval if in his judgment a project presents significant political, economic or strategic issues not previously resolved.</p> <p>The Regional Bureau informs the Mission to the maximum extent possible during the last quarter of the fiscal year preceding the Operational Year of the substantive approval status of all Local Currency projects which are proposed which require his substantive approval. Late approvals are given as circumstances require them throughout the Operational Year.</p>
c. Implementation of Local Currency Activities				M.O. 1513.1 and other pertinent M.O.s in Section 1510	
1) Project Agreements for technical assistance and capital grant type Local Currency Activities	Mission and cooperating country	Mission Controller	Mission Director and appropriate official of the cooperating country		<p>The form of agreement varies according to type of project (technical assistance or capital) and kind of local currency obligated/committed. Subsequent implementing documents are the same or comparable to those used for Capital Assistance and Technical Assistance as appropriate, varied as necessary according to the type of local currency (e.g., whether U.S. or country-owned).</p>
2) Local Currency Project Loan Agreements	Mission and cooperating country (and borrower as appropriate)	Mission Controller	Mission Director and the responsible official of the cooperating country	M.O. 1513.1 and other pertinent M.O.s in Section 1510 M.O. 1262.1	For Cooley Loans see M.O. 1526.1.
d. Modifications of continuing local currency projects				M.O. 1513.1	<p>As described in II.D.1.b. above. Mission Director authorities are subject to any limitations established in the AID/W responses to the E-1b and revised E-3 Tables in the CAP or subsequently, as well as to the principles for implementing local currency activities outlined in M.O. 1513.1 and other pertinent M.O.s in Section 1510. These authorities may be withdrawn or extended within his authority in writing, by the Administrator or responsible regional Assistant Administrator.</p> <p>Adjustments in funding are to be consistent with the CASS.</p>

117

PROCESS OR ACTION	INITIATES ACTION	CONCURRE/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
e. Implementing Documents and Release Agreement	Mission	Mission Controller	Mission Director and responsible representative of the cooperating country.	Section 1510 and M.O. 1023.3, Annex A, Supplement 2	See also comment for Item II.D.1.c.1), above and Chapter 700.
2. <u>Cooley Loans (Local Currency, Section 104(e) of PL 480)</u>	Mission or Regional Bureau	DFFE, GC, A/CONT, NAC	AA/Region	M.O. 1526.1 and pertinent M.O.s in Section 1510	Requirements pertaining to the use of the local currency are in Section 1510.
3. <u>Development Bank Loans</u>	Mission and Cooperating Country	See Comments	See Comments	M.O. 1524.1	Assistance to development banks is extended under policies and procedures applicable to capital activities generally (see II.B., above and Chapter 1200). For local currency loans see Section 1510.
4. <u>Dollar Loans to Private Borrowers</u>	Mission or Borrower	See Comments	See Comments	M.O. 1525.1	Same as D.3., above.
5. <u>Investment Surveys</u>	DFFE and Prospective Grantee	Mission, AA/Region, GC, and AA/MR for applications relating to agricultural products.	AA/DFFE	Delegation of Authority No. 39 M.O. 1523.1	
6. <u>Foreign Disaster Relief</u>					
a. Approval and obligation for immediate emergency relief up to \$25,000	Cooperating Country or Country Team	-	Chief of Mission	M.O. 1563.1 M.O. 1563.2	The purpose of the delegation is to create a mechanism to ensure effective and prompt prosecution of overseas relief operations during the initial disaster emergency (i.e., approximately a 60-day period following the occurrence of the disaster.
b. Determinations for emergency relief in excess of \$25,000	Regional Bureaus of State-AID	-	State-AID	M.O. 1563.2	The Deputy Under Secretary of State for Political Affairs makes or obtains a decision that the emergency relief is consistent with U.S. foreign policy objectives. The AID Administrator determines the extent to which AID funds and resources will be committed. This includes Delegation of Authority No. 104, as amended, including authorities pertaining to the Use of the Contingency Fund and PL 480.
c. Planning and implementation of disaster relief activities during initial emergency phase.	AA/MR	AA/PC, Regional Bureau	AA/MR		Following initial emergency, Regional Bureaus become responsible for proposing, through normal procedures, the use of the contingency or other funds for additional relief and reconstruction.

