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DRAFT FINAL REPORT

**ORGANIZATION AND MANAGEMENT
OPTIONS FOR USAID'S REGIONAL
SUPPORT MISSION FOR EAST ASIA**

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INTRODUCTION

The development assistance programs of multilateral and bilateral donors and private foundations have unique management and organization styles that reflect their objectives and bureaucratic requirements. There are limits to comparisons of these models to USAID, however, because USAID has traditionally operated as an instrument of U.S. foreign policy. This role of foreign aid is distinct from any of the other models. Even today amid growing criticism of USAID programs by the new Congress and the movement to revamp and scale back the foreign aid program, the priorities for peace and stability remain. The bulk of foreign aid continues to support stability, targeting the transition economies of Eastern Europe and the former Soviet Union, as well as the peace process in the Middle East, while significant cuts are proposed for traditional foreign aid regions, such as Africa, Latin America and Asia, where communism has declined significantly.

While U.S. foreign policy continues to take a leadership role in promoting stability around the world, there is growing interest in promoting U.S. economic interests. Economic security in a world economy that is increasingly integrated and more competitive seems to take on greater importance. President Clinton's efforts to promote the GATT, and regional trade frameworks, such as NAFTA, AFTA and APAC, and his forthright lobbying in overseas markets for U.S. business interests enjoy bipartisan support indicating a new emphasis on U.S. economic interests. The trend towards more explicit pursuit of U.S. commercial interests is more in line with other bilateral donors such as Canada, Australia and Japan who promote commercial interests as an integral part of their foreign aid programs.

The ability of the RSM to articulate U.S. interests in its region, particularly the Greater Mekong Subregion and its importance within Asia, in terms of stability and U.S. economic interests is of particular importance for future funding levels which will affect the organization and management of the RSM. The arguments that most of the funding will go to democracy, environment and health population may not necessarily be compelling arguments with the new Congress unless there are clear arguments favoring stability and U.S. economic interests.¹

The arguments in the RSM's Regional Strategy and their receptivity in Washington will influence the funding levels and the management and organization of the RSM in the future. The presentation in this report of management and organization models of other donors and the implications for USAID in Part I, and the assumptions about potential funding levels and organization and management options for RSM in Part II provide an overview of the possibilities for the organization and management of the RSM over the next five years.

¹The discussion held between RSM, The Asia Foundation and DAI on November 11, 1994, focused on the importance of clearly articulating U.S. interests in the region in terms of stability and U.S. economic interests. Bill Fuller, President of The Asia Foundation, argued that one of the problems in Washington today is the lack of appreciation of the importance of Asia to U.S. interests.

PART I

COMPARATIVE ANALYSIS OF ORGANIZATION AND MANAGEMENT MODELS

The purpose of this study commissioned by the RSM is to analyze how other donors deliver foreign aid programs through different management and organization approaches. The profiles of other donors provide some new ideas as well as comparisons for RSM's own organization and management.

DAI completed eight profiles of the following organizations as requested by the RSM²

- the World Bank, representing a multilateral development model,
- the Canadian International Development Agency (CIDA) Japanese implementing agencies of foreign aid including Japanese International Cooperation Assistance (JICA) and the Overseas Economic Cooperation Foundation (OECF) and the Australian International Development Assistance Bureau (AIDAB) representing three bilateral models,
- the Ford Foundation as a foundation model and
- USAID regional programs for Europe and the Newly Independent States (ENI) REDSO East and South Africa (ESA) and REDSO West and Central Africa (WCA) and ROCAP in Central America

Although other donors do not have the same overall objective as the U.S. foreign aid program, there are lessons to learn from other models of foreign aid delivery that apply to the new era for USAID and specifically for RSM. As the Agency attempts to scale back its operations worldwide, it should strive to implement cost-effective approaches to maintain its comparative advantage of establishing very close ties in-country to influence decisionmaking and to meet development needs at the local level.

The comparative analysis of other models summarized below include key issues that affect organization and management approaches. The issues explored include objective of the organization for the disbursement of foreign aid, advantages and disadvantages of different roles for headquarters and regional and bilateral offices, or the relationship between center and periphery, and comparative advantages and disadvantages of various donors.

The Objective of Donors

USAID is different from multilateral and foundation models in that U.S. foreign aid is closely tied to foreign policy objectives relevant to U.S. strategic interests. One of the biggest challenges for USAID since the end of the Cold War has been to redefine the Agency's role in a new era where there is

²Each profile is included in the annexes of this report.

no clear security threat. During the Cold War, fighting communism through foreign policy instruments including development assistance and Economic Support Funds satisfied liberal and conservative causes -there was bipartisan support for U S foreign aid worldwide

Since the collapse of the Soviet Union and the emergence of transition economies, there is less consensus about foreign aid programs. Commercial interests, humanitarian needs and development objectives are important to U S foreign policy, but these objectives do not enjoy the same bipartisan support for the funding levels and worldwide presence of USAID over the past three decades. One of the challenges of the current regional strategy is to articulate clearly the strategic interests of the United States in the Greater Mekong Subregion. These interests are primarily focused on promoting stability through economic integration and broader political participation in a region emerging from almost two decades of communist domination. As mentioned earlier, promoting private sector development and U S business interests in new markets is also important. Humanitarian, commercial and development interests within the context of broader U S interests will probably have greater support in the new Congress than democracy, environment and health standing alone. It can be argued that democracy, health and environment take on much greater relevance in the context of broader U S interests.

Why is a discussion of U S interests relevant? First, the comparative advantage of USAID programs in the past has been the ability to work effectively at the country level, perhaps better than any other donor. USAID missions adapted to the local conditions, client needs and local requirements by giving authority to bilateral missions to manage in-country programs. This capability resulted in influence and relationships that generally gave the United States substantial influence and leverage. Second, USAID's comparative advantage is also a disadvantage. The tight controls placed on procurement, congressional oversight and reporting are closely tied to government foreign policy and mandates. The functional services required to support a strong in-country presence increases overhead costs above those of most other bilateral donors.

Other bilateral donors operate much differently. The Australians, for example, have explicit objectives to increase their commercial interests in the region. AIDAB looks for direct commercial returns for every development dollar invested. The Japanese also are very interested in opening new markets through foreign aid programs. Although an estimated 75 percent of Japan's foreign aid is not tied to purchases of Japanese goods and services, Japan's private sector is heavily involved in the design and implementation of foreign aid programs, generating large downstream business opportunities. Japan unabashedly pushes its products, including construction and hospital equipment, vehicles and other commodities, to open new markets through foreign aid. The U S has commercial interests, but they are ranked below overall strategic interests aiming at stability. As a superpower, the U S sees itself as the country responsible for stability and peace around the world.

The multilateral development banks and foundations have still different objectives. The World Bank is primarily focused on moving large amounts of money through loan disbursements. Ford Foundation is entirely self-financed through an endowment fund and has much greater latitude than any of the other donors to stimulate innovation in development -for the sake of development. Ford Foundation can afford to fund smaller, more risky projects because there is no bottom line, nor are there

³For example, for every dollar invested in China, AIDAB estimates a return of \$300 to Australian private organizations, including education institutions and private firms.

commercial or foreign policy imperatives

The objective of a donor organization particularly for disbursement of development aid drives internal incentives, either explicitly or implicitly, that affect the management and organization. USAID's long standing emphasis on devolving authority and program implementation to the country level resulted in strong inertia among USAID senior managers to grow their budgets and staff and build independent missions that work closely with the U.S. ambassador and host government. Decentralized operations at the bilateral level fostered this kind of organizational behavior.

USAID's traditional approach to country operations and expenditures is changing. The Agency has already closed 23 overseas missions and there is pressure to further reduce operating costs and programs. RSM and the countries in its portfolio will have to find more cost effective approaches to implement development programs as funding levels shrink.

Center-Periphery Models

The Headquarters-Dominant Model

Most of the non-USAID models with the exception of Ford Foundation have a dominant headquarters approach to managing overseas projects. The headquarters-dominant model places very limited staff and authority in the field offices and almost all service functions such as legal advice, contracting, disbursements, program and project design and implementation are managed from headquarters. CIDA, AIDAB, Japan JICA, OECF, and the World Bank allow very limited responsibilities in the field. The primary role in field offices, whether regional or bilateral, is monitoring, reporting and coordination functions. The regional offices of some donors add another layer of coordination capability and some economies of scale. The headquarters-dominant approach offers cost savings but significantly limits local influence.

The other bilateral donors do not have USAID's decisionmaking and service functions in field missions. CIDA's regional office in Singapore covers most of Southeast Asia. Many of CIDA's regional programs are managed from Ottawa. Support to regional institutions such as the Asian Institute of Technology provide limited returns to CIDA because dollars invested have little influence or visibility for CIDA. Bilateral missions also have coordination functions. Headquarters in Ottawa drives the process and makes almost all major decisions. This is a change from two years ago when there were larger field missions with contracting officers. CIDA recentralized operations to cut costs. The result of recentralization was much slower decisionmaking, often taking up to three months instead of two weeks which was common under the previous decentralized model. CIDA has recently given field offices greater flexibility to manage day-to-day operations through Project Support Units (PSU's) to respond to the diverse management challenges found at the local level. Many of the services provided by these PSUs are contracted out to private Canadian consulting firms who work closely with local CIDA staff seconded to the PSU.

AIDAB also is managed from Canberra but it allows field missions to manage small funds with high visibility and extensive networking in country. This local network and management of small development projects keeps the field offices closely engaged with local organizations. These small funds for AIDS/HIV, environment, rural development and health allow AIDAB to operate almost like a

foundation. There is considerable flexibility and innovation that allow a significant degree of local presence and impact. There is no regional office for AIDAB.

The World Bank operates almost entirely from Washington. All designs and consultancies are managed from headquarters. Loan and grant decisions are made there as well. The regional office in Bangkok, for example, covers four countries with only one expatriate staff. The Wappenhans Report criticized the Bank for being overly concerned with loan disbursements rather than development objectives. The United States recently criticized the World Bank and the Asian Development Bank at ICORC meetings in Paris for not having a local presence to increase the level of disbursements in Cambodia where development aid is badly needed to support fragile stability and the Bank's disbursement record is poor.⁴ The U.S. argument is that a local presence is absolutely essential to develop the relationships with the host government agencies to disburse funds that support effective development projects. This view comes from USAID's comparative advantage, that effective development programs require a local presence in country.

The Ford Foundation has active regional and bilateral programs managed with limited expatriate staff. With independent funding through a \$7 billion endowment fund, the Foundation has the luxury of relaxing reporting requirements of grantees. The emphasis is placed on innovation generated from grantees in the field. This requires a staff in the field that is pro-active and substantively involved. Broad guidelines are determined by headquarters in New York, but field missions develop the country and regional strategies. This model offers flexibility and low cost, high impact returns.

There are salient characteristics associated with the headquarters dominant model employed by most agencies that are distinct from USAID's comparative advantage of operating at the local level.

The advantages of the headquarters dominant model include:

- Cost savings
- Control over field operations from headquarters, and
- Greater consistency across country programming.

The disadvantages of the headquarters dominant model include:

- Limited influence at the local level
- Limited authority in the field, often resulting in a slower decisionmaking process, and
- Limited ability to develop valuable relationships with high level government officials that are critical to implementing effective development programs.

⁴The World Bank representative in Bangkok points out that the Bank's operating budget will be cut by 11 percent over the next two years under heavy pressure from the United States. This constrains the Bank's ability to open new missions without a reasonable level of disbursements to justify the local presence and the associated high cost.

Regional Models

The regional model is used by most donors to allow regional coverage in providing services to bilateral programs and to coordinate efforts within the region. Most regional offices provide support to bilateral programs in the region. USAID is the only donor that provides significant staff and resources to bilateral programs through regional hubs. E/NI, REDSO and RSM are examples. CIDA, Ford Foundation, Japanese ODA, and the World Bank have much leaner regional operations. AIDAB does not have a regional office overseas to support bilateral programs.⁵ The exception to regional offices in support of bilateral offices is the World Bank, which has a regional office in Bangkok to cover Laos, Cambodia, Burma and Thailand in lieu of bilateral offices.

Regional offices add another level between headquarters and bilateral offices to provide information, coordination, additional services and economies of scale. None of the other donors' regional offices, with the exception of Ford Foundation, provide more than coordination support from the regional offices. The regional offices of the World Bank and CIDA typically have limited staff of not more than 2 expatriates; they do not have line authority over budget and program decisions. They report directly to headquarters and provide some guidance.

USAID regional offices provide technical and administrative services but do not have authority over program budgets. USAID's regional hubs, such as USAID/Moscow, are much larger than those of other donors. E/NI bilateral missions report to Washington where decisions are taken about program funding and project design and services are contracted. Bilateral missions are primarily responsible for project implementation in coordination with ENI's Project Development Office. REDSO regional offices provide technical and administrative support to 22 countries in Africa.

Most donors have begun to program funds to address regional issues. Regional programs are complementary to bilateral programs, which still dominate in terms of funding levels. One key aspect of most regional programs is the involvement of bilateral staff, who participate in the elements of the regional program for their country. Bilateral staff often provide input into program design and select local participants who will participate in the regional activity. Bilateral offices also can propose ideas for funding by a regional program.

As international and regional economic integration increases, there are more cross border issues that require transnational solutions. Many donors provide funding to regional organizations with established programs, thereby reducing overhead and startup costs. Some of these organizations already exist, such as the Mekong Secretariat, South East Asian Ministers for Education Organization (SEAMEO), Asian Institute of Technology (AIT), Asia Institute of Management (AIM), and ASEAN. Other approaches to regional programming include funding existing organizations that develop regional programs, or creating new regional organizations.

⁵AIDAB's eight regional offices are all based in Australia. They provide support to the large education and training programs at Australian universities and training institutes for participants from developing countries. The bilateral offices in Harare and Pretoria have some responsibilities for neighboring country programs.

Ford Foundation has two kinds of regional programs. One cuts across different countries under the Southeast Asia regional office based in Jakarta serving the Philippines, Vietnam, Thailand and Indonesia. Another regional program is managed from headquarters in New York and includes two 'cost centers' in the regional program. For example, the Southeast Asia 'cost center' and another major program such as China would have to be included to qualify for headquarters regional program funding.

CIDA supports three kinds of regional programs funded through ASEAN institutions, regional institutions, and regional programs run by organizations based in Ottawa. A regional institution activity, for example, funds a natural resource program at AIT providing support to improve the program and scholarships destined for officials from selected countries, including China, Vietnam and Laos. The World Bank is not as oriented toward regional programming because it disburses most funds on a bilateral basis through loans and grants.

Japan has begun a new regional approach, the South-South Cooperation Program, sometimes referred to as the "triangular" program. Japan provides assistance to certain countries to manage assistance to developing countries in the region. Examples include assistance to Turkey for further lending into Central Asian republics and grant assistance to Indonesia and Thailand for providing technology transfer in selected fields in Cambodia. This scheme offers interesting opportunities in capacity building through tapping the resources of rapidly growing countries with similar economic and cultural characteristics to provide technology and advice to their less developed neighbors.

There are tradeoffs to funding regional institutions. There is very limited overhead cost in funding a program through an established regional institution. Some of these institutions have old agendas and a negative legacy. It is questionable, for example, whether the Mekong Secretariat would be useful as it currently exists to implement environment programs even though in theory the organization has an extremely important mandate. The amount of investment to strengthen the Secretariat may be prohibitive and probably is not within the funding capabilities of USAID. Even if other donors strengthened the Secretariat sufficiently, USAID would probably not have much influence. At the same time, funding targeted activities through a stronger Mekong Secretariat or a credible regional institution would provide positive development returns even if recognition of the donor is low.

Cost Containment Strategies

There are several factors that allow for cost containment: economies of scale in regionalizing or centralizing functional services, new funding mechanisms to allow flexibility and privatization of services, and telecommunications technology.

Economies of Scale

Regionalized and centralized services allow donors to manage functional services or coordination capabilities in a regional city or headquarters to serve multiple countries. No other donor organizes its functional services in regional hubs like USAID. A local presence is almost always required to coordinate activities and provide valuable information and contacts for headquarters. The E/NI model represents cost savings through a headquarters dominant approach with regional hubs providing services to smaller country programs. REDSO offers additional services to bilateral programs without the same centralized management style of E/NI. Other donors have cut way back on overseas

staff and manage programs directly from headquarters in an effort to cut costs

Private Delivery of Technical Services

if desired -

New funding mechanisms allow greater flexibility at all levels, including headquarters, regional and bilateral offices, to fund regional programs and to contract out services. Donors are increasingly relying on private organizations, including PVOs and private firms to implement their development programs, from design to implementation, to evaluation. CIDA in Bangkok relies on a Canadian company to provide its logistical and administrative support through PSUs. CIDA and AIDAB both rely heavily on private service providers. RTSP and RTP are examples of flexible contracts that allow a variety of administrative, logistical and technical support. E/NI and REDSO also have flexible contracts to allow rapid delivery of technical and administrative services. The Bank implements all long term technical assistance programs through private contractors. Japan's implementing agencies are studying USAID's contracting mechanisms in an effort to revamp their inefficient delivery of Japanese ODA.