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
7. Public Safety Programs					
a. Yearly Program Development Guidelines (Supplementing General and Regional Guidance, Item I.A. and C. above).	OPS	Regional Bureau	AA/Region	M.O. 1542.1	Normally this is made a part of regional supplemental guidance.
b. Public Safety Proposals	Mission or OPS	Regional Bureau and OPS	AA/Region	M.O. 1542.1 M.O. 1023.3, Supplement 2 to Annex A	Proposals are normally submitted as part of Part III of the CAP (see especially E-1 tables and narrative material, Part III of the CAP).
c. Review and approval of Public Safety portion of country submission (CAP or IAS)	OPS	OPS	AA/Region	M.O. 1542.1	OPS makes both technical and funding level recommendations. Unresolved differences between Director, OPS and AA/Region and submitted to the Administrator. Approval agreement and funding procedure otherwise follows established practice for the type of activity, i.e., Technical Assistance, Capital Assistance, Program Assistance and Local Currency Activity, as outlined above.
d. OYB Revisions and implementation approval documents relating to Public Safety proposals in CAP.	Regional Bureau	AA/PC, OPS; A/CONT for IAD only.	AA/Region	M.O. 1543.1	The OYB document requires the approval of AA/PC or A/AID for certain specified OYB revisions.
e. Non-regional Public Safety projects				M.O. 1543.1	
1) \$1 million or less	OPS	Regional Bureaus	AA/PC		
2) Over \$1 million	OPS	Regional Bureaus	A/AID		
3) Implementation Approval Document	OPS	A/CONT	OPS		
f. Public Safety country program agreements (or equivalent obligating documents).	Mission (or AID/W as authorized)	In consultation with cooperating country officials	Mission Director and responsible official of cooperating country as appropriate.	M.O. 1543.1	

PROCESS OR ACTION	INITIATES ACTION	CONCURS/COMMENTS	AUTHORIZES	REFERENCES	COMMENTS
g. Subobligating and other implementing documents	Mission	Mission Controller, OPS	Mission Director	M.O. 1544.1	OPS has responsibility to expedite procurement of special items and to otherwise follow through on implementation. See II.C.4.
1) Public Safety participant selection and training	Mission	OPS	OPS	M.O. 1544.1	PIO/P's are normally prepared in the Mission. Mission Public Safety personnel select participants; OPS approves the selection and arranges and conducts the participant training. A Police Academy has been established to provide specialized training.
2) SPARs	Mission	Regional Bureau, OPS	Regional Bureau or A/MP	M.O. 333.4	OPS has special authority concerning the recruitment of public safety advisors. See II.C.4.e.
3) Commodity Procurement and Contract Services					Documentation for project assistance is generally comparable to that for technical assistance projects (see Item II.C., above). OPS has responsibility to follow through in expediting procurement of commodities to be obtained as Program Assistance, PIO/C or otherwise, and to take an active roll in effecting required contract services as requested by PIO/Ts.

AID PROGRAM CYCLES

Attachment B to
M.O. 1099.2

<u>Calendar Year and Month</u>	<u>Budget Year FY 1966 Program</u>	<u>Operational Year FY 1965 Program</u>	<u>Prior Year FY 1964 and Prior Programs</u>
<u>1963</u>			
APRIL		AID/W issues general Program Guidance for Country Assistance Strategy Statements for Preparation of FY 65 CAPs Supplementing AID Manual. (Circ. A-335)	Implementation continues on FY 63 and prior programs (loan and grant).
MAY		Regional Bureaus issue regional and country guidance for CAP for FY 65.	
JUNE			FY 63 obligations completed.
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JULY			Allotments and obligations begin under continuing resolution for FY 64 program on as nearly normal basis as possible.
AUGUST		Missions cable preliminary budget recommendations. Drafts of revised CASSs issued.	Delayed subobligating documents issued on FY 63 program as scheduled, before December 1963 or before June 1964.
SEPTEMBER		Missions send Parts I and II of revised CAP or LAS to AID/W. AID/W issues approved Country Assistance Strategy Statements.	Obligating and subobligating documents for prior year programs are amended as necessary. Funds are deobligated and reprogrammed as savings or needs are disclosed.
<hr/>			
OCTOBER		Missions send Part III of CAP or LAS to AID/W. AID/W Regional Bureau conducts review of CAPs and LASs.	Program implementation is subject to continuous review with such modifications (i.e., reprogramming) as necessary. Obligating and subobligating documents are amended as necessary.
NOVEMBER		AID/W sends recommendations to BOB for President's budget. AID/W finalizes review of country, regional and non-regional programs for FY 65 and coordinates them with other programs (e.g., MAP).	Other implementing documents (SPARs and purchase orders) are issued and contracts executed as appropriate.
DECEMBER		AID/W begins preparation of Congressional Presentation for FY 65.	FY 64 authorizing and appropriations legislation passed and program approvals, allotments, obligations and subobligations get actively under way.
<hr/>			
<u>1964</u>			
JANUARY			
FEBRUARY		AID/W completes preparation of Congressional Presentation on FY 65.	
MARCH	AID/W reviews and issues approved revised CASSs as necessary.	Congressional Hearings on FY 65 programs begin, and continue until authorizing and appropriations laws are passed by the Congress and signed by the President.	

APRIL		AID/W sends comments on CAP and LAS proposals for FY 65 to Missions.	
MAY	A/AID issues general Program Guidance for FY 66 CAP. (Circ. A-383)	A/AID message to Mission Directors providing Supplemental Guidance for FY 65 program. (Circ. A-383)	A/AID message to Mission Directors for "Prompt Execution of Approved Programs." (Circ. 43)
JUNE	AID/W Regional Bureaus issue Regional and Country Guidance for FY 66.	AID/W provides Missions with approvals in substance of TC projects.	Obligating documents (and subobligating documents) are completed for FY 64 programs. Deadline for issuing subobligating documents for FY 63 funds.
JULY	Selected Missions cable budget preview recommendations for FY 66-69 followed by A/AID review for BOB preview on July 7. AID/W sends Missions supplemental instructions for preparation of CAP tables Parts I and III.	FY 65 operations begin on continuing resolution basis since authorizing and appropriations acts have not been passed. Attempt was made to approve as much as feasible of the TC and SA programs early in order to permit implementation to proceed promptly. AID/W issues IADs, PAADs, OFARs and other authorization documents and allots funds.	
AUGUST		Missions issue ProAgs and other agreements obligating funds and PIO subobligating documents. AID/W and Borrower/Grantee issue commodity and other implementing documents.	
SEPTEMBER	Missions send revised CAP or LAS Parts I and II to AID/W.	AID/W reviews and authorizes Capital Assistance projects on continuing basis.	DA/AID message to Mission Director on Prompt Implementation of Approved Programs. (Circ. A-104)
OCTOBER	Missions send Part III of CAP to AID/W.	Authorizing and appropriations acts are passed. OYB issued on previous A/AID review. Distribution of funds (NOA and reprogrammed funds) continues with monthly revisions.	
NOVEMBER	AID/W sends recommendations to BOB for President's FY 66 budget and acts on his decision. AID/W completes CAP and LAS reviews. Regional Bureau review is followed by A/AID review of major programs and unresolved issues.	Implementation gets under way on total program.	
DECEMBER	AID/W begins preparation of Congressional Presentation for FY 66.	Missions continue to request Program Assistance Authorizations and late approvals, and to issue ProAgs and PIOs.	
<u>1965</u>			
FEBRUARY	AID/W completes preparation of Congressional Presentation for FY 66.	Program Approvals, ProAgs, Program Assistance Agreements, and PIOs completed for FY 65.	
MARCH	Congressional Hearings begin, and end when authorizing and appropriations acts are passed by the Congress and signed by the President.	Loan Authorizations continue on basis available no-year funds.	Implementation continues on prior year programs subject to continuous review with modifications as necessary.
JUNE			

Part IV

GLOSSARY

GLOSSARY

ABBREVIATIONS AND TERMS FREQUENTLY USED IN AID PLANNING AND PROGRAMMING

(For complete, official definitions of terms, the relevant Manual Orders should be consulted.)

A and E	Architectural and engineering
AID/W	The Washington headquarters of AID.
ALLOTMENT	Funds made available to appropriate AID officers by the Administrator of AID, or his designee, in specific amounts within the limits of appropriations, for obligation and expenditure.
APPROPRIATION ACT	Annual legislation which appropriates funds for the several categories and purposes established by the Authorization Act. Each distinct category of funds is known as an appropriation.
AUTHORIZATION ACT	Legislation which establishes the policy guidelines and objectives of the Agency and authorizes funds to be appropriated for the accomplishment of these objectives. The Agency's authorization act has normally established specific limits for the several categories of funds to be appropriated and has been enacted annually except that loan authorizations are multi-year.
B/P	Balance of Payments. The statement summarizing a country's receipts and payments resulting from its international commercial and financial transactions.
BOB	Bureau of the Budget.
C-TABLES	Statistical tables C-1 through C-5 of the Country Assistance Program books (see CAP). The C-tables contain USAID current estimates and short-term projections for the main economic indicators of the aid-recipient country, such as gross national product, prices, production, balance of payments and reserves.