Telecommunications

cost effectiveness

Telecommunications technology allows for integrated management information systems at all levels of operation. The Ford Foundation recently implemented an integrated financial information system that allows the bilateral, regional and headquarters offices to integrate financial data. This new capability reduces overhead costs, requires less field staff and increases management oversight of field operations from headquarters without restricting flexibility in the field.

Electronic mail allows field offices to keep in close contact with headquarters, drawing on technical and administrative expertise and providing field information for decisionmaking. This technology has improved information flows tremendously, although personal relationships with key players in headquarters are still critical for successful influence from the field.

- or run out of headquarters -

Headquarters dominant models in particular must rely on information management, monitoring and evaluation systems to compensate for smaller field presence and to manage operations in the field. E/NI is designing a project monitoring system to meet legislative and executive directives for effective and proactive field monitoring in all countries. The integrated electronic management system for monitoring and programmatic reporting is standardization and electronic file compatibility for centralized easy information access to all users in the E/NI Bureau.

A regional mission like RSM that provides training, technical assistance and functional services to multiple countries would benefit from similar information management technology as that employed by E/NI and other donors like Ford Foundation and CIDA.

Managing Operating Costs

Donors vary in their operating margins and indicators, but all share a strong interest in reducing operating costs. Each donor has its own guideline for cost management. Bilateral and multilateral donors are increasingly concerned about reducing costs. CIDA has reduced its overseas staff from 300 to 100 over the past two years. The World Bank is reluctant to place headquarters staff in Cambodia and

Laos because program levels do not justify the high costs of placing staff overseas

The ratio of expatriate staff to program disbursements is one measure for overseas staffing patterns. The Australians operate lean offices, with the informal target of 1 expatriate staff for every \$10 million of project funds per annum. Ford Foundation has ratios of approximately 1 \$1 million, although the ratio increases to as high as 1 \$8.4 million if all active grants are taken into consideration. Ford strives to hold overhead costs at no more than 20 percent for the foundation.

RSM Levels

E/NI programs of \$10-15 million generally require 5 U.S. direct hires, including Mission Director, a Controller, Program Officer, an Administrative Officer and a local staff person. For every \$5-10 million in program assistance, AID/W authorizes the addition of another USDH. On average, every USDH located in the field costs \$100,000 more than a Washington, D.C.-based staff person. E/NI is seen as very cost effective because their Washington-based centralized model of organization and management cuts in half the number of overseas USDH support staff.

Implications for RSM Organization and Management

There are implications from the above discussion that might guide RSM's organization and management plan and regional strategy.

Adding Value to USAID's Comparative Advantage USAID's comparative advantage within the donor community is a strong local presence through bilateral programs. Although RSM does not manage any bilateral programs directly, its role should be to provide added value to the bilateral programs within its portfolio. The effective delivery of administrative and technical and training support, both from within the RSM and through private entities, are very important to the implementation of effective regional and bilateral programs.

- *Establishing Positive Incentives* Each bilateral program should have concrete incentives and value added to their program through the services provided by the RSM. The new era of bilateral programs should establish clear performance ratings based on cost efficiency, high impact development programs, and regional programs that complement bilateral programs to replace the old system of incentives of growing large budgets and staff. The RSM should be rated on the efficiency and relevance of the services offered.

Creating A New Regional-Bilateral Relationship For Regional Programming and Programs Given funding cuts and pressure from Congress, USAID will not operate in a business as usual way. RSM should look for regional services, technical or administrative, that allow sufficient flexibility for bilateral programs to respond to local requirements. RSM should not detract from the local authority of bilateral representatives, but solicit counsel and bilateral inputs into regional programs. This calls for a new partnership and collaborative programming and design for maximum use of limited resources. RSM should provide support to new project designs and work with bilateral offices to develop innovative solutions to bilateral and regional development problems. Bilateral programs should have a sense of "ownership" of regional programs through design and selection of participants and technical assistance and training delivery methods.

- *Implementing New Development Assistance Mechanisms* There are many options for funding

and implementing development assistance through regional institutions, third country partnerships, quasi foundation programs that allow innovation networking and local impact multi-country programs and bilateral programs RSM has the comparative advantage of allowing the bilateral programs in the region to benefit from regional experience and to solve problems from bilateral and regional angles, particularly in Indochina RSM should attempt to leverage the large U S investments in multilateral banks, such as the World Bank and the ADB, and to work with U S private organizations, including NGOs and private firms, that have operated in Indochina for many years RSM's regional contracts, RTSP and RTP, offer flexible and creative avenues to implement development assistance on a bilateral and regional basis Thailand also offers the unique opportunity to access Thai development aid and resources for regional development

- *Applying New Technology* Information management systems could provide a useful tool to ensure closer cooperation and partnership with bilateral programs This technology allows greater monitoring and management of regional programs that share objectives and goals with bilateral programs promoting an interactive strategic approach to development management that integrates the operations and technical and administrative functions of headquarters, regional and bilateral offices

PART II

ORGANIZATION AND MANAGEMENT OPTIONS FOR RSM/EA

Introduction

Currently the RSM/EA supports the USAID missions in Cambodia, Mongolia, Sri Lanka and Nepal, with legal, contracting and financial management services, and other services for Singapore and Japan. For Mongolia and Cambodia, the RSM also provides design, training and logistics support. In Cambodia through the RTSP, the RSM has implemented a training project, and designed two projects funded by bilateral monies. It is anticipated that the RSM through the RTSP will implement one more project in Cambodia. Also, the RSM will implement two projects in Mongolia one through the RTSP, and one through RTP. Limited RSM/EA assistance is also provided to US NGOs operating in Vietnam and Laos as well as to those working with Burmese displaced persons along the Thai Burma border.

As the Cambodia Mission support staff grows, it is anticipated that fewer support services will be required from the RSM. The RSM is currently in the process of designing a strategy for potential additional programs in Vietnam, Laos, Burma and China. The RSM's regional program is based in Thailand where it works with DTEC on a government to government basis and with other Thai and international institutions to design and implement its regional programs. In addition to the above functions, the RSM is in the process of phasing out the Thailand bilateral program. The RSM in Thailand will have only regional responsibilities.

The RSM EA is currently providing a variety of support services to USAID missions as summarized above. Organization and management options will be heavily influenced by the size and nature of the USAID programs in the region. The operational role of the RSM will be influenced by the rate of expansion of the USAID programs to Laos, Vietnam, Burma and China.⁶ Also consideration should be given to placing the Philippines and Indonesia under the RSM umbrella.

RSM's Bangkok location is important in that Thai institutions which have been built up with many years of USAID programs can now be used by USAID to train and provide services to RSM's regional clients in joint programs. Bangkok also is the logical point of entry into the Greater Mekong Subregion, with easy logistics and communications and the location for many regional institutions that operate regional programs in the subregion.

⁶This report does not consider expansion of new bilateral programs to China, Vietnam, Burma and Laos per guidance from RSM/EA. In the absence of bilateral programming in these countries, RSM would manage all activities described involving these countries.

REGIONAL AND BILATERAL PROGRAMS FUNDING LEVELS AND CONFIGURATION ASSUMPTIONS FOR FY 1996 TO 2000

There are four scenarios described below reflecting alternate funding levels during fiscal years 1996 to 2000 that will affect the management and organization of the RSM. These assumptions are based on the number of countries in which USAID has programs, levels of funding for each country in the region, and RSM's role in the current region as well as an expanded role beyond the current regional configuration that might include USAID/Indonesia and USAID/Philippines. These scenarios are summarized in Table I below.

Bilateral Programs will be supported by the RSM through bilaterally funded Regional Programs consisting of technical assistance, training and commodities. Funding assumptions for Regional Programs do not include RSM's management, contracting, finance and legal services, which are reflected in the RSM's operations and expenditures budget. In each of the four assumptions, part of the regional activity funding is from bilateral sources, as indicated. Funding of Regional Programs could be requested from the ESF since the program supports U.S. strategic and political interests in the region.

Assumption A

<i>Total funding level</i>	<i>\$48.0 million annually</i>
Bilateral funding	\$37.0 million annually
Regional funding	\$11.0 million annually (\$5.5 million from bilateral sources)



(1) **Cambodia** Remains at a \$40 million annual level over the five years. Configuration is assumed to be as presented in the September 1994 USAID/Cambodia Strategy Report. Beginning in FY 1996, technical assistance and training in economic management will commence as will major efforts in health and democracy. An estimated \$5 million from bilateral sources would be programmed through RSM annually.

(2) **Mongolia** Will taper off from \$3.5 million in FY 1996 to \$2 million in FY 2000 for an average of \$2.5 million during the five year period, concentrating on microenterprise, environmental and economic management. An estimated \$5 million from bilateral sources would be programmed through RSM annually.

(3) **Vietnam** Support to NGOs at an estimated \$2 million annually in one or more of the following sectors: population, health, democracy, economic growth and environment. Program options and delivery mechanisms are contained in other reports. These programs would be managed from the RSM.

(4) **Laos** Support to NGOs at an estimated \$1 million annually in one or more of the following sectors: population, economic growth, health, democracy and environment. Program options and delivery mechanism are contained in other reports. The RSM would manage activities through regional programs.

(5) **China** No program.

(6) **Burma** No program

(7) **Thailand** Regional training activities are estimated at \$1 million annually implemented jointly with DTEC through the Regional Training Project. An additional \$1.5 million annually would support activities implemented through NGOs and the Regional Technical Support Project.

Assumption B

<i>Total Funding</i>	<i>\$58.0 million annually</i>
Bilateral Funding	\$37.0 million annually
Regional Funding	\$21.0 million annually (\$5.5 million from bilateral sources)

(1) **Cambodia** Same as A(1)

(2) **Mongolia** Same as A(2)

(3) **Vietnam** In addition to the program in A(3) enter into a partnership effort with the U.S. private sector in Vietnam for a total of \$5 million annually. Program options and delivery mechanisms are contained in other reports. The Vietnam program would be managed from the RSM.

(4) **Laos** In addition to the program in A(4) commence a human resources development program for a total of \$2 million annually. Program options and delivery mechanisms are contained in other reports. RSM would manage the program.

(5) **China** Partnership with U.S. private sector \$3 million per year. Program options and delivery mechanism are contained in other reports. RSM would manage the program.

(6) **Burma** Support for NGOs in population, health, environment and democracy for an estimated \$2 million annually, managed by RSM.

(7) **Thailand** Regional Programs would be funded at \$3.5 million annually for training through RTP, NGO support and RTSP, managed by RSM.

Assumption C

<i>Total Funding</i>	<i>\$60.0 million annually</i>
Bilateral Funding	\$37.0 million annually
Regional Funding	\$23.0 million annually (\$5.5 million from bilateral sources)

In addition to Assumption B, technical support and training services are provided to USAID/Philippines and USAID/Indonesia for regionally related activities on a cost shared basis for an estimated \$2 million per year. These activities would be considered part of RSM's regional services.

Assumption D

Total Funding \$45 0 million annually
Bilateral Funding \$37 0 million annually
Regional Funding \$8 0 million annually (\$5 5 million from bilateral sources)

- (1) **Cambodia** Same as Assumption A(1)
- (2) **Mongolia** Same as Assumption A(2)
- (3)-(6) **Vietnam, Laos, China and Burma** No program
- (7) **Thailand** Same as A(7)

<p align="center">Table 1 REGIONAL AND BILATERAL PROGRAM FUNDING LEVELS AND CONFIGURATION ASSUMPTIONS, FISCAL YEARS 1996 2000 (Average Annual US Dollars in Millions)</p>								
Country	Assumption A		Assumption B		Assumption C		Assumption D	
	Bilateral	Regional	Bilateral	Regional	Bilateral	Regional	Bilateral	Regional
Cambodia	\$35 0	\$5 0	\$35 0	\$5 0	\$35 0	\$5 0	\$35 0	\$5 0
Mongolia	\$2 0	\$0 5	\$2 0	\$0 5	\$2 0	\$0 5	\$2 0	\$0 5
Vietnam	0	\$2 0	0	\$5 0	0	\$2 0	N/P	N/P
Laos	0	\$1 0	0	\$2 0	0	\$2 0	N/P	N/P
China	N/P	N/P	0	\$3 0	0	\$3 0	N/P	N/P
Burma	N/P	N/P	0	\$2 0	0	\$2 0	N/P	N/P
Thailand Regional	N/P	\$2 5	N/P	\$3 5	N/P	\$3 5	N/P	\$2 5
Other Bilateral	0	0	0	0	0	\$2 0	0	0
Subtotals	\$37 0	\$11 0	\$37 0	\$21 0	\$37 0	\$22 0	\$37 0	\$8 0
Combined Total	\$48 0 million		\$58 0 million		\$60 0 million		\$45 million	

ORGANIZATION AND MANAGEMENT OPTIONS FOR THE FOUR FUNDING LEVEL ASSUMPTIONS

Economies of scale and cost savings will result through RSM operations in Bangkok for any of the options described below. There are clear advantages in separating regional from bilateral operations from a management perspective. This is recognized by the Canadians as well as some of the USAID regional models. Furthermore, Thailand is bordered by three of the least developed countries in the region. Aid delivery to these countries by the RSM, particularly using Thai institutions, is a further cost saving.

The four funding scenarios described above would require different kinds of organization and management configurations. Given the uncertainty of funding levels and number of countries that would be open to RSM involvement, the guiding principle should be flexibility to respond to the emerging regional program over the next 12 to 18 months.

Following are five options for the organization of RSM based on the funding levels described in the previous section. For any of the options, it is strongly recommended that a formal operational structure be established to govern the working relationships between the RSM and the Mission's bilateral programs. At a minimum, an annual meeting should take place in Bangkok to review the regional and bilateral programs and plan the support and operations schedule from RSM.

Option I Regional Support Mission (RSM)

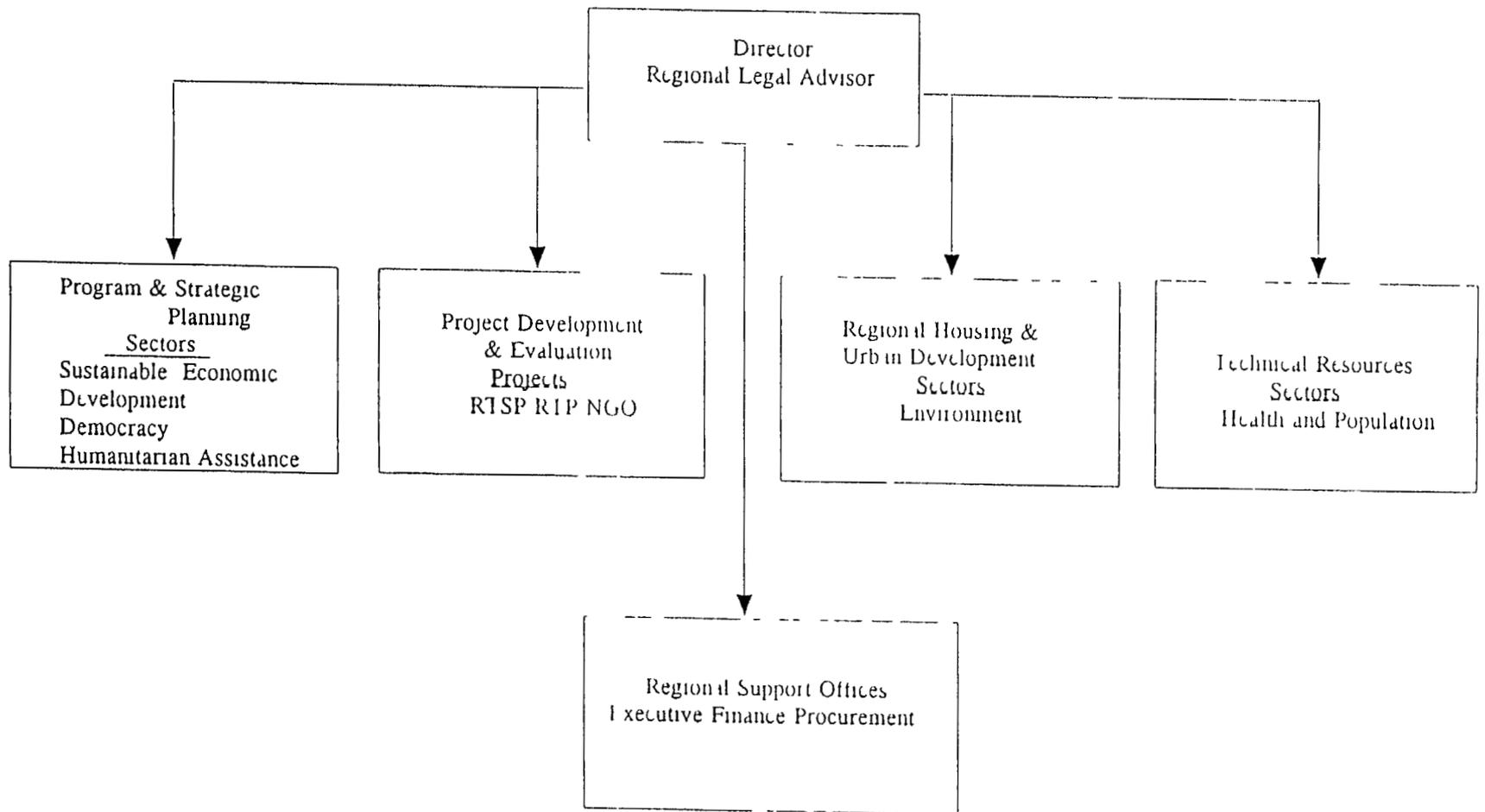
The RSM will continue with the design of the Regional Program in FY 1996 while at the same time continuing support and implementation activities in Cambodia and Mongolia. Under this assumption, regional implementation activities will begin in Vietnam and Laos and regional training activities in Thailand in the second half of FY 1996. The current RSM organization is shown in Figure 1.