CAP Country Assistance Program. An annual plan for economic and technical assistance for a country, prepared by the USAID on the basis of an analysis of the country's needs and U.S. strategy for the country, and submitted to AID/W for approval.

CARRY OVER Unobligated balances remaining at the end of the fiscal year which are made available for expenditure the following year.

CASS Country Assistance Strategy Statement. Defines U.S. strategy in a given country, as agreed by AID/W, State, and other interested U.S. agencies, and approved by the Administrator of AID

CENTO Central Treaty Organization, composed of Iran, Pakistan, Turkey, and the U.K. (U.S. is member of all committees, except the Ministerial), to promote regional economic and military cooperation.

CEPAL U.N. Economic Commission for Latin America (Spanish). In English: ECLA.)

CIAP Inter-American Committee for the Alliance for Progress. Serves as executive committee for Inter-American Economic and Social Council and coordinates policies and programs of member countries and cooperating agencies under the Alliance.

CIVIC ACTION The use of indigenous military forces to contribute to economic and social development through projects useful to the local population.

COMECON (CEMA) Council of Mutual Economic Aid of Soviet Bloc countries.

COMMON MARKET European Economic Community -- Belgium, France, Germany, Italy, Luxembourg, and the Netherlands -- the Six.

CONTINGENCY FUND A reserve fund for which Congress makes specific appropriations designed to meet urgent and unforeseen requirements for economic assistance or anticipated requirements which could not be clearly defined or accurately costed sufficiently in advance.

CONTINUING RESOLUTION A joint resolution passed by the Congress, authorizing AID to conduct operations and to obligate funds during the period between the beginning of the fiscal year (July 1) and the date on which approved Authorization and Appropriation acts make funds available.

COOLEY LOANS Loans authorized by Public Law 480, Section 104(e). Provides for loans to U. S. and foreign private investors from the local currency proceeds derived from sales of surplus commodities.

COUNTERPART FUNDS (C/P) Local currencies generated from U. S. grant assistance under the Foreign Assistance Act and prior legislation, other than surplus agricultural commodities. The cooperating country generally owns the counterpart except for that portion transferred to U. S. ownership. Counterpart funds are deposited to a special account and are available for purposes mutually agreed to by the U. S. and the cooperating country.

COUNTRY TEAM (C/T) Team of U. S. officials at the overseas mission, including AID Mission Director, Chief of the Military Assistance Advisory Group and senior representatives from each Agency at post, led by the Ambassador in administering the assistance program at the country level.

DAC Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) established as primary mechanism for the expansion and coordination of free world aid to less developed countries. Members of the Committee are the major donor countries -- Belgium, Denmark, Canada, France, Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Portugal and the Commission of the EEC.

DE-OB De-obligation. See Obligation.

DLC Development Loan Committee. Advises the Administrator on proposed loans and lending policy. Members are Assistant Secretary of State for Economic Affairs; Chairman of Board of Export-Import Bank; Assistant Secretary of the Treasury; and Assistant Administrator, Office of Development Finance and Private Enterprise, AID.

DOD The Department of Defense.

E-TABLES Forms submitted in the Country Assistance Program book to AID/W by the field Missions which summarize project data on costs and financing for approval purposes.

ECA Economic Commission for Africa (UN). One of the four regional economic Commissions under the Economic and Social Council of the UN which provide study, advisory and technical assistance services in those regions. (See ECAFE, ECE, and ECLA.)

ECAFE Economic Commission for Asia and the Far East (UN).

ECE Economic Commission for Europe (UN).

ECLA Economic Commission for Latin America (UN).

ECONOMIC DATA BOOKS There are five AID Economic Data Books, one for each of the four less developed regions and an abbreviated book of Europe. These loose-leaf books constitute the basic reference source in the Agency for statistical information, based on uniform concepts and screened for reliability, on the general economic structure and current economic trends in each program country.

ECONOMIC MODEL In the most general sense, "models" are highly simplified, formal descriptions of the real world. "Economic models" summarize the reactions of people and institutions (economic units) both to other economic units and to their economic environment. The construction of such models involves considerable simplification of actual conditions. This is done through simplifying assumptions or propositions about the behavior of economic units (or aggregates) and about various technical relationships. These relationships are generally expressed by mathematical equations (though this need not necessarily be done). Equations provide precise statements and simplify further analysis.

Approximations of the real world by models have various uses. Their aim may be to explain past events or to predict the future. They may be used to estimate performance standards needed to achieve quantitative objectives. Their usefulness is dependent upon the reasonableness of their approximation of the real world.

EEC European Economic Community (Common Market).

ETAP (UNETAP) UN Expanded Technical Assistance Program.

EXIMBANK Export-Import Bank (U. S.).

FAO Food and Agriculture Organization (UN).

FOOD FOR PEACE Program for distributing U.S. surplus agricultural commodities overseas under PL-480.

FY Fiscal Year. The U. S. Government financial year beginning July 1 and ending June 30. The number of the FY is determined by the number of the calendar year (CY) in which the FY ends, e.g., FY 1965 began July 1, 1964 and ends June 30, 1965.

GNP Gross National Product. The value of all goods and services attributable to the factors of production supplied by residents of the country.

GOX Government of Country X.

HOST COUNTRY A country with which AID is cooperating in the conduct of a joint program.

IAD Implementation Approval Document. A document executed by the appropriate Assistant Administrator of AID which authorizes final negotiations at the operating level for obligation of money for specific projects. These projects come within the financial planning levels previously approved by the Administrator in the OYB process.

IBRD International Bank for Reconstruction and Development. Also known as the World Bank (UN).

IDA International Development Association. An organization administered by the IBRD to make loans on easier terms than those for regular IBRD loans.

IDB Inter-American Development Bank. - (English). In Spanish: (BID).

IFC International Finance Corporation. Also administered by IBRD to make equity investments and loans to private entrepreneurs.

IMF International Monetary Fund (UN).

INFRASTRUCTURE Fixed facilities needed in support of economic activities, i.e., roads, dams, power, ports, etc.

LAS Long-Range Assistance Strategy. A comprehensive analytical document designed to provide AID with a more detailed and longer-term basis than the CAP for country program development and approval. The document thoroughly examines the potential, problems and program for development in the host country and identifies the goals, level, emphasis and techniques of assistance and the corollary U. S. actions and policies best suited to promote economic, social and political objectives within the country.

L/COM Letter of Commitment. An authorization issued by AID to a U. S. bank selected by a borrower/grantee to accept instructions from the borrower/grantee to issue one or more commercial letters of credit or to make payments by other means to suppliers of the commodities and/or services specified in the letter of commitment up to the dollar amount and under the conditions specified therein. At the same time, the L/COM is an unconditional guarantee to the bank that if it makes payments to suppliers as so authorized, AID will reimburse it therefore.

LDC Less Developed Country.

LOCAL CURRENCY Currency of the cooperating country, either U. S.-owned or otherwise.

MAAG Military Assistance Advisory Group responsible for U.S. assistance to the military program in a country.

MO Manual Order. An official statement of regulations of AID. Numbered and indexed sets of these Orders are available in each field Mission.

NAC National Advisory Council on International Monetary and Financial Problems (U. S.).

NSC National Security Council (U. S.).

OAS Organization of American States.

OBLIGATION AID's legal commitment to expend money for agreed upon purposes. De-obligation is the cancellation or reduction of an obligation because the funds are no longer required for the particular purpose. Re-obligation is the obligating for a second time of funds previously de-obligated.

OCAM Afro-Malagasy Common Organization - a grouping of former French states in West Africa and the Malagasy Republic, organized for closer cooperation among them.

OECD Organization for Economic Cooperation and Development. Members are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK, and the U.S.

OPEX Operational and Executive Personnel for Civil Service. UN program of supplying personnel for executive positions in less developed countries.

OYB Operational year budget - a periodic statement of the status of plans for the use of current FY funds.

PA Procurement Authorization. Form used by AID/W in approving and authorizing the cooperating country to procure the non-project commodities commercially.

PAAD Program Assistance Approval Document. The document by which the responsible AID official approves a "Program Assistance Activity" for obligation and implementation.

PARTICIPANT A cooperating country national sent to the U.S. or elsewhere for formal or observational training under a PIO/P.

PASA Participating Agency Agreement under which a U. S. agency assists AID in the foreign assistance program.

PIO Project Implementation Order. Forms for ordering the filling of project requirements. There are three types of PIO's: PIO/P, PIO/T, and PIO/C. In essence, the Staffing Pattern Action Request is also a PIO.

PIO/C PIO for Commodities.