With Assumption A funding levels, which include small programs in Vietnam and Laos and training programs in Thailand, a part-time field presence would be required by the RSM staff in Vietnam and Laos and more work with DTEC in Thailand to manage training activities. The amount of time spent by the RSM operational offices in Vietnam or Laos would depend on the sectoral configuration and implementation mechanisms of the Regional Program.

The overall 'operational management' responsibility for implementation of the Regional Programs, according to the approved Strategic Plan, would be in the Program and Strategic Planning Office (PSPO). This office would also be responsible for coordinating intersectoral activities within countries and cross border.

The Project Development and Evaluation Office (PDEO), as the title suggests, would be responsible for project development and evaluation for the Regional Programs, as well as support to bilateral missions in these functions. It would be responsible for monitoring of the Strategic Plan and to

Figure 1
RSM/LA ORGANIZATION



supervise the design of the projects in the Plan

It is recommended that the development of the PVO-NGO support program be the responsibility of this office with consideration being given to utilizing the two regional contracts to actually manage the regional PVO-NGO activities. This would be efficient, since both contracts will be supporting PVO-NGO activities within the Regional Program in Vietnam, Laos and Thailand. It is assumed that all Regional Programs will actually be implemented by NGOs, RTP or RTSP. NGOs will include U.S. private sector companies, professional associations and possibly universities.

The Regional Housing and Urban Development Office (RHUDO) in addition to other regional RHUDO activities has responsibility for managing the environmental sector Regional Programs and to support the bilateral programs, in this function as required.

The Office of Technical Resources (OTR) has responsibility for managing the Population and Health Sector Regional Programs and to support the bilateral programs in this function as required.

The PSPO in addition to overall operational management of the Regional Program has responsibility for Sustainable Economic Development, Democracy and Humanitarian Assistance sectors of the Regional Program and support to the bilateral programs in these functions, as required.

The above four offices currently have 7 direct hires (USDH), 6 PSCs or PASAs and 14 FSNs. Assuming a five year \$11 million Regional Program or \$55 million, the average ratio of a USDH to the dollar level is 1.8. This is more efficient than Sri Lanka which has a 1.7 ratio and in line with Nepal and the Philippines which have ratios of 1.11 and 1.14 respectively. More importantly, the 1.8 ratio should be higher if support by these four offices to the bilateral programs could be factored in since they also provide additional support to the \$37 million annual bilateral programs in Cambodia and Mongolia.

The ratio for total USDHs to program funds is 1.33 if all 15 USDHs currently in the RSM are included in the calculation. This ratio is significantly below the ratios of other bilateral programs. It should be noted that the RSM provides support services to Cambodia, Laos, Nepal, Sri Lanka, Singapore and Tokyo, reflecting a larger portfolio than captured by this ratio. The quality and desirability of these services, and their ability to develop demand for services cannot be measured by an arithmetic ratio.

Option II Regional Operations Missions (ROM)

This option assumes a program in each country of the designated region with a \$21 million annual funding level which would increase the efficiency ratio from 1.8 to 1.15 assuming no more USDHs are added. No additional USDHs are recommended. Increased use of technical and training resources under the RTSP and RTP (as envisioned in the contracts) would fulfill the needs of this higher funding level program.

In addition to the functions described in Option I, two small satellite Regional Operations Offices should be opened in FY 1997, one in Vietnam and one in China. The offices would have no full-time U.S. staff, only one local hire manager and full-time coverage shared by a USDH with staff from an NGO, RTSP or RTP. The main function of these offices would be to maintain liaison with the client to get a first-hand understanding of the effectiveness of the RSM's interventions and get inputs into

future project designs as well as implementation impacts

Option III Regional Operations Mission

This option could be managed under the same assumptions as in Options I and II by shifting the technical assistance and training work in the Philippines and Indonesia directly to the RTSP and RTP

Option IV Regional Support Mission

This option assumes no newly expanded regional program. The uncertainty of the size and configuration of a USAID program in East Asia would still remain under this option. This uncertainty, which requires flexibility, was the basis for establishing the RSM/EA in February 1992.

Certain trends seem to be evolving. The Cambodia Mission is moving towards full bilateral mission status, requiring a different set of support services from the RSM/EA. While Mongolia will most probably continue to require a full range of support services over the five year planning period.

As the Philippine and Indonesia programs slowly decline in size, opportunities exist to utilize the regional mission concept to realize cost savings and economies of scale in support functions by adding these two missions to the RSM/EA and reducing their support staff as their program levels decline as RSM's support kicks in.

Option V Foundation

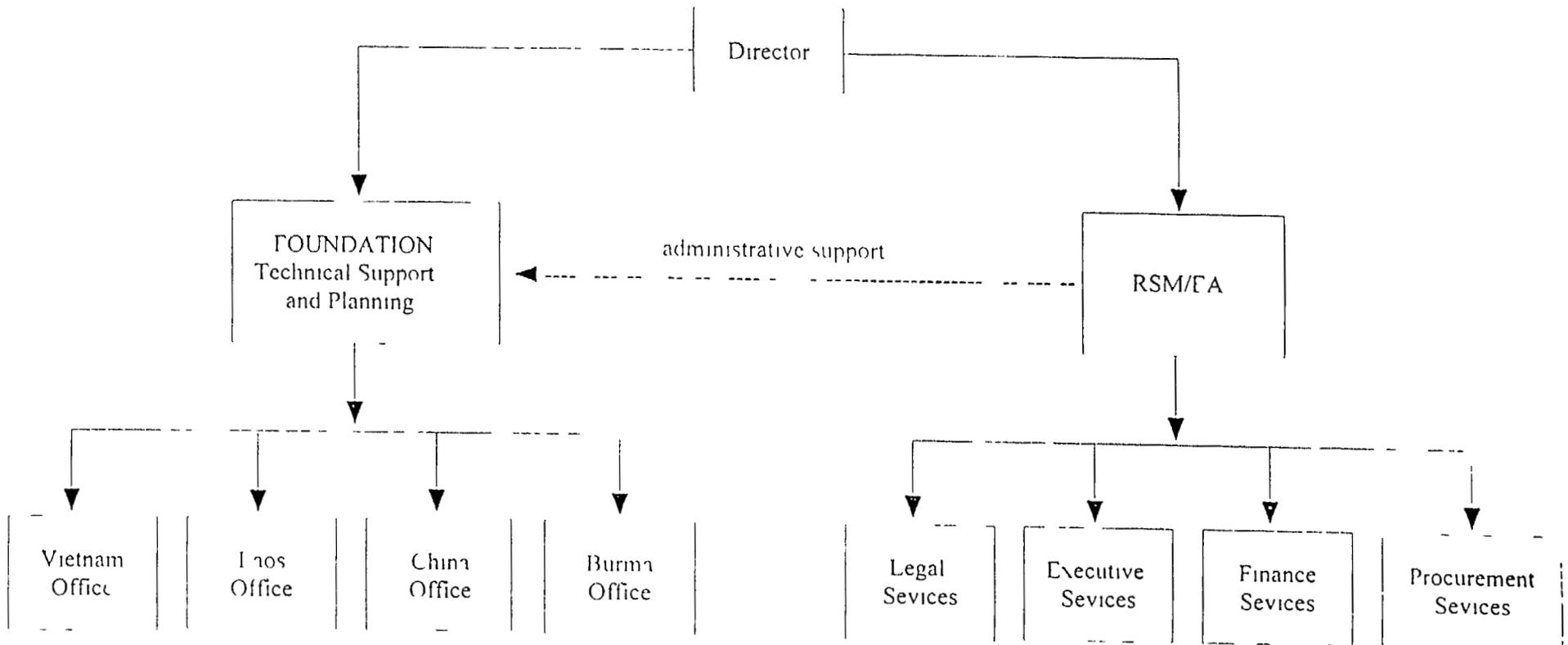
The option of converting the RSM into a foundation is a complicated endeavor. There are legal and financial considerations that would require study beyond the scope of this report. One major drawback to a foundation would be the inability to provide direct guidance and support to bilateral missions.

Instead of converting the RSM entirely to a foundation, the foundation model could take on certain responsibilities of the RSM, resulting in a bifurcation of the current functional organizations as shown in Figure 1. The technical offices would be separated from the support offices as shown in Figure 2.

Operationally, the "Foundation" would use the administrative services of the new RSM in the same manner as others currently under the RSM umbrella. The "Foundation" would operate only in countries without a U.S. Mission, that is, in Vietnam, Laos, China, and Burma. However, it would continue to manage the RTSP, RTP, and NGO programs on a region-wide basis. Technical support and training activities to be delivered under Options I, II, and III would be managed by the Foundation.

The "Foundation" model would establish small offices in the countries that have a program. These offices would work closely with the host country counterpart institutions in implementing the programs and designing new activities. USAID staff for the "Foundation" model would need to be retooled to work closely and network with host country governments, universities, and NGOs as well as the

Figure 2
FOUNDATION MODEL



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private sector

The 'Foundation' would be more country focused rather than sector focused. Also the USAID standards for project design, monitoring, and reporting would need to be relaxed to allow maximum benefit of this new organizational model to achieve more innovation and flexibility in funding local and regional organizations.

Another approach of the "Foundation" model is to fund activities through an existing institution, such as the Asia Foundation or Ford Foundation, or through a smaller RSM managed project targeted at particular development issues in the region. These issues might include AIDS/HIV, environment and private sector networking support on a regional basis. This program would be similar to the AIDAB programs which are managed from the Australian Embassy and have high visibility and excellent networking results. Another quasi-foundation approach would be to follow the CIDA model of setting up project support units that have significant flexibility in the field, allowing seconded USDH staff to contract out the support services as required.

ANNEXES

PROFILES OF OTHER DONORS

USAID Regional Models

Bureau for Europe and the Newly Independent States

Regional Missions in Africa and Latin America/Caribbean

The World Bank

Australian International Development Assistance Bureau (AIDAB)

Canadian International Development Assistance Agency

Japanese Implementing Agencies

Ford Foundation

-4

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U S AGENCY FOR INTERNATIONAL DEVELOPMENT BUREAU FOR EUROPE AND THE NEWLY INDEPENDENT STATES¹

GOALS AND OBJECTIVES OF ENI

Until 1989, A I D activities in Central and Eastern Europe (CEE) and the Newly Independent States (NIS) were funded and managed separately² In 1993, the operations and management of A I D activities in the two regions were merged into one Bureau for Europe and the NIS (ENI) although funding sources still remain separate U S Government (USG) assistance to Central and Eastern Europe was and continues to be funded under the Support for Eastern European Democracy (SEED) Act and support to the NIS is authorized under the Freedom in Support of Democracy Act

SEED Act Programs in Central and Eastern Europe

SEED Act resources totaled \$285 million in 1990, \$369 million in 1991 \$364 million in 1992 and \$400 million in 1993³ The rationale for organizing American assistance⁴ in the CEE/Baltic region was written into the SEED Act and is based on the (1) importance of the region to U S interests, (2) revolutionary character of the transitions in CEE countries and their role as models for the NIS and (3) need to coordinate an interagency effort The following is a chart of CEE country obligations and corresponding country annual budget submissions⁵

¹Information was collected from the following USAID employees through interviews and telephone discussions Peter Orr ENI Supervisory Regional Development Officer Jerry Jordan ENI Administrative Office Marcus Rarick USAID Supervisory Budget Analyst Robyn Bover USAID Budget Analyst and Rolf Williams ENI Supervisory Financial Analyst

²CEE activities were managed under the Regional Mission for Europe (RME) and NIS activities were managed under The NIS Task Force

³Funds for complimentary initiatives have been provided through other USG agencies in the region including food assistance and concessional sales OPIC and Ex Im Bank programs \$2.4 billion in Polish debt relief and nearly \$300 million to Yugoslavia for humanitarian assistance initiatives In total since the passage of the SEED act the USG has committed nearly \$8 billion to support economic and political transformation in CEE and the Baltic States (Source SEED Act Implementation Report FY 1993 January 1994)

⁴Although USAID is the lead implementing agency for the SEED program and all SEED funding is transferred through it the program makes use of other USG agency comparative advantages the U S Department of Treasury for instance played an important role in the implementation of SEED activities in the area of financial sector assistance In 1993 seventeen U S Government agencies received \$77 million of the total \$400 million SEED budget (Source SEED Act Implementation Report p 3)

⁵The SEED Program was originally envisaged as a temporary program designed to see CEE countries through their rough transition periods The program remains transitional in nature as different countries progress towards their development goals more quickly than others As transition occurs ENI will take steps to move funding from traditional beneficiary countries in the region (Poland Hungary Czech Republic) to more southern tier countries (Bulgaria Romania Yugoslavia Albania Estonia Latvia and Lithuania)

⁶Country Operating Expense Budget Requests provided by Robyn Bover USAID Budget Analyst

Country	Oblig as of 9/93 ⁷ Thousands	O&E Budget for 1994 ⁸
Albania	\$52,038 ⁹	\$576
Bulgaria	\$98,485 ¹⁰	\$519
Croatia	Not Available	\$312.3
Czechoslovakia	\$86,308 ¹¹	\$799
Estonia	\$12,144 ¹²	\$374
Hungary	\$152,254 ¹³	\$1,811
Latvia	\$13,264	\$179
Lithuania	\$17,453	\$435
Macedonia	\$1,400	\$348.9
Poland	\$592,332 ¹⁴	\$2,005
Romania	\$77,084 ¹⁵	\$700
Slovakia	\$63,957 ¹⁶	\$562.5
Former Yugoslavia	\$18,027	Not available

⁷ SEED Act Implementation Report FY 1993 January 1994

⁸ Does not include USDH salaries

⁹ Not including \$57 million in Food Aid

¹⁰ Includes \$10 million for the Bulgaria Enterprise Fund and \$2.5 million for Housing Sector Assistance which is implemented by other USG Agencies

¹¹ Includes \$9.9 million for the Czech Enterprise Fund and \$2.07 million for Housing Sector Assistance

¹² Not including \$10 million in Food Aid and \$10 million in PL 480 Agricultural credits

¹³ Including \$54.4 million for the Bulgaria Enterprise Funds and \$3.7 million in Housing Sector Assistance

¹⁴ Includes \$200 million for currency stabilization \$25 million USAID Housing Guarantee program \$10.7 million for Housing Sector Assistance \$180 million for the Poland Enterprise Fund and a \$2 million grant to the IFC for small enterprise development all of which require minimal USAID management support

¹⁵ Not including \$113 million in Food Aid

¹⁶ Including \$18.6 million for the C/S Enterprise Fund and \$2 million for Housing Sector Assistance

Freedom in Support of Democracy Act Programs in The Newly Independent States (NIS)

Through fiscal year 1993 USAID provided approximately \$700 million for the NIS. For FY 1994 Congress appropriated a \$2 billion package of economic cooperation and development, and FY 1995 appropriation for NIS programs is \$850 million. As with SEED Act assistance, several government agencies are implementing the USG's NIS program, with USAID managing the largest portion¹⁷

USAID's fact sheet indicates that USAID goals and objectives in the NIS region are very similar to the SEED Act's, those being "to work with NIS countries in their transition to democracy and a free market economy." USAID states that "it is profoundly in the U.S. interest to support NIS countries in their radical reorientations, and to help the NIS permanently secure a shift to competition and productive investment"¹⁸

Country	Obligations for FY 1994 ¹⁹ In Thousands	O&E Budget for 1994 ²⁰
NIS	\$219,405	n/a
Russia	\$1,611,175	\$6,182.5
Armenia	\$82,820	\$1,950.2
Azerbaijan	\$11,800	
Georgia	\$36,923	
Kazakhstan	\$137,715	\$4,095.9
Kyrgyzstan	\$57,595	
Tajikistan	\$18,112	
Turkmenistan	\$8,090	
Uzbekistan	\$22,590	
Belarus	\$10,115	
Moldova	\$29,815	
Ukraine	\$211,600	\$1,834.7

¹⁷USAID Fact Sheet: USAID Program in The Newly Independent States, September 1994

¹⁸Ibid

¹⁹NIS Task Force: Office of Program Analysis and Coordination FY 1994 Budget Planning Summary Sheet, September 19, 1994

²⁰Country Operating Expense Budget Requests, provided by Robyn Bover, USAID Budget Analyst

ENI ORGANIZATION AND MANAGEMENT FUNCTIONS

Technical Orientation

As described above, RME and NIS pursued very similar goals and purposes in their respective countries, as mandated through the SEED and Freedom in Support of Democracy Acts. Given the high profile and priority that Congress placed on former states of the Soviet Union, USAID was under pressure to obligate hundreds of millions of dollars to support democracy and the opening of market systems in the region in a short amount of time. Rapid obligations resulted in the initiation of several large projects without a strategically established or well-defined management structure. Although not regionally repetitive, REM and NIS projects were similar in terms of technical coverage. Projects implemented under the two programs included efforts in privatization, economic restructuring, small business development, agribusiness development, enterprise funds, health and population, education, training and exchanges, social sector development, energy and infrastructure, environment and natural resources, urban development and housing, nation building, and public administration and rule of law.

When AID reorganized, combined RME and NIS efforts under the ENI Bureau, all existing CEE and NIS projects were grouped under divisions, which were, in turn, housed in broadly defined technically-oriented program offices. All newly created projects and new allocations sit under these same technical offices. In summary, ENI's structure is made up of five Technical Offices, under which two to four divisions sit. Each technical division manages several European and NIS projects and project components. ENI's Technical Offices include *The Offices of*

- Economic Restructuring and Privatization
- Enterprise Development
- Human Resources
- Environment, Energy, and Urban Development and
- Democracy and Governance

ENI's Washington based direct hire staff numbers 206 and is authorized to increase to 212 in FY 1995. There are 46 personal services contractors. Staff work in eleven offices: six operational offices and the five technical offices listed above. Each technical office employs between 19 and 44 staff, is headed by a Director and Deputy Director and is supported by an office secretary. Technical offices are broken down into several divisions, headed by a Chief and staffed by a secretary and 10-20 technically oriented project officers. All projects and programs are housed under ENI's five technical divisions and offices.²²

²¹A Technical Officer is assigned to one or several project components depending on the component's size. Project Officers sit in the technical divisions and currently number 150.

²²From ENI's Staffing Pattern and discussions with Supervisory Budget Analyst Marcus Rarick.

Operational Orientation²³

Whereas the five technical offices described above house and are responsible for managing all technical aspects of ENI projects, the Bureau has organized operational functions into six offices, including *The Offices of*

- *European Country Affairs* is staffed by 18 direct hire personnel, assigned by country to monitor and manage all program and project activity, logistic, administrative and other operational needs for each country in Central and Eastern Europe. The Office of European Country Affairs is broken into five divisions, each of which contains three to four Country Offices/Desks²⁴
- *NIS Country Affairs* is staffed by 17 direct hire personnel each of whom is responsible for monitoring and managing all program and project activity, logistic, administrative and other operational needs for each country in the Newly Independent States. The Office of NIS Country Affairs is broken into four divisions each of which contains between one and five Country Offices/Desks²⁵
- *Program Office* is staffed by 25 direct hire and 5 non-direct hire personnel and is responsible for (1) seeking program budget authorizations from ENI senior management and allocating those funds by Technical Office, project and country; (2) monitoring program backlog, draw-downs and other resource flows; (3) setting program policy and strategy by region and country; and (4) working with the Center for Development Information and Evaluation (CDIE) to develop and implement systems to evaluating technical program accomplishments. This group is also responsible for managing program information management needs.
- *Project Development Office* is staffed by 22 direct hire and 11 non-direct hire personnel to provide support to mission personnel in CEE/NIS. Project support comes in the form of logistical/administrative assistance, contractor management, budget/project financial management, and coordination of contract negotiation.
- *Financial Services* is staffed by six direct hire and one non-direct hire personnel and is responsible for managing all project related financial operations. While field controllers are responsible for managing operational field budgets and expenses, ENI's Financial Services Department manages all project-related financial needs including budget preparation and expense monitoring, invoice and voucher processing, contractor payment, and other accounting functions.

²³The number of ENI Washington based staff changes rapidly and although the number of employees described below may no longer be exact, the general level of staff support is accurate.

²⁴(1) Poland, The Czech Republic, Slovakia and Hungary; (2) Bulgaria, Romania and Albania; (3) Lithuania, Latvia and Estonia; (4) Slovenia, Macedonia, Croatia and Bosnia; and (5) Turkey, Ireland and Cyprus.

²⁵(1) Russia; (2) Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan; (3) Armenia, Azerbaijan, Georgia, and (4) Ukraine, Belarus, Moldova.

- **Operational Services** is staffed by none direct hire and 3 non-direct hire personnel
- **Other A I D Office Support** ENI draws heavily on The Office of Contract Administration to negotiate and manage the contracting process for the Bureau's large portfolio of projects. Whereas some individual projects may be handled in the field, The Office of the Controller still plays a large role in negotiating both long-term contracts and TDY delivery orders

Regional Orientation

There is now permanent A I D presence in almost every ENI country. Larger, regional 'hub' missions are located in Poland, Hungary and Moscow and provide functional support services to smaller missions in other CEENIS countries, as described above. With the exception of Moscow staffing patterns for other CEENIS countries will not be available until 1995. In aggregate, ENI employs 84 U S direct hires in its overseas missions, and is authorized to employ 112 in FY 1995. At the ratio of 1:4²⁶, this implies a total overseas staff of 420, rising to 560 next year.

In general smaller missions are usually composed of an A I D Representative or Director and a relatively modest non-direct hire staff of project specialists (USPSCs) and administrative personnel (TCN or FSN PSCs). As a general rule of thumb the ratio of U S direct hire staff to local, non-direct hire staff is one to four²⁷. Typically an in-country Project Development Officer (PDO) will manage a mission's entire portfolio. The PDO is usually a generalist and will manage three or four local or foreign national professional staff who are technically oriented and who are responsible for overseeing project implementation at the field or operational level. PSCs also provide project monitoring information to the Mission Director and ENI Project Officers regarding country strategies and the development of the mission's project portfolio.

Regional hub missions are much larger and have staffs that can number up to 185 people including direct and indirect hires. For instance USAID/Moscow is broken into nine offices including The Office of the Director, The Executive Office, The Office of Democratic Initiatives and Human Resources, The Office of Energy and Technology, The Office of Environment and Health, The Office of General Development, The Office of Private Enterprise and Economic Restructuring, The Office of Program and Project Development, and The Office of the Controller. Each office is staffed by two to three direct hires²⁸ and the remainder are FSN or TCN PSCs. The Executive Office is supported the largest number of administrative staff including five clerks and telephone receptionists, 12 chauffeurs, three supply clerks, 10 other general services assistants, four information services assistants, eight personnel assistants, and four procurement assistants. Each Technical Office is typically staffed by one or two secretaries and between 10 to 20 technical staff and Project Officers. The Office of Program and

²⁶See below

²⁷When ENI is in the process of establishing a new mission a senior Executive Officer will visit the country at hand, assess costs and research operational/logistics issues and devise a plan for initiating new A I D presence on an operational level.

²⁸With the exception of the Director's Office which houses five LSDH including The Director and Deputy Director, an Executive Assistant, a Legal Officer and a Contract Officer.

Project Development employs two secretaries, five program or project development assistants one supervising program officer, an international development intern two evaluation officers an information specialist The office of the Controller employs one controller and deputy controller a budget and accounting officer, and accounting analyst, two chief accountants, two secretaries, one project accountant, one accounting supervisor, four accountants, one cashier three financial analysts, and eight voucher examiners

HOW ENI IS MANAGED

Authorizations and Obligations

To understand how ENI operates and manages its current portfolio of development assistance projects it is necessary to understand the Bureau's allocation and obligation process Some aspects of the process to be described below are common to all A I D Bureaus and some are unique to ENI The entire process is presented to insure a thorough comprehension of ENI procedure

Every year ENI approaches Congress to obtain funding for its program portfolio²⁹ Because of the political and strategic importance of the CEE/NIS region, a senior State Department Coordinator oversees ENI activities and sets strategic funding levels by region and country Once the Bureau has received authorization and guidance from Congress on fund allocations³⁰ ENI senior management appropriates financial resources to the five technical offices listed above making sure to disaggregate by country and development discipline³¹ Technical offices then divide their allocated funds between divisions These funds are further allocated to umbrella type projects based on country strategies prepared by Mission staff and ENI Technical Officers Mission staff broadly outline the types of projects they would like to access through ENI's menu of available contracting mechanisms and the level of financial assistance required to implement activities planned for the upcoming fiscal year These strategies are negotiated between the mission and the ENI Technical Officer and include both short and long-term TDYs and other forms of development assistance

The most important consideration here is that all financial and project resources are managed through the Technical Office in Washington Individual missions do not have access to technical assistance or financial resources except through the menu of project contracts assembled by ENI headquarters in Washington Although the menu of available contracts is broadly defined and can include a whole host of development initiatives all mission projects must be designed contracted and

²⁹U S assistance programs in CEE have a high proportion of grant assistance which is noteworthy in that these programs do not contribute to the debt positions of beneficiary countries According to G 4 figures the U S is the largest donor of grant assistance in the region even ahead of the EU and all other bilateral donors

³⁰Funds are appropriated for ENI and NIS separately although the two regions have been merged functionally

³¹As mentioned many of these allocation decisions are based on political and strategic objectives set by the Hill

³²Non-direct hire technical staff (usually PSCs) help A I D Representatives and Mission Directors develop country strategies and monitor the implementation of on going projects and activities

cleared through the ENI Technical Offices³³ Missions simply don't have their own financial or contract resources they must "buy into" the Bureau's menu of projects and programs³⁴

Program and Project Design

In terms of design, ENI's portfolio is determined on a three tier level Design or strategy development can be disaggregated at the Program, Technical Office (TO) and Mission levels

Program Development

The overall programmatic direction of ENI's portfolio is based on (1) Congressional mandates regarding the allocation of funds by country and technical intervention, (2) guidance from the State Department regarding legislated strategic intervention requirements, and (3) country development needs, as identified by missions and ENI Technical Officers through bi-annual strategy documents Most of the time Congressional and State Department guidance is broad and can be refined to meet both planned and future country development needs Once ENI has received general instruction regarding the technical and regional allocation of funds Technical Offices work to assemble a portfolio that is responsive to both mission technical assistance needs and Congressional mandates To be responsive to the demands of nearly thirty AID Representative Offices and Missions, in different countries and with varying technical assistance needs, ENI has developed a new contracting philosophy and mechanism This new contracting mechanism is efficient and effective and plays a key role in project design and mission portfolio development

Project Design and a New Form of Contracting

ENI has adapted the Indefinite Quantity Contract (IQC) model to meet its requirements to fund (1) a large number of technical assistance activities (2) in a short amount of time, (3) in a several countries simultaneously This new contracting mechanism is a loosely defined umbrella project which can be broken down into more narrowly defined components For example ENI has recently identified privatization to be an important development initiative in CEE/NIS Technical Officers develop and design project components to fill more specifically defined privatization needs These component designs take the form of Requests for Proposal and include the input of Mission Directors and other technical field staff Like IQCs component contracts can be awarded to several contractors or to only one The number of contractors awarded any single component is usually determined by the size of the component and its importance As with the authorization component contracts are only vehicles to implement technical assistance initiatives identified by USAID missions and technical officers At this point no specific projects have been designed

³³In fact most project decision making (funding contract management allocation of project resources) is managed by WDC based Project Officers and Division Directors The AID Representative and Mission Director can prepare scopes of work but the Project Officer is entirely responsible for approving or re working the scope of work negotiating a budget and selecting from the menu of contractors for the particular project or component Missions have some authority in terms of initiating the SOW and choosing from the menu of available contractors but are reliant of the Project Officer for approval and management of project activities

³⁴Missions can buy into other Bureau programs when ENI does not have an appropriate contract vehicle and does so frequently especially for evaluation activities

After component contracts have been awarded³⁵, ENI Technical Officers work with mission technical staff to design task-related scopes of work³⁶. At times missions are able to prepare these scopes without ENI assistance. More regularly, missions inform TOs of task-related needs, and Technical Officers take a lead role in preparing SOWs and soliciting interest from pre-awarded contractor(s)³⁷. The contracting process is greatly facilitated by pre-awarding large, loosely defined component contracts which can be more specifically tailored through individually designed SOWs that meet specific mission needs at specific times. If ENI does not have a component contract that fits mission needs, then The Bureau will consider adding one. However, economies of scale must be apparent in that there must be a strong regional request for technical assistance contracts that are unavailable through ENI's existing portfolio.

Mission Direction Setting

In terms of mission direction-setting or design, A I D Representatives and Mission Directors submit strategic plans which outline project activity and program direction one to two years in advance³⁸. Missions prepare their strategies with the assistance of the ENI Program Office, and present them to an inter-agency panel including the Deputy Administrator of A I D and the Technical Office Director.

Contract and Legal Support

A small percentage of contract negotiation is managed by the A I D Representative, Mission Executive Officer, or Regional Contracting Officer. At times, ENI allocates small project budgets to individual missions which they contract and manage independently. This is usually for activities that are better handled from the field or that may fall far outside the mandates of the component contracts funded through ENI Washington. ENI has placed controllers in Budapest, Warsaw and Moscow to handle all ENI country contracting requirements of this sort.

Project Implementation

Project implementation is managed through Missions and Regional Representative Offices in coordination with ENI's Project Development Office. Since ENI plays a central role in designing and contracting project activities, they also assist missions in managing project implementation by coordinating with other Offices and Bureaus in Washington.

Field implementation is usually managed by PSC staff hired by the Mission Director and funded through either the Mission's operational budget or through the program budget. The use of PSCs enables

³⁵All ENI component contracts are negotiated through A I D's Contract Office in Washington. In fact because of the volume of activity in the region, the Contracts Office has a division dedicated entirely to negotiating ENI contracts.

³⁶Funds for component and mission project design are usually supplied through the Technical Office that houses or will house the component contract.

³⁷Mission buy ins (in the form of SOWs) to the component contract can be short or long term and are almost always designed by direct hire staff, either mission staff or ENI TOs.

³⁸Mission strategies can include a statement of the programs the Director intends to access through the upcoming two to three years and how they will allow his/her country to achieve development goals.

Project implementation is managed through Missions and Regional Representative Offices, in coordination with ENI's Project Development Office. Since ENI plays a central role in designing and contracting project activities, they also assist missions in managing project implementation by coordinating with other Offices and Bureaus in Washington.

Field implementation is usually managed by PSC staff hired by the Mission Director and funded through either the Mission's operational budget or through the program budget. The use of PSCs enables Missions to maintain a streamlined direct hire staff, while allowing the flexibility to respond to project management needs as they arise. As will be discussed below, monitoring and evaluation of project implementation is managed through ENI's Project Development and Program Offices as well.

Financial Management

There are two kinds of financial management responsibility at ENI, one is overseen by the field and the other by the Program Office in Washington, D.C. To understand who manages what money and why, consider how expenses are allocated and obligated. Every year, missions negotiate both their project and operational budgets with ENI headquarters. *Project budgets* are based on country strategies prepared by field and Program Office staff, are negotiated with ENI Technical Officers, and are contingent on State Department mandates regarding the allocation of funds by country and development initiative. A mission's *operational budget* is also negotiated and is a function of the volume of project activity in country.

Just as project budgets are negotiated independent of operational budgets, responsibility for managing those budgets is divided between Washington and the field. *Project budgets* are managed through ENI's Program Office. Project draw-downs against component contract funds, backlog obligations, and resource flows are all managed by the Program Office, with assistance from in-country accountants and bookkeepers. In essence, project funds are not only authorized, allocated, and contracted in Washington, they are also tracked and managed there. Missions only have responsibility for requesting an initial project budget and negotiating that budget with the appropriate Technical Officer. A project's financial administration is managed in Washington as well. Reviewing, processing, and paying project invoices, approving vouchers, and all other project financial management is a responsibility of the PDO in Washington.

Operational budgets are managed in the field by controllers who can be based in a regional mission "hub." As such, several missions use the services of a regional controller to manage their operational budgets. For example, the Controller covering Romania, Albania, Bulgaria, and Slovakia is located in Warsaw, and the Controller covering Estonia, Latvia, and Lithuania is located in Budapest. CIS countries draw on mission resources in Russia or have their own financial managers.

Audits and Evaluations

Audits are conducted through The Inspector General's (IG) Office and are funded there as well. In terms of evaluation, ENI is in the process of tightening its reporting requirements. More specifically, ENI's Program Office is developing a series of objective indicators based on country and size of project which will be used to measure progress against intended outputs and allocation of program resources. In short, the Program Office evaluates whether ENI projects are meeting program objectives.

The Project Development Office (working with mission-based PSCs) monitors A I D contractors regarding their ability to meet deliverable and impact requirements as stated in negotiated scopes of work. Program and project goals are usually complimentary, but in some cases, objectives at the project level have been achieved in ENI without meeting those at the program level. This is usually the result of the rapidly changing development environment in the region³⁹

Comparison of O&E Costs to Efficiency

ENI is a dynamic model, and a profile represents only a still picture subject to change. Whatever the changes, the Bureau devised an innovative method for meeting a diverse set of technical, political and development assistance requirements, across one of the largest regional programs in The Agency. ENI's changing model has required some innovation and redefinition, in terms of contracting managing, designing, and implementing projects. The model they have chosen to employ tends to centralize authority and decision-making power in Washington. However, it simultaneously allows for maximum flexibility in project design, and has been responsive to a diverse set of mission needs and requests⁴⁰

A I D budget directors use an informal rule of thumb for allocating O&E funds to Bureau programs and projects. In essence overseas programs of \$10-\$15 million will require 5 U S direct hires including a Mission Director, a Controller, a Program Officer, an Administrative Officer and a local staff person. For every additional \$5-\$10 million in program assistance A I D authorizes the addition of another USDH. However on average every USDH that is located in the field costs \$100,000 more than a Washington D C based staff person. These extra costs come from post differential housing and education and other allowances. ENI is seen as very cost effective by budget managers because under their Washington based centralized model of organization and management the Bureau's number of overseas staff is half that justified by A I D's rule of thumb for overseas USDH staff support. For example although ENI's Washington-based staff outnumber ANE⁴¹ and other regional bureau staff by about half the excess costs (of \$100,000 per overseas placement) are not incurred. Consider the following chart⁴

	ENI	ANE
Washington O&E Budget	\$2,800,000	\$330,000
Overseas O&E Budget	\$22,857,000	\$56,000,000
Total	\$25,657,000	\$56,330,000

³⁹PSC Executive Officers and Operational Services Office provide logistical support to ENI missions

⁴⁰Because ENI's technical assistance portfolio tends to target regions instead of countries tracking country specific obligations and accomplishments is difficult and leads to trouble with congress and different lobby groups. As will be discussed below the Bureau is working to implement an information management system that will help to relieve these problems

⁴¹The Bureau for Asia and the Near East

⁴²The following figures are estimations given by USAID Budget Analyst Marcus Rarick

**U S AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL MISSION IN AFRICA¹
AND LATIN AMERICA/THE CARIBBEAN²**

AFRICA BUREAU REGIONAL SUPPORT MISSIONS

**Goals and Objectives of REDSO East and South Africa (ESA)
and REDSO West and Central Africa (WCA)**

The Regional Economic Development Services Offices (REDSO) for East and South Africa and West and Central Africa are service organizations. Established in the 1970s when programs were expanding throughout Africa, resources were not available to fully-staff bilateral missions on the continent. Thus, REDSO/ESA and WCA were set up as separate offices to provide a central pool of experienced USAID officers and technical experts available to advise and assist other USAID missions in Africa and to manage USAID programs in a few countries with no resident staff.

REDSO's most important function is to respond to requests for professional and technical support services from some 22 countries in East and South Africa and 16 countries in West and Central Africa. REDSO's relationship with each bilateral mission varies according to the authority granted to each Mission Director by the USAID Assistant Administrator for Africa. Most missions have substantial authority to authorize and implement their own bilateral programs. These missions mostly look to REDSO for professional advice and for considerable assistance in the design, implementation and evaluation of their programs. Other missions, with rapidly expanding programs but limited staff of their own, must obtain REDSO's concurrence to approve projects, negotiate and execute grants or loan agreements, grant waivers, and take various other implementation actions.

¹The Zimbabwe Regional Mission is closing and moving to Botswana shortly. A detailed O&M plan has not yet been drawn up for Botswana.

²Information for this document was gathered from: The Regional Office for the Caribbean Action Plan 1995-96; USAID/Guatemala Central American Programs (USAID/GCAP) Regional Overview, Staffing Pattern and Briefing Book for the Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA); Regional Economic Development Services Office for West and Central Africa briefing package; the USAID Congressional presentation; telephone discussions with Africa Bureau employees Joan Atherton, Natak Reynolds, Bill Martin and Robert Hellver; LAC Bureau employees Robin Brinkley, Cecile Mango.

³Not including services for small country or close-out programs.

REDSO\ESA Program and Project Portfolio

REDSO\ESA manages its own portfolio of country programs, regional projects, and regional contracts and initiatives.

Country Programs

U.S. assistance to the Comoros is mainly based on humanitarian grounds and includes technical assistance grants to PVOs for assistance in agricultural production, soil conservation, environmental protection and crop diversification. REDSO\ESA provides USAID representation for the Comoros. REDSO's Project Development and Program Support Divisions are responsible for oversight and coordination with the U.S. Embassy in Mauritius.

U.S. assistance to Djibouti is based on somewhat strategic interests, as the country's sea and airport facilities are at the junction of the Red Sea and the Gulf of Aden. From 1988 to 1991, the U.S. Government provided Djibouti with a total of \$13.5 million in cash grants. Since 1992, U.S. assistance has been provided in the form of an annual Non-Project Assistance Cash Transfer grant of Economic Support Funds (ESF) for direct budget support to the Government of Djibouti. REDSO\ESA provides USAID representation for Djibouti and, like Comoros, the Project Development Office (PDO) provides all backstopping and Embassy liaison support.

Regional Agricultural Research Networking Projects

REDSO\ESA manages and implements four regional agricultural projects, ranging in size from \$3.6 million to \$4.6 million. Projects include The CIP/PRAPAC Potato Research project, The Eastern Africa Southern Africa Root Crops Research Network, The East Africa Bean Research Project, and The Agro-Forestry Research Network for Africa. All four projects are due to end in 1995. REDSO\ESA also manages a regional family planning project totaling \$9.6 million and due to end in the year 2000.

Regional Contracts and Initiatives

REDSO\ESA also manages several regional initiatives and Indefinite Quantity Contracts in specific technical areas. Five regional initiatives provide a total of \$2,530,000 in program funds and are in the areas of the environment, health and human resources, trade development, women in business, and coastal resource management⁴. REDSO's IQCs are available to missions in the region for specific, short-term tasks and include:

- The Financial Management Services in Support of USAID Project Activity in ESA. IQC funding cannot exceed \$950,000 per contract period and is due to expire in 1997.
- The Regional Contractor Assistance Program for Technical Services in Support of USAID Project Activities in East and Southern Africa. Funding is provided at a maximum of \$450,000 per year and is due to expire in 1995.

⁴REDSO\ESA Briefing Book, November 1994.

- The Private Sector Development Support IQC, funding cannot exceed \$950,000 per year and is valid for three years

REDSO\WCA Program and Project Portfolio

REDSO\WCA manages two regional projects from the field. Mission personnel oversee and implement an African Development Bank (AfDB) cooperative agreement, which focuses on applying environmental assessment criteria in the design and review of procedures for AfDB loans, and lending to the private sector. Program Assistance under the AfDB project came to \$1.8 million in FY 1994 and is budgeted at \$700,000 for FY 1995. All activities under this project are managed through REDSO\WCA. REDSO\WCA is designing a regional health project, which is budgeted at \$9.4 million for FY 1995 as well.

REDSO ORGANIZATION AND MANAGEMENT FUNCTIONS

East and South Africa⁵

With a staff of 117 including 29 direct hire positions, REDSO\ESA is the repository of a significant portion of USAID's technical expertise in the region. The REDSO\ESA staff includes one or more persons skilled in program development, project design and implementation, economic and financial analysis, legal services, private sector development, agriculture, forestry, natural resources management, environmental concerns, behavioral, social and political science, engineering, contracting, commodity management, family planning and health, child survival, financing of health programs, food for peace, financial management, housing and urban development, and library services.

REDSO\ESA staff average at least 40 percent of their time on TDYs providing services for several days or weeks at a time. In FY 1994, REDSO staff provided approximately 4,500 days of technical and programmatic support services against a regional demand of nearly 8,500 for the year. Approximately 1,050 for APD, 590 for PDPS, 410 for Contracts, and 235 for Legal. According to the FY 1994 Congressional Presentation, the REDSO\ESA offices described above support development assistance activity of \$368,900,000 in ESA countries. Following is a matrix of some of the functional support services provided by REDSO\ESA to countries in the region.

Division	Staff	Support Services
Analysis and Planning Division	1 Chief APD 1 Economist 7 Technical Advisors 1 Monit Eval Spec 1 Office Aut Tech 1 Secretary	Provides technical service in the design, implementation, and monitoring/evaluation of project and non-project assistance; strategic planning and preparation of CPSPs, API and the design and management of sector assessments.

⁵REDSO\ESA Briefing Book, November 1994

Project Development and Program Support Division	1 Chief PDPSP Office 1 Deputy Chief 3 PDOs 1 Private Sect Advisor 1 Project Monit Spec 1 Admin Assistant	Assist ESA Missions in the design evaluation and implementation of project and program assistance activities
Legal Division	1 Chief Legal Division 2 Reg Legal Adv 1 Legal Consultant 1 Secretary	Provides the full range of legal advise and services to Missions in the REDSO\WES region including preparing and interpreting bilateral agreements applying provisions of the Foreign Assistance Act PL 480 and other legislation identifying and resolving legal and related implementation problems during the entire project and program process and other similar responsibilities ⁶
Financial Mgmt Ctr	1 Controller 2 Fnan Mgmt Off 2 Accountants 1 Financial Analyst 1 Data Processor 1 Voucher/Prl Ofcr 1 Cntroller in Burundi	Provides budgeting accounting financial analysis payment reporting and financial consulting services for USAID organizations and/or activities to missions in ESA
Contracts Division	1 Chief Cont Division 2 Contr Officers 2 Contract Nego 1 Cont Mgmt Spec 1 Cont Admin Asst 1 Secretary	Responds to requests from USAID missions for support in meeting acquisition requirements which are beyond the Missions level of expertise or delegated authority for contract or assistance actions

West and Central Africa

REDSO\WCA provides both technical and support services to missions and countries throughout the WCA region. In countries with no formal AID presence REDSO\WCA manages all technical assistance and support needs. In countries with permanent bilateral missions⁸ REDSO\WCA helps with functional support when required (project design implementation evaluation) and provides legal contracting and other functional services.

REDSO\WCA employs 32 USDH, 10 USPSCs, and 103 FSNs in 8 technical and functional offices including The Office of the Director, The Executive Office, The West Africa Accounting Center, and The Offices of Procurement, The Regional Legal Advisor, Project and Program Development and Engineering, Health and Human Resources, and Productive Sector Development. Following are descriptions of some of the functional support services provided to countries in the region through REDSO\WCA. According to the FY 1994 Congressional Presentation, the REDSO\WCA offices described above support development assistance activity of approximately \$208,000,000 in WCA countries.

⁶Legal advise is also provided through USAID South Africa and USAID/Swaziland

⁷Cape Verde, Cote D'Ivoire, Burkina Faso, Chad, Togo, Cameroon, and The Gambia are closed or are being closed.

⁸Benin, Cape Verde, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, Togo, and Zaire.

Division	Staff	Support Services
West Africa Accounting Center	1 Assistant Director 1 Deputy Controller 3 Financial Analysts 2 B&A Officer 5 Accountants 3 Budget Analysts 1 Voucher Examiner 4 Info Mgmt Spec	The West Africa Accounting Center Consists of four units The Controller's Office The Financial Analysis Division The Accounting Division and the Information Resources Management Division
Office of Procurement	1 Assistant Director 2 Contracting Officers 2 Contracting 1 Specialists	Responsible for providing procurement services to REDSO\WCA client posts that do not have Contracting Offices
Office of the Regional Legal Advisor	1 Assistant Director 2 Legal Specialists	Provides legal council and advise to the management and staff of REDSO\WCA an all client posts
Office of Project and Program Development and Engineering	1 Assistant Director 3 Project Dev Officers 3 Engineers	This Office is divided into two divisions Project and Program Development and Engineering PPD provides project and program design implementation and evaluation services to posts in the WCA region PPD is also responsible for planning program budget management for all REDSO WCA program activities The Engineering division provides all input for the design implementation and evaluation of projects throughout the region
The Executive Office	2 Executive officers 1 Personnel Officer	Provides administrative management and support services to REDSO WCA Responsibilities include personnel and contract administration travel and transportation staff training communications and records procurement and administrative representation

LATIN AMERICA AND THE CARIBBEAN REGIONAL SUPPORT MISSIONS

Goals and Objectives of the Guatemala-Central America Programs (G-CAP⁹) and The Regional Development Office for the Caribbean (RDO\C)

Guatemala-Central America Programs

In collaboration with bi-lateral missions, USAID\G-CAP supports efforts to protect the environment, build democracy and encourage broad-based economic growth. G-CAP's portfolio can be broken down into eight strategic objectives, five of which are bi-lateral and three of which are regional. G-CAP's bi-lateral strategic objectives include promoting (1) strengthened democratic institutions, civil society and rule of law, (2) smaller, healthier families, (3) environmentally sound natural resource management, (4) increased trade and improved labor relations, and (5) improved quality, efficiency and equity of primary education services. G-CAP's regional strategic objectives are to promote (1) increased Central American participation in the hemispheric economy, (2) environmentally sound natural resource management and (3) more effective and democratic local governance. The mission's program budget for accomplishing the above strategic objectives looks as follows:

USAID Development Assistance From 1991-1994 ¹⁰								
In Thousands								
Belize	Cost Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Regional	Total
\$22,333	\$29,810	\$188,137	\$93,675	\$126,860	\$100,544	\$28,761	\$54,431	\$644,511

Regional Development Office for the Caribbean¹¹

RDO\C has been slated to close down in 1996. In 1992, the RDO\C mission developed a strategy for the Eastern Caribbean which hinged on increased and diversified trade and improved natural resource management. A year later, in its FY 1994-1995 action plan, the mission proposed to end its Eastern Caribbean program. The phase down process was well under way by November 1993, when USAID publicly announced plans to close RDO\C. While seven new projects start-ups proposed in 1992 have been abandoned, the mission is stressing rigorous adherence to planned schedules for completion of on-going activities. The result of closing RDO\C will be a decrease in the number of active projects from 20 currently to six by the end of 1995. As of the beginning of 1995, RDO\C's remaining portfolio

⁹ROCAP (the regional mission for Latin America) was merged with the bi-lateral Guatemala mission more than a year ago and is now called The USAID Mission for Guatemala and Central American Programs (USAID G-CAP).

¹⁰USAID Mission for Guatemala and Central American Programs Briefing Document, November 1994.

¹¹Regional Office for the Caribbean Action Plan for FY 1995-95, February 1994.

will consist of nine projects with an LOP value of over \$70 million and an estimated pipeline of about \$20 million

ORGANIZATION AND MANAGEMENT FUNCTIONS

G-CAP¹²

ROCAP's management functions and responsibilities were absorbed into the bi-lateral USAID\Guatemala mission over a year ago. Although a regional support capacity still exists in Guatemala, regional support activities are no longer managed through an independent mission. G-CAP staff is broken into 33 offices and is staffed by 13 FSN direct hires, 144 FSN PSCs, 3 TCN PSCs, 21 U.S. Direct Hires, 2 U.S. PASAs and 10 U.S. PSCs, for a total of 203 personnel. Just as REDSO, G-CAP houses several legal, contracts, financial management, and executive office staff that service both regional and bi-lateral projects and programs. The Legal Office employs one specialist, the Contract Office employs nine negotiators and administrators, and The Offices of Program Direction and Management, Project Support and Programs employ 15 staff to design, implement, evaluate and manage regional and bi-lateral development initiatives. Most mission personnel work on bi-lateral and regional programs and projects, so it is difficult to break out the percentage of O&E support that goes to managing individual country activities.

RDO\C

As part of its commitment to bring on-going activities to a successful conclusion, RDO\C is giving careful attention in its close-out planning to linking staff reductions to portfolio reductions. In short, as RDO\C programs shrink, RDO\C undergoes a continual process of organizational consolidation. In FY 1993, seven RDO\C offices were merged into three, those being Office of Program Development, a General Development Office, and Trade Development Office. In 1995, the GDO and TDO Offices will be merged with the Legal Office, and The Contracts and Executives offices have already started acting as one unit.

The mission is concerned that their O&E budget will not provide for adequate staff to support the orderly close-out of their existing pipeline and backlog. RDO\C's O&E budget was reduced significantly between 1993 and 1994, from \$3.1 million to \$1.9 million. Total O&E expenditures are expected to drop to \$1.7 million in 1995 and down further to \$908,000 in 1996. The mission's action plan indicates a mandated 1995 FTE of 4 USDHs, while the mission requests a minimum of 11.4 FTEs to insure the efficient completion of its portfolio. Currently, plans for moving a few project activities to other bi-lateral missions in the region are underway.

¹²USAID\Guatemala Staffing Pattern as of September 30, 1994

COMPARISON OF O&E COSTS TO EFFICIENCY

When comparing the cost and efficiency of the four regional support missions above two questions face USAID Budget analysts, (1) does the current level of program activity justify current O&E expenditures, and (2) would merging the regional mission with a neighboring country mission generate cost savings? Although these seem like simple questions, they require detailed analysis. For instance, for the present, USAID has determined that the two REDSO missions provide needed support to their portfolio countries, and that moving that support will not generate cost savings. Why have they come to this conclusion? REDSO\ESA relies heavily on the bi-lateral USAID mission in Kenya for operational and administrative support (drivers, guards, etc.) already. This leaves only the basic regional support functions described above, which are still in great demand from REDSO's portfolio countries.

Given that the need for regional support functions will remain after REDSO\ESA is hypothetically merged with USAID\Kenya, would the move generate cost savings? The answer is most probably no. Absorption of REDSO\ESA into USAID\Kenya would reasonably result in the creation of a division or department within the bi-lateral mission to handle regional support activities. Such a move would not result in heavy staff cuts, or in decreased building and maintenance costs since buildings space and offices would be needed to accommodate the same aggregate number of staff. The same analysis applies for REDSO\WCA, and has one additional motivating factor. Several of the countries covered under REDSO\WCA's portfolio are difficult to fly into. Cote D'Ivoire is one of only a few locations that can accommodate direct flights to WCA countries. Since several bi-lateral missions in Africa are closing it would seem that the two REDSOs would actually justify an increase in O&E support. This is not so since the bi-lateral programs in these countries are terminating along with mission presence.

Contrary to the two REDSOs USAID\Zimbabwe¹³ The Regional Development Office for the Caribbean and ROCAP have been closed or are closing. In the case of Zimbabwe the closure is a result of the termination of bi-lateral programs in country and the movement of highly demanded regional support functions to Botswana¹⁴. In the case of RDO\C and ROCAP the closure was the direct result of shrinking regional programs. When RDO\C closes in 1996 most of its country programs will terminate. Those that remain will be managed by neighboring bi-lateral missions.

¹³USAID\Zimbabwe has always been a bi-lateral mission although its project portfolio did include regional activities.

¹⁴The decision to move regional support functions to Botswana instead of transforming USAID\Zimbabwe into a regional mission was made for political and logistical reasons.

THE WORLD BANK¹

Goals and Objectives

The World Bank is a multilateral development institution whose stated fundamental objective is poverty reduction. The term "World Bank" actually refers to two legally and financially distinct entities, the International Bank for Reconstruction and Development (IBRD) and The International Development Association (IDA). The World Bank's total combined loan portfolio is \$148 billion including \$107 billion in IBRD loans, and \$41 billion in IDA loans²

The IBRD and IDA have three related functions: those being (a) to lend funds, (b) to provide economic advice and technical assistance, and (c) to serve as a catalyst to investment by others. The IBRD³ finances its lending operations predominately from borrowings in world capital markets while the IDA⁴ extends assistance to the poorest countries on easier terms, mostly from financial resources provided by its wealthier members. The World Bank also provides loans to help developing countries adjust their economic policies in the face of structural dilemmas that threaten continuing development⁵. In 1993 the Bank was the largest single lending institution with commitments of \$23.7 billion. Of this amount, loans to middle income countries at near-market rates with repayment schedules of 15 to 20 years amounted to \$17 billion. These funds are raised from world capital markets with the backing of donor countries. The remaining \$7 billion were concessional loans or IDA 'credits' to the poorest countries with annual per capita incomes below \$805. These loans have 35 to 40 year repayment schedules with annual service fees instead of interest rates. Soft loans are funded directly from donor country contributions.

The influence and representation on the board of directors is proportional to contributions to the Bank. The leading donor country contributors include the United States with the largest share at 17 percent, Japan contributes 7 percent and Germany 5 percent.

The Bank places high priority on the loan appraisal process that estimates rates of return on loans for large projects such as economic and social infrastructure. Individual loans for large economic infrastructure projects such as dams, roads, telecommunications, ports, irrigation and drainage amount

¹Interview with Arnaud Guinard, Chief of Mission, World Bank Regional Office, Bangkok; Bradley Babson, Country Representative, Hanoi; Khalid Ikram, Chief, Country Operations Division, East Asia and Pacific Regional Office; and Shamima Khan, Economist, Country Operations Division, East Asia and the Pacific Region.

²The World Bank Annual Report 1994.

³IBRD loans are provided to member countries at just under the market rate or at approximately 7.75%.

⁴IDA loans are "soft" in that they are provided to The World Bank's neediest member countries at an interest rate of about 7.5% (3/4 of one percent).

⁵The International Finance Corporation (IFC) and The Multilateral Investment Guarantee Agency (MIGA) are affiliates of the World Bank. The IFC promotes growth in the private sector by mobilizing foreign and domestic capital to invest with its own funds. MIGA encourages foreign direct investment by protecting investors from non-commercial risk.

to tens of millions of dollars. Loans for economic and social infrastructure require an appraisal of economic rates of return that make assumptions about rates of growth in demand for new production capacity and revenues generated by infrastructure.

The Bank develops relationships with governments to develop loan projects that support public and private investment in large projects. Bank staff are directly involved in project identification and design, and conduct detailed analysis of economic returns of return as part of the loan preparation process. Countries vary in their institutional capabilities to accept loans and to provide the reporting information required of the Bank. For example, Thailand has over 20 years of experience with Bank loans and has the ability to accept large loans and follow Bank procedures for loan implementation and reporting. Laos or Cambodia, in contrast, have extremely limited experience with the Bank and do not have the institutional capacity to accept and manage Bank loans without significant involvement from Bank staff and technical assistance. These poorer countries are inclined to accept technical assistance and soft loans.

The Wappenhans Report argued that the Bank's bias toward upward estimates of rates of return to ensure loan approval within the institution was a major cause of poorly performing infrastructure loans. The Bank admitted that it discovered a pattern of overestimation of demand by as much as 20 percent for power and water projects. For railways, the Bank found that in 29 of 31 cases, freight traffic failed to reach its projected level, and demand actually declined in one third of the cases studied.⁶ The Bank has also been criticized for its overemphasis on rates of return that ignore user costs of resources and neglect local environmental and poverty issues.

Development and Commercial Banking

The World Bank is a combination development and commercial bank. While donor nations contribute funds for lending programs and set broad policies and directions to guide Bank lending practices, the institution itself operates as a lending organization with financial rates of return that guide operations and decision making.⁷ The Bank is responsible for and accountable to its Board of Directors for achieving those rates of return; the Board is made up of country representatives whose influence is proportional to Bank contributions.⁸ Balancing its development objectives and Board mandated return rate, the Bank invests in countries through IDA and IBRD financed project initiatives while increasing its portfolio countries' propensity for prompt repayment through structural adjustment programs that strengthen the economic and financial environment.

⁶World Development Report 1994, p. 17

⁷The large technical staff consisting of development economists, engineers and other professionals provide the technical analysis and loan preparation documents that are reviewed and approved by the Board of Directors.

⁸The leading donor country contributors include the United States with the largest share at 17 percent, Japan contributes 7 percent, and Germany 5 percent.

Long Term Financial Flows to Developing Countries, 1990-1992
(Billions of US Dollars)

	1990	1991	1992
LT Aggregate Resource Flows	98	115	135
Official Development Finance	58	59	62
Official Grants	28	31	31
Net Official Loans	30	28	30
Bilateral	15	13	13
Multilateral	14	14	17
Net Private Loans	11	14	25
Commercial Banks	-4	4	na
Bonds	3	7	na
Others	12	2	na
FDI	24	33	38
Portfolio Equity Investment	3	7	9
LT Aggregate Net Transfers	24	37	58

The Bank's South East Asia Portfolio

Vietnam⁹

IDA lending to Vietnam resumed in October 1993 with the approval of two development credits for primary education and highway rehabilitation. A third major project for agricultural rehabilitation was approved in early 1994 bringing the total to about US \$320 million. A structural adjustment credit is being prepared for FY 1995¹⁰. Additional projects are being prepared for future fiscal years in the areas of transport, power, irrigation, reforestation, water supply, sanitation, health, education, urban issues, and the financial system. About 20% of Vietnam's portfolio is structural adjustment lending.

Thailand¹¹

As of March 1994, Thailand received 102 IBRD loans and six IDA credits totaling US\$ 4,264 million in loans and US\$ 115 million in credits. No IDA credits have been extended to Thailand since 1979. The bulk of Bank lending has been for energy projects (36%), agriculture and rural development (21%), and transport (20%). The current portfolio is relatively small (12 projects under implementation in FY 1994) for total commitments of about US\$ 812 million. Thailand does not borrow for structural adjustment.

⁹World Bank Country Report for Vietnam, 1994.

¹⁰The Bank, IMF and GOV are drafting a policy framework paper that covers country development and financing requirements.

¹¹World Bank Country Report for Thailand, 1994.

Laos¹²

Since 1986 fourteen credits have been extended to Laos totaling US\$ 300 million. About 26% of IDA assistance has been provided to support the economic reform program through two quick-disbursing adjustment operations supporting the balance of payments. The main focus of investment projects has been the rehabilitation of essential infrastructure. About 55% of IDA assistance has gone to energy, telecommunications and roads. The rest has gone to education (7%), agriculture (9%) and industry (3%). The proposed volume of IDA lending for 1995-1997 includes eight operations for a total of about US\$ 140 million. About 25% of Laos' portfolio is made up of Structural Adjustment Loans.

Cambodia¹³

Although Cambodia became a member of the IMF in 1969, it did not borrow from the Bank until 1993 for internal political reasons. In 1993, the Bank approved the first operation in Cambodia, the Energy Rehabilitation Project, amounting to approximately US\$ 7.9 million. In addition, the Bank has provided technical assistance for institution building to Cambodia through Institutional Development Foundation (IDF) and Human Resources Development (PHRD) grants totaling about US\$ 9.1 million. Nearly all of Cambodia's portfolio is structural adjustment lending.¹⁴

Organization and Management of The World Bank

The World Bank's organization and management structure is based on cost, the abilities of staff personnel and information technology. The staffing pattern and authority of Resident and Regional Missions can be ad hoc and is often characterized by a country's loan portfolio. In essence, through some combination of field and home-office staff, the World Bank manages three main activities: those being to (a) design, implement, and evaluate technical assistance and infrastructure projects; (b) assist countries in their structural adjustment efforts through conditionality-based Structural Adjustment Loans¹⁵; and (c) liaise with key government officials who make the ultimate investment/loan decision. The Bank has chosen to relegate prime responsibility for points one and two to Washington, D.C., as described below.¹⁶

¹²World Bank Country Report for Laos, 1994.

¹³World Bank Country Report for Cambodia, 1994.

¹⁴The Bank has not lent to Burma since 1986.

¹⁵The Bank's influence in developing countries goes beyond its large financial resources. Through IDA credits and structural adjustment lending programs, the Bank provides cash assistance to alleviate balance of payments problems while countries are undergoing difficult policy reforms. Concessional lending and technical assistance are incentives for developing countries to correct economic imbalances and implement reforms such as cutting subsidies, lowering inflated exchange rates, and trade barriers, and reducing government spending.

¹⁶Only 314 of the Bank's 6,800 staff are based overseas.

Project Design, Implementation and Evaluation

The Bank's principal clients are developing country governments usually agencies such as the Central Bank or Ministry of Finance. The Bank develops relationships with governments to generate loan projects that support public and private investment in large projects. Washington, D C and field staff become involved in Bank projects at different stages.

At the identification stage, Regional and Resident Missions play a key role in working with governments to recognize and define broad areas that require the Bank's development assistance. They work with governments to conduct preliminary investigations and narrow the Bank's possible scope of intervention to a manageable level called "preliminary mapping". However, detailed expertise is required for the design stage, and that expertise is provided by a battalion of Washington, D C-based technical staff¹⁷. Bank staff are directly involved in project identification and design, and conduct a detailed analysis of economic rates of return as part of the loan preparation process¹⁸. As a result, Bank professional staff travel as much as 50 percent of their time, to developing countries.

World Bank projects are implemented by contractors who do not require technical oversight. Accordingly, World Bank mission staff supervise, manage and administer project implementation as required. Impacts analyses and evaluations are managed through Washington, D C, and sometimes involve the participation of local mission staff.

The decision to locate technical staff in Washington instead of in the field is based on several issues. First, it is approximately twice as expensive to field a staff person. Second, since the Bank designs its own projects, it needs to maintain a critical mass of technical staff that can travel to several countries from Washington. Maintaining this staff in a regional hub mission would be more expensive and there is a strong feeling that the Bank could lose many well qualified and experienced personnel by forcing a regionalized staffing pattern.

Structural Adjustment Efforts and the Economic Policy Dialogue

Structural Adjustment Loans (SAL) are usually used to support a country's balance of payments position and are almost always a straight cash transfer into a Country's Treasury or Central Bank. Although specific expenditures may be required under conditionalities, SALs are rarely used to implement projects. This is where USAID and the World Bank mandates diverge. Although USAID may attach conditionality to specific project initiatives, it rarely emphasizes policy conditionality in its portfolio of development assistance initiatives. Contrarily, structural adjustment lending and monitoring

¹⁷Unlike USAID, the World Bank designs all of its own projects and loan programs internally. All important decisions on loan appraisals and approvals, project identification and project design are made from Washington.

¹⁸The Wappenas Report argued that the Bank's bias toward upward estimates of rates of return to ensure loan approval within the institution was a major cause of poorly performing infrastructure loans. The Bank admitted that it discovered a pattern of overestimation of demand by as much as 20 percent for power and water projects. The Bank has also been criticized for its overemphasis on rates of return that ignore user costs of resources and neglect local environmental and poverty issues.

requires substantial Bank staff resources, both from the home office and the field. As will be discussed below, field assistance usually comes in the form of facilitating a policy dialogue between Washington and the country government. The bulk of loan program design, appraisal and monitoring is managed by senior economists in Washington and housed in the divisions and departments described above. Several reasons have been given for placing SAL negotiation and management responsibility in Washington. First, and as with the design of World Bank projects, SALs require a critical mass of expertise that is too expensive and difficult to maintain in each country. Additionally, Country Division Chiefs value and depend heavily on their ability to draw from other Bank technical offices, to work with divisional economists on SAL initiatives in their portfolio countries. The second reason for maintaining SAL management responsibility in Washington, is the coordinating role that country economists must play with the International Monetary Fund and the United Nations, which are also located in Washington and New York.

Regionalization

The perception that all SAL and project management must be maintained in Washington is changing albeit slowly. Information management and the ability to find qualified staff who can and are willing to handle project implementation and SAL responsibilities from the field, may contribute to World Bank's movement from a highly centralized management model to one that is a little more regionalized. For example, information systems that allow the home office to fill field needs quickly, can also allow field-based economists to communicate with the IMF and UN easily and directly regarding a country's demand for and adherence to conditionality-based loans. Additionally the Bank is enticing more qualified home office based senior economists into the field by giving them the opportunity to delineate their responsibilities as Chiefs of Mission. If and as the Bank fields more qualified senior economists SAL appraisal and monitoring responsibility may gradually move to the field as well. However, since the effort to relocate qualified staff to the field is based on finding the "right" Chief of Mission the Bank's regionalization process is ad hoc at present, and still in its early stages. In fact for this reason no precise unilateral staffing pattern can be applied to Bank missions at all.

General Staffing Pattern and Support Provided to South East Asian Countries

Headquarters

Professional technical staff are housed under one of several regional or technical divisions within the World Bank's home office. In short the Bank is managed by sixteen Vice Presidencies (VP) six regional six technical and five functional. Each VP houses several departments and under each department sits one or more division.

Six Regional Vice Presidencies¹⁹

- Between two and six sub-regional departments
- Several country divisions for each sub-regional department (one or more countries),
- A staff of one country officer and one or more country economists or technical staff for each division

Five Technical Vice Presidencies²⁰

- Between one to six sub-sectoral offices,

Approximately twelve technical staff support South East Asia's loan portfolio through the above country divisions and departments²¹, including one economist and one country officer (CO) for Cambodia, one economist/research assistant and CO for Laos, four economists and one CO for Vietnam, and one economist and one-half time CO for Thailand. This does not include staff drawn from the Bank's technical divisions.

Overseas Representation

The World Bank maintains 49 resident missions, seven regional missions and three liaison offices to facilitate technical assistance and lending activities overseas. However, if one looks just at the Bank's portfolio in South East Asia, one gets a feeling for the degree of centralization that still exists.

Like the six other regional missions, the World Bank's office in Thailand manages and oversees activities in several countries, including Laos, Burma, and Cambodia. The Thailand Mission's staff includes a Chief of Mission, who largely plays a government liaison role; two technical staff recruited from headquarters that manage technical programs for Laos and Cambodia; a technical staff person that handles work in Thailand; and a few local administrative personnel. The World Bank has recently opened a liaison office in Laos, but that office is staffed entirely with Laotian administrative employees and provides purely logistical support to technical assistance and other project teams. A new country representative was assigned to Vietnam over a year ago to support the growing programs. The representative office in Hanoi operates independent of the regional office in Bangkok and reports directly to headquarters in Washington.

The primary responsibilities of the Regional Mission in Thailand and the representative office in Vietnam are to support headquarters and improve contact with (in Thailand's case) a cluster of countries in the region. Activities include:

¹⁹Africa, East Asia and the Pacific, South Asia, Europe and Central Asia, Middle East and North Africa, and Latin America and the Caribbean.

²⁰Co-financing and Advisory Services, Development Economics, Human Resources Development and Operations, Finance and Private Sector Development, and Environmental Sustainability Development.

²¹The World Bank has five operational Vice Presidencies, including the Treasurer, The Controller, Financial Policy and Risk Management, Management and Personnel Services, and Operations Evaluation. Under The Vice Presidency for the Controller, for instance, one can find the Departments of Accounting, Internal Auditing, Loans, and Planning/Budgeting.

- Working closely with task managers and division chiefs in Washington for the relevant sectors for each country. In theory, the regional representative reports to the directors of departments for each country, in practice, a relationship with task managers of relevant sectors, who are very influential, is critical.
- Selectively providing technical support, particularly in economic matters, and working with key institutions, such as the National Economics and Social Development Board in Thailand, for country lending programs. The regional representative generally focuses on the most important sectors, such as environment and education in Thailand, or infrastructure and structural adjustment and macroeconomic reform in Cambodia.
- Providing external relations with the media, and keeping in contact with various donors, briefing them on Bank activities and coordinating development activities.
- Supporting field missions from Washington, providing visas, technical input and logistical support as required. This has been particularly important for Vietnam where invitations are required for official missions and there is no embassy in Washington.

The Bank offices in Thailand and Vietnam have no authority in decision-making. All decisions are made in Washington for disbursement, contracting, project design, audits and evaluations and project implementation.

Regional Programs and Approaches

The Bank generally does not implement regional programs or regional programming because most activities are based on loans to governments. The Bank is increasingly addressing regional development problems through projects that promote donor coordination and co-financing of development projects with regional scope. The Sub-Saharan Africa Transport Policy Program (SSATIP) is a joint undertaking by the Bank and the UN Economic Commission for Africa, with the support of donors and provide seconded staff and financial support. It involves regional institutions such as the Union of African Railways and the Maritime Conference for West and Central Africa. The project supports regional approaches among donors and countries on road sector reform, railway restructuring, road safety and improvement of the performance of urban public transport.

In February 1995 the World Bank and World Health Organization will establish a regional program based in the Bangkok office for AIDS/HIV prevention. The project is unique in that it is a collaborative effort with another institution and will cover all of the countries in the region. The program will have two technical staff from headquarters, local support staff, and will provide policy and technical advice to all the countries in South East Asia. The regional office will sublet space to the regional project, indicating its arms-length role with this Washington managed project.

Cost Containment and Efficiency

Budget constraints are an important consideration in the Bank's decision-making process on staffing and establishing field offices. In 1994 and 1995 the Bank will have a reduced operating budget of five to six percent in real terms each year. The reduced budget comes at a time when there is

increasing pressure to have a greater presence in the field, and to provide lending and services in more sectors to address more development issues

The sheer size of the lending program is one important factor in determining management and organization in the field. The reduced operations budget forces some difficult choices and tradeoffs when deciding whether and how to establish bilateral and regional offices

- *Selecting between headquarters staff and field staff* Some countries have skilled staff that can do a competent job at much lower cost than relocating headquarters staff from Washington. In Thailand, Thai technical staff manage the education program. In Cambodia, there is no local or expatriate staff. In Laos, the regional representative is setting up a support office of two local staff, but because of the lack of local expertise, specialists are required from Washington. Headquarters staff travel on average four or five months each year, managing projects and sector programs. Short term expertise from Washington, such as a six month mission in the field, can fill the gap if there is insufficient local expertise and the cost of relocating staff from Washington is prohibitive or full-time staff are not required. One important constraint to placing headquarters staff in country on a full-time basis is that local staff do not have the same opportunity to take on responsibilities in managing development projects
- *A field presence with headquarters staff, with the generous benefits package, is very costly and must be weighed against the specific requirements in country* Bank staff receive 10 percent hardship in Bangkok and 25 percent in Hanoi. The high cost of fielding headquarters staff however may not be the only consideration. For example Thailand is very accustomed to Bank practices for bids, disbursements and reporting requirements after 25 years of experience with the Bank. There is very limited requirement for full-time Bank staff in Thailand. On the other hand Vietnam has very little experience working with the Bank and other multilateral organizations. Full time Bank staff are required to provide ongoing support to counterpart agencies. As the program grows in Vietnam the resident representative will bring in a permanent operations officer from Washington. The Bank has a five year relationship with China which has a large program. Language barriers and multi sector investments are important reasons for having staff composed of sector specialists and resident representative for the lending program in China
- *Project implementation versus soft loans* Generally speaking operations specialists from headquarters are required when project implementation includes local NGOs and agencies involved at the grass roots level. The size of the loan is not necessarily indicative of the technical and operations support required from the Bank. An engineer who can review bids and construction sites may be very valuable in some countries. A forestry conservation project with NGO and grass roots involvement through a small loan may require full-time technical staff from headquarters compared to a soft loan for structural adjustment. Generally projects in environment, health and education are labor intensive and require technical staff involvement
- *Bilateral versus Regional Office* It is difficult to justify the costs of establishing local representative offices in Laos and Cambodia because there are limited programs. A regional office in Bangkok can provide the oversight required. The regional office will have to provide different levels of support for each country. In Thailand there is very little need for supervision but in Laos and Cambodia frequent trips are required. If Burma becomes more active then the

regional office will need more resources, such as an economist, to cover the additional responsibilities. At some point, it will be more cost effective to set up an office in Burma or Laos or Cambodia, similar to Vietnam, as the bilateral program grows. In some cases, it is more cost effective to place a regional technical expert, such as an environmental engineer who can serve all countries in the region, in the regional office rather than a bilateral office.

Comparative Advantages and Disadvantages

The World Bank's model for organization and management of development assistance programs is largely determined by the large volume of disbursements, the large size of individual disbursements, and the banking approach to disbursements. The organization and management model of the Bank offers some important comparative advantages.

- The ability to make larger loans and disburse larger volumes of assistance than any other development agency in the world, with over \$20 billion dollars in loans each year.
- The Bank has a very talented pool of development economists, engineers and professionals that provide some of the best data and information of any development institution in the world.
- With the largest financial resources in the world, the Bank can influence other donors, leverage its resources, and influence developing countries to accept and implement difficult economic and social adjustments.

However, the headquarters model of the Bank has some important disadvantages as well.

- The Bank has been criticized as a "money moving machine" to address global imbalances rather than generating sustainable development strategies. With the primary objective of making loans, the Bank is criticized for measuring success in terms of lending. The tendency is to overestimate rates of return, emphasize more loans and prevent default on loans rather than generating creative solutions to development problems.
- The Bank is not responsive to the local environment. Almost all decisions are made in Washington, and decisions tend to ignore important local constituencies in developing countries.
- Greater impact toward poverty reduction and sustainable development could be achieved with less resources disbursed through smaller-scale loans to local constituencies, including NGOs and community groups.

AUSTRALIAN INTERNATIONAL DEVELOPMENT ASSISTANCE BUREAU (AIDAB)¹

GOALS AND OBJECTIVES

The Australian International Development Assistance Bureau (AIDAB) is funded by the Australian Government to assist developing countries through foreign aid programs. The primary purpose of the program is to help poor countries, and to improve Australia's "standing and its trade and commercial links with other countries." The foreign aid program reinforces the Government's wider strategy of engagement with Asia and the Pacific.

Australia serves the needs of developing countries through the comparative advantages of Australian technical and training services as well as commodities. These comparative advantages include

- Similar climatic and agronomic conditions in Australia allowing easy transfer of technology and training to developing countries
- Close proximity to Asia which receives the majority of AIDAB foreign aid allowing easy communications and delivery of services
- Close partnership with country governments and organizations including soliciting and receiving proposals in the local language and using local expertise, and
- Strong networking high visibility and local contacts with local organizations through small project funding mechanisms similar those used by foundations

Programs and Funding Levels

AIDAB's worldwide foreign aid program in 1994 is estimated at US\$1.05 billion. Foreign aid is directed almost exclusively at Asia, the region of greatest foreign policy, commercial and development interest to Australia. The only region outside of Asia that receives development aid is Africa at \$76 million. Foreign aid is also directed at other regions through contributions to multilateral organizations.

¹This profile is based on AIDAB's reports Australia's Overseas Aid Program 1993-94 and Australian Development Cooperation Program with Thailand 92-93 and interviews with Andrew Rowell, AIDAB Office, Australian Embassy, Bangkok, Thailand, November 8, 1994 and December 14, 1994.

Over half, or 56 percent, of all foreign aid is programmed through bilateral programs. Global programs consist of about 35 percent of all aid. Global programs include emergencies and refugees, international organizations, and community and commercial. The remainder is funneled through other Australian government agencies and miscellaneous programs.

Papua New Guinea	\$252.7 million
South Pacific	\$ 98.1 million
Southeast Asia	\$273.9 million
Other Regions	\$203.5 million
MDBs and Other	\$223.2 million
Total ODA	\$1.05 billion

AIDAB programs include food aid and commodities assistance, technical assistance, training and some cash transfers. Most of Australia's foreign aid includes technical assistance and training implemented by private Australian contractors and universities. The largest bilateral program, in Papua New Guinea, consists of large cash transfers to the government. This is atypical of bilateral programs, however, and represents the unique historical relationship between Australia and Papua New Guinea.

Purpose of Foreign Aid Programs

The foreign policy interests of Australia are to improve relationships with Asian countries, improve regional stability by reducing inequalities within and across countries, and to improve trade and commercial links with other countries. Australia sees its neighbors in Asia becoming more integrated economically, presenting new commercial and trade options as well as posing new risks, including environmental degradation, health issues, particularly HIV/AIDS, and illegal movement of people and products. Foreign aid disbursements are an effort to address poverty, health and environmental risks, and economic development.

One notable feature of the AIDAB program is its explicit commercial objective. Australia has increased the role of Australian commercial organizations in the foreign aid program, building aid programs around the strengths of Australian expertise. These strengths include education and training, agriculture, manufacturing, transport, mining, and energy.

The programs in education and training demonstrate the strong link between Australian commercial interests and development objectives in developing countries. Over \$34 million in academic fees and \$49 million in stipends is spent by foreign students in Australia through AIDAB programs. There are three benefits from foreign aid for the education industry. Foreign aid improves research efforts by providing scholarships and postgraduate research, and helps advertise opportunities in Australia for privately financed study, increases the international recognition of Australian education institutions, and contributed to a threefold increase in the export of Australian education services and equipment. The industry now has a value of over \$750 million. AIDAB does not have regional offices overseas, but maintains eight regional offices within Australia to manage participant training programs in local institutions and universities. This unique partnership between AIDAB and local education and training organizations establishes a strong comparative advantage in participant training.

Foreign aid programs also open new commercial opportunities in new markets. Australia funds the Development Import Finance Facility (DIFF) which provides opportunities for Australian businesses to supply goods and services to developing countries for high priority development projects. DIFF

combines export credits with development grant funds allowing Australian companies to participate in larger development projects. Country programs open new markets for Australian businesses according to AIDAB. Through foreign aid programs in China since 1980, more than 150 Australian organizations have benefited from \$431 million in new business in 1992. New business increased to over \$630 million through foreign aid programs in 1993. AIDAB states in its 1993 report, "Every \$100 of AIDAB funds spent on the China program prior to June 1992 can be confidently expected to generate about \$300 of business for Australian organizations by the end of 1993." Benefits beyond followup business for Australian firms include exposure and experience of Australian firms to international business, establishing an international reputation, enabling new research and development initiatives to be implemented, staff development, investments in plant and equipment, and establishment of joint ventures. These figures are clearly stated in the foreign aid literature, reflecting the need to sell foreign aid as a benefit to commercial interests.

ORGANIZATION AND MANAGEMENT

Headquarters Model

AIDAB employs a headquarters-dominant approach to managing foreign aid programs. AIDAB is based in Canberra, where headquarters is directly involved in bilateral and regional programs. Table 2 summarizes the staffing patterns, functional responsibilities, and cost indicators for Canberra and bilateral programs in Thailand, Vietnam, Cambodia, and PNG.

Canberra is responsible for providing almost all technical and administrative services to bilateral programs. As indicated in the table, all services are provided by headquarters to field missions. In contrast, field missions are primarily responsible for monitoring and coordinating activities in country, reporting to headquarters on performance of contractors and financial issues, and working with host government agencies on agreements for development programs. Final decisions on contracting private services, disbursing funds, designing and implementing projects, and auditing and evaluating projects are handled in Canberra. Legal support is also based in headquarters.

The bilateral missions are staffed with very few expatriate staff and approximately four local staff for every expatriate staff. The responsibilities of field offices reflect the limited functional activities undertaken in country. The primary functions of the bilateral office are monitoring, coordination, and developing relationships with government agencies and local organizations. About 25 percent of the program is managed in country, with support from headquarters.

Bilateral programs manage some programs that allow staff involvement in development activities and in contact with local organizations. In Thailand, for example, the AIDAB office manages several small programs that disburse grants directly to local organizations. The Northern Provinces AIDS Prevention and Care Program is a five-year \$2.6 million program with an office in Chiang Mai that funds HIV/AIDS initiatives implemented by local government, NGOs, and private sector groups. Grants range from \$3,000-40,000 each. The program has placed additional administrative burden on the two expatriate staff who oversee the program implemented through a personal services contractor in Chiang Mai, but the benefits of local networks and high visibility projects is valued.

The Thai-Australian Community Assistance Program, implemented through DTEC, is another small grants program to Thai NGOs to promote collaboration between Australian and Thai NGOs and to target poor areas. These small programs are unique in that the AIDAB bilateral office disburses small grants directly to recipients and does not rely on headquarters for disbursements or decisionmaking on grants.

These small programs allow the bilateral program flexibility to operate like a foundation, providing small grants to local organizations, involving AIDAB staff in local networks and issues. There is also a positive political return for the Australian Ambassador who can point to these small projects wherever he travels around the country.

Regional Model

Although AIDAB does not have a regional office in Asia, it manages global programs--some of which are the equivalent of regional programs for other donors--from Canberra that complement bilateral programs. These programs include emergency relief, assistance for refugees, agricultural research, and support for development activities implemented by Australian NGOs.

Regional programs support regional issues, such as HIV/AIDS, environment, women in development, scholarship programs and health, and institutions which complement several bilateral programs. For the Thailand program, regional programs that benefit Thailand include funding to the Colombo Plan Mekong Committee, South East Asian Ministers for Education Organization (SEAMEO), Economic and Social Commission for Asia and Pacific (ESCAP) among others. It is estimated that Thailand benefits from about \$6-7 million through regional programs. The bilateral office in Bangkok works closely with Canberra to develop regional programs with regional institutions based in-country, balancing the need for local knowledge with the breadth of a regional program. The bilateral office monitors and coordinates the elements of the regional program that affect Thailand. It can take corrective measures to address problems, but the programs are primarily managed from Canberra.

The advantage of headquarters managing the overall regional program with bilateral offices managing the slices relevant to their country is that it places minimal management burden on the bilateral program and allows small staffing patterns. One major disadvantage is that Canberra must deal with many sectors and countries and often does not allow cross fertilization across countries and sectors.

In Africa, AIDAB has two offices in Harare and Pretoria that manage the bilateral programs in Zimbabwe and South Africa, respectively, and also activities in neighboring countries that do not have AIDAB offices. The geographic distance from Canberra makes this arrangement most practical.

COST FACTORS AND PROGRAM EFFICIENCY

AIDAB has an informal goal of keeping operating expenditures in overseas offices limited to one expatriate for every \$10 million of program funds. The table indicates the ratios for four bilateral programs: 1 \$9.3 million for Thailand, 1 \$9.6 million for Vietnam, 1 \$7.2 million for Cambodia, and 1 \$31.6 million for PNG. Ratios alone do not indicate real efficiency costs. The PNG ratio, for example, is much higher because much of the funds are cash transfers. The programs in Thailand are very efficient given the small program grants delivered through the local office.

Almost 100 percent of all project design and implementation is contracted out to Australian contractors and organizations. The services are monitored by field offices and by Canberra to ensure quality. Contracting these services not only involves Australian organizations but also reduces operating costs significantly for AIDAB.

There are strengths and weaknesses to the headquarters-dominant model and a limited field presence. The lack of in-house technical capability limits the ability of in-country programs to work directly with projects. At the same time, bilateral offices have sufficient autonomy in the field to take corrective actions with private contractors and local organizations when required, although Canberra is primarily responsible for most decisions and delivery of administrative and technical services. The small projects place greater administrative burden on bilateral offices to disburse funds and manage small grants, but these programs allow provide important advantages, including a higher profile in country, more contact and networks in country, and substantive contact at a micro level in key development issues. The trend has been to involve field offices more in regional and bilateral activities, although the operating costs remain limited.

TABLE 2

Organization and Management Indicators By Location -- Australian International Development Assistance Bureau (AIDAB)

Indicator	Canberra	Bilateral Offices with some regional activities			
		Thailand	Vietnam	Cambodia	PNG
Total Disbursements	\$1.05 billion	\$27.8 million	\$38.45 million	\$14.45 million	\$252.75 million
Technical Services					
Project Design	Yes	No	No	No	No
Project Implementation	Yes	Limited	Limited	Limited	Limited
Project Evaluation	Yes	No	No	No	No
Monitoring/Coordination	Yes	Yes	Yes	Yes	Yes
In house Technical Capability	Yes	No	No	No	No
Outsource TA delivery	Yes	No	No	No	No
Administrative Services					
Contracting/Agreements	Yes	Limited	Limited	Limited	Limited
Financial Audit/Control	Yes	No	No	No	No
Financial Reporting	Yes	Yes	Yes	Yes	Yes
Legal Support	Yes	No	No	No	No
Disbursement Authority (\$limit)	Unlimited	\$40,000	\$40,000	\$40,000	\$40,000
Logistical Support	Yes	Minimal	Minimal	Minimal	Minimal
Staff Size					
Expatriate	N/A	3	4	2	8
Total Staff	500	18	10	8	33
Ratios					
Expatriate/Program Dollars		1 \$9.3 million	1 \$9.6 million	1 \$7.2 million	1 \$31.6 million
Total Staff/Program Dollars	1 \$2.1 million	1 \$1.5 million	1 \$3.8 million	1 \$1.8 million	1 \$7.7 million

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY¹

Introduction

The Canadian International Development Agency (CIDA) is the Canadian government agency responsible for the delivery of bilateral assistance for development purposes. The agency has undergone a number of significant organizational changes over the past decade largely in response to the perception that aid monies were not being used effectively.

Like many large organizations of this kind, with people and activities spread out geographically around the world, CIDA has engaged in several attempts at decentralization. In order to understand and evaluate the results of these efforts it is important to set the stage by introducing some of the constraints or real world realities that CIDA has had to operate under.

First, unlike USAID missions operating overseas, Canada decided that as part of what was called the Consolidation Agreement, all overseas operations had to work under the Ambassador and as part of the Canadian Embassy or High Commission. Canada would speak with one voice and just as the embassy had a political, cultural, commerce and consular sections, aid would be yet another section reporting to the Ambassador.

Second, while administrative consolidation overseas took place, at home CIDA moved from reporting to an independent, albeit junior Minister, to the Senior Minister of Foreign Affairs. CIDA continued to maintain its own budget, operating under the direction of a President, but with its organizational mission and culture, personnel rules, and operating procedures influenced by the business of diplomacy and representation of the ministry, that it was now a part of.

Though these changes have posed a new series of challenges, CIDA's budgetary independence has allowed it to enjoy a higher level of financial resources than the Ministry of Foreign Affairs. Both in terms of program funds and the administrative support necessary to run these programs, CIDA has benefited by the nation's pride in being able to assist other countries, less fortunate than Canada. Ironically, surveys have revealed that most citizens believed that foreign assistance was used primarily for humanitarian and disaster relief purposes when in fact that represents but a small portion of the actual assistance budget. While support remains strong, this situation is about to change as mounting budget deficits are forcing painful political choices in which bilateral foreign assistance and the administrative mechanisms for its delivery are about to be scaled back.

Organization Structure and Responsibilities

CIDA has gone through several reorganizations, shifting from centralization to decentralization models of management. In 1988, Parliament wanted to decentralize CIDA because there was the view that the benefits gained from moving greater responsibilities and more staff to field offices would justify the increase in operating costs. Staff size in field offices increased.

¹Interviews with Michel Archambault, Counsellor, CIDA, Singapore, November 18, 1994, Ingrid Knudsen, Counsellor, CIDA, Bangkok, Thailand, November 15, 1994, and CIDA publications on regional programs.

threefold. Contract specialists were placed in the field, along with more development staff. Contracting and project design and management functions were shifted to field offices. In Asia, offices in Manila, Bangkok and Jakarta took on greater responsibilities for programs that were generally project-oriented. The top official in each bilateral office was called "Counsellor and Director", reflecting the line authority for decision-making in the field.

In July 1993, CIDA began the process of recentralizing its overseas operations back to headquarters after Parliament decided that operating costs were too high. The reorganization is still taking shape. Part of CIDA's recent restructuring involved a new development approach: a shift from an isolated project-oriented approach to development towards broader policy interventions focusing on such strategic themes as policy dialogue, partnership, institution building, sustainable development and human rights. The policy approach allowed reduced field staff to manage projects. Overseas staff have been reduced from over 300 to about 100 worldwide. Top officials of field offices now have the title of "Counsellor", but no longer "Director", reflecting the fact that they no longer have line authority. Most decisions are made in Ottawa.

The regional office in Singapore monitors and reports on most regional activities and provides advice to headquarters staff for project design and management. The office has no authority over bilateral programs in the region. CIDA is now reviewing its organization and management structure to determine whether or not some services provided from the Singapore office would improve the performance of regional and bilateral programs. There is exchange of information and collegial discussions about development issues across field offices.

The Singapore office has seven staff: the regional counsellor, an expatriate program officer, a local program monitor and four support staff. The Counsellor reports directly to the Director of Regional Programs in headquarters in Ottawa, and Counsellors in bilateral offices report to a Director in Ottawa who has responsibility over bilateral programs. All field offices in Asia report to the Vice President for the Asia Branch in Ottawa.

The regional office does not provide any services to the bilateral offices. Most administrative services and support for overseas programs are provided by headquarters, including contracts, disbursement, legal advice, and personnel management, in addition to the management of project design and implementation (CIDA does contract consultants for supporting services, project design and implementation). There are no technical specialists based in field offices. Some field offices contract out services to private Canadian companies who provide logistical and secretarial support and provide services to technical missions in the field.

The bilateral office focuses almost exclusively on the Thailand bilateral program, which is about \$16 million in 1994 and includes 28 projects. This is a large portfolio for a small office with only one expatriate staff and local support staff. CIDA is now trying to decentralize some of the monitoring, reporting and decisionmaking responsibilities to the field through Project Support Units (PSUs) (see Doing Decentralization Right below). The Bangkok office also has some responsibilities for monitoring and reporting for programs in the region. For example, the Counsellor in Bangkok monitors and reports on limited activities in Burma and provides some administrative support and reporting for activities in Laos and Cambodia. In theory, the bilateral office in Bangkok feeds information to the regional Singapore office for development programs. In practice, the Counsellor spends limited time providing information to Singapore.

Precedents for Decentralization

CIDA is now undergoing its second major attempt at reorganizing itself around a model that recognizes that the delivery of an aid program is a unique exercise of government. This includes the need for both a strong field presence to design, implement and monitor program activity as well as a headquarters function that answers to the concerns of the donor government. Before exploring the details of this most recent effort and an assessment of the results, it is helpful to understand what did NOT work in the past.

The first go around involved a major effort to address, in the words of one prominent Canadian O&M consultant, the "plumbing issues" needed to improve the agency's field operations. This effort focused upon providing to the field staff the automated information management and communications systems necessary to support a decentralized process of decision making that would provide flexibility, responsiveness and accountability needed in the management of a bilateral foreign assistance program. The problem with this approach is that there was more than just the plumbing that needed fixing.

Remember that CIDA's field activities operated as part of the Canadian embassy with its staff on loan to the Ministry of Foreign Affairs while on overseas duty. Their field staff reported administratively to the Ambassador but functionally to the CIDA Regional Vice President back in Ottawa. While on loan the aid staff served as Foreign Service officers entitled to the same benefits but held to the same set of responsibilities as those charged with handling a very different portfolio of representational duties.

These same CIDA staff depended largely upon the same support systems provided to the rest of the embassy contingent. CIDA poured about US\$25 million a year to the Ministry of Foreign Affairs to support its roughly 200 people overseas with the tools needed to do their jobs. These funds seemed to disappear into the larger but hopelessly inadequate pool of funds available to support all of the government's overseas functions at its extensive network of embassy and high commissions around the world. Efforts to "re-plumb" then were made more complicated by the difficulty separating the CIDA support activities from those of the larger Ministry of Foreign Affairs.

The effort to isolate and strengthen these field support systems were estimated to cost roughly \$1 billion and a proposal was presented to the Treasury to authorize this expenditure. Strong support for the Canadian foreign assistance program helped the request receive a fair hearing. However, funding constraints meant that only about half this amount was available. It was decided that rather than cut back on the overall package of supporting infrastructure made available to the CIDA staff, CIDA would develop the full package of necessary systems but only in half of its overseas representative offices.

As it turned out, the agency underestimated the difficulty in isolating the needs of its field staff and gaining the cooperation of the Ministry of Foreign Affairs with their existing embassy facilities. Shortly into the implementation of this program, Treasury pulled the plug and the effort was abandoned. Citing higher costs, lack of responsiveness to Canadian interests and political realities, this approach of differentiating the aid function from that of other overseas government operations and support accordingly was rejected.

Doing Decentralization Right

The second attempt at decentralization has taken on a decidedly different flavor. Rather than tinker with the CIDA operations that have been consolidated within the embassy, where additional support is needed to handle the administration of foreign assistance, an entity called a Project Support Unit is established. The PSU offers several innovative features:

- First it is funded using program funds and not from the administrative support budget
- Second it sits physically and administratively outside of the Canadian embassy
- Third, it has the flexibility to offer a set of services, contract modalities, staffing arrangements, and manage its affairs in a way that is directly related to the program, country and other unique and defining characteristics under which the aid program must function. The PSU's have a high degree of freedom in responding to the diverse management challenges found in the many situations that CIDA programs are operating.

The PSU's are all created in consultation with the host government and a formal memorandum of understanding since aid program funds are being expended. In this respect they resemble a development "project" however one whose purpose is to support a portfolio of other projects. They also report to CIDA's country aid representative posted in the embassy aid section.

With the rapid growth of this management structure an audit has recently been completed to review the experience with the PSU's, formulate recommendations for change and improvement, and to identify what things have been effective and worked so that their continuation can be assured. Among the changes suggested was a common management framework to include a standard accounting system, simple and efficient cost-recovery system, placing all program support expenditures under PSU management and secondment of CIDA personnel to PSU's.

There were several important characteristics that the Field Operations Work Group recommended be maintained. Chief among them was that no single field operations model or structure be uniformly applied everywhere. Rather, there should be flexibility in the structure of field operations applied within a common management framework.

Regional Programs

CIDA has only two regional offices that manage regional programs in the world. One is based in Southern Africa, the other in Southeast Asia. The principle rationale for justifying a regional office and program is based on the grouping of countries within a region, and the dynamic between those countries that allows for cross-country programming. In addition, there must be administrative receptivity among countries within the region to take on some responsibility to manage the program. In Southeast Asia, CIDA supports many development activities by funding and working with ASEAN member countries and regional organizations through partnerships for a regional program. CIDA leverages scarce resources by financing programs that benefit several

²Final Report: Effective, Accountable and Transparent Field Operations. Summary Report of Work Group Discussions, Management Renewal Exercise. Field Operations Work Group. Canadian International Development Agency. July 1994.

countries. Regional programs reduce costs and optimize resource utilization to achieve overall program objectives.

The regional program in Southeast Asia has three parts: the ASEAN Program, the Regional Institutions Program and the Regional Program. Activities are organized under these three subprograms based primarily on institutional responsibilities and capabilities, although there are exceptions to this rule. In some cases, activities are placed under a particular subprogram category because the funding is most easily accessed from a particular subprogram's budget.

The total funding for regional programs is about \$10 million per year. The program activities are monitored either from a bilateral office, the regional office in Singapore or headquarters in Ottawa, depending on convenience and responsibilities of the office involved. Almost all decision-making is made in headquarters in Ottawa.

ASEAN Program

The ASEAN Program has three program areas: agriculture and forestry, science and technology and human resource development. One characteristic of activities grouped under the ASEAN Program is that ASEAN member countries are involved in some financing and management of the activity with CIDA. For the 12 multi-year activities currently programmed, CIDA contributions are about \$70 million and ASEAN contributions are \$21.6 million. There are joint committees consisting of participating ASEAN member country representatives and CIDA officials that monitor and manage the activities. Many of these activities also include other donors. For example, the Grain Post Harvest Program is a collaborative effort involving the International Development Research Centre (IDRC), CIDA, ASEAN, and at various stages USAID, Australian Development Assistance Bureau (ADAB) and the Royal Government of the Netherlands.

Regional Institution Program

CIDA funds regional activities through established regional institutions that have primary responsibility for project implementation. Most of the activities under this program are managed primarily by ASEAN-based regional organizations. CIDA had long-term relationships with many of these institutions which makes management of regional activities much easier because these organizations know CIDA requirements and procedures. For example, CIDA has provided funding and program support to AIT for over 25 years. Eight multi-year activities are funded through grants of approximately \$49 million.

Regional Program

Activities under the regional program are typically managed and monitored by CIDA or institutions based in Canada. The Counsellor in Singapore often is not aware of program disbursements for these activities because they occur in Canada.

³Regional organizations funded by CIDA include the Asian Institute of Technology (AIT), South-East Asian Ministers of Education Organization (SEAMEO), Asian Institute of Management (AIM) and Women's Initiative Fund (WIF), Institutes of Strategic and International Studies (ISISs), Asia Pacific Ocean Cooperation Project (APOC), and Women's Initiatives Support Program (WISP).

Costs of Program Delivery

The Field Operations Work Group conducted an analysis of the costing information available on field operations in order to determine the cost-effectiveness of various field operations structures. In their final report they concluded that it was impossible to determine actual Aid Section costs within the Embassies and High Commissions based on the Ministry of Foreign Affairs and International Trade current costing formula. In addition, there was no consistency in the way CIDA Project Support Units report costs, so there is no basis of comparison among countries or between embassies and PSU's.

When CIDA shifted from a centralized to decentralized organization in 1988 by increasing staff threefold and giving field offices greater authority and responsibilities, the operating costs increased from \$56 million in 1988 to \$94 million in 1989 for operating expenditures. Since 1993 when CIDA recentralized its operations, the Agency has an operating budget of about \$75 million annually, with 1,100 staff in Ottawa, only 100 staff in the field, and a total program budget of \$1.5 billion.

One thing is clear regarding costs: they are quickly becoming a larger percentage of the agency's program. Faced with budgetary cutbacks, CIDA has recently frozen any new program initiatives and is allowing current programs to expire. While the portfolio shrinks, the size of its administrative staff of roughly 1,200 people has remained constant. With the real prospect of a 20% cut in foreign aid next year, almost all falling on its bilateral program so as not to affect its multilateral commitments, it is certain that CIDA will be forced to redress this imbalance starting with its large Canada-based work force.

There are advantages and disadvantages to the two management models CIDA has employed over the past five years. During the decentralized management period, field staff could respond very quickly to local needs and make decisions within 15 days. There was greater flexibility to design projects that met the conditions in each country. There were some negative aspects. In addition to the higher operating cost, some CIDA staff, some contend, tended to lose sight of some of Canada's foreign policy interests in the foreign aid program. Headquarters also had much less control of many programs.

During the current recentralized structure, headquarters has regained control of procedures and activities in the field. Initially, decisions often took up to 3 months, and there was less contact with development needs in each country. Operating costs were reduced in nominal terms, but the increased costs related to delayed decision-making were not captured in budgetary terms. The PSU was an innovation that allowed maximum flexibility in the structure of field operations within a common management framework. Telecommunications capabilities worldwide allow for recentralization of administrative functions and greater authority based in Ottawa with increased flexibility in the field to manage project design and implementation and administrative procedures.

REGIONAL OPERATIONS IN JAPANESE IMPLEMENTING AGENCIES

Goals and Objectives

In 1992, Japan's Official Development Assistance (ODA) totaled \$11.33 billion, making it the largest bilateral donor by dollar volume. In 1993, Japan announced its "Fifth Medium-Term Plan" to distribute \$70-75 billion in ODA in the next five years. This represents a steady annual growth rate of 4-5 percent per year, a fact unique among bilateral donors in an era of "aid fatigue". As of Japanese FY1992, Japan was the top donor in 31 countries worldwide, has drastically increased its ratio of aid to developing countries and while at the same time implementing a broad-based untied aid program (75 percent untied to purchases of goods/services from the aid-giving country). Japan has clearly made a strong commitment to use Japanese tax dollars to foster international development.

Japan follows a basic "Charter" for its ODA which defines its basic philosophy and principles in administering foreign assistance. As defined in the ODA Charter of 1992, Japan seeks to contribute to the self-help efforts of developing countries towards the recipient country's economic 'take-off'. It implements its ODA to help ensure the efficient and fair distribution of resources and promote 'good governance' in developing countries through developing a wide range of human resources, economic and social infrastructure. The goals of the ODA program are to meet the basic human needs of impoverished people and promote broad-based economic development in recipient countries.

Table
1992 Distribution of Japan's ODA by Form (DAC Classification)

Productive Sector	Economic Infra	Social Infra	SAL/Debt Merch credit	Multisector
27%	27.3%	17.5%	27.1%	1.1%

Aid also has important foreign policy considerations as Japanese assistance is expected to promote friendly and positive foreign relations and help to fulfill Japan's commitment to contribute to international society.

Table