PIO/P PIO for Participant Training

PIO/T PIO for Contract Technicians or Contract Services.

PIPELINE Fiscal pipeline refers to those funds which have been obligated but not yet expended.

PL-480

Public Law 480, the Agricultural Trade Development and Assistance Act of 1954 (since extended and amended) provides for disposal of surplus agricultural commodities to expand markets for American farm products, assist needy peoples, promote the economic development of friendly nations and further the foreign policy of the U.S.

Title I - Sales for local currencies; Title II - Grants for relief (Section 201) and grants for economic development programs (Section 202); Title III - Donations to voluntary agencies and barter; and Title IV - Long-term sales for dollars.

POL

Petroleum, oil and lubricants; petroleum products.

PLANNING

Analysis of requirements and formulation of alternative choices leading to a definite series of actions to achieve particular objectives.

PROAG

Project Agreement. Refers to the form and to the agreement itself. The formal document by which the USAID and the recipient government agree to a joint plan of action and undertake to commit specific resources for a stated purpose.

PROGRAMMING

Allocation of resources for particular uses.

PROGRAM
ASSISTANCE

Aid of a "non-project" nature, generally in the form of commodities, to provide resources to a cooperating country where the totality of resources made available, rather than their particular use, constitute the primary U.S. concern.

PROGRAM CYCLE

Refers to the steps between the initial planning and the final expenditure of program funds. Major steps in the program cycle are:

- | | |
|-------------------------------|----------------|
| 1. CAP | 5. IAD & PAAD |
| 2. CASS | 6. Allotment |
| 3. Congressional Presentation | 7. Obligation |
| 4. OYB | 8. Expenditure |

PROJECT ASSISTANCE The provision of specified resources or financing for a particular end use.

RE-OB

Re-obligation. See Obligation.

- SA Supporting Assistance. Aid whose primary purpose is to further urgent U.S. national security and foreign policy objectives in selected countries.
- SEATO Southeast Asian Treaty Organization, composed of Australia, New Zealand, Pakistan, Philippines, Thailand, France, U.K., and U.S., to promote regional military and economic cooperation.
- SECTOR A division of the national economy, national product or national income into various groupings, e.g., agriculture, manufacturing (in National Accounts); export sector and production for internal use; traditional sector and modern sector. Each of these groupings is legitimate, depending on the purpose of the division. (From National Planning Association paper.)
- More specifically, in the case of National Accounts,
- "A Sector is a level of economic aggregation between a national economy and an individual project or firm. In manufacturing, a sector is similar to the economic concept of an industry. In countries at the lowest stage of development, AID might distinguish only two sectors: agriculture and commerce and industry. In more developed countries, a larger number of sectors might be distinguished: power, transport, irrigation, agriculture, cement, steel, non-ferrous metals, etc. The choice should be based on such factors as the organization of decision-making in the economy and government, the percentage of AID Mission. *** The critical issue is economic interdependence - certain areas are more closely related than others. The trick is to so define the sectors as to focus attention on the analysis of critical alternatives which AID might influence." (From Rand Corporation report to AID).
- SF (UNSF) U. N. Special Fund.
- SLC Special Letter of Credit. A transferable U. S. dollar commercial letter of credit issued by a U.S. bank for the account of AID, under the terms of which the beneficiary country may use it to pay U.S. suppliers for goods of U.S. source and origin imported into that country. In return for this dollar asset, the beneficiary country makes available an equivalent amount of

its local currency which is used by the USAID to pay local costs of projects for economic and social development in that country.

SPAR Staffing Pattern Action Request. Form used by a Mission to establish, modify, or eliminate a position listed on the Mission's staffing pattern.

TA Technical Assistance.

TC Technical Cooperation.

TECHNICIAN An individual sent to a cooperating country to furnish technical assistance. Technicians may be AID direct-hire technicians, contract technicians, or participating agency technicians.

TIED AID Loans or grants conditioned on their use to purchase goods or services from the country providing assistance.

UNTAB United Nations Technical Assistance Board.

USAID AID field office or overseas Mission. Specific Missions are referred to by adding the name of the capital city of the country in which the USAID is located.

USOM United States Operations Mission - Predecessor agency to AID. Still in use by a few overseas missions.

USRO U. S. Mission to the North Atlantic Treaty Organization and Organization for Economic Cooperation and Development.

WHO World Health Organization (U. N.).

UNESCO United Nations Educational Scientific and Cultural Organization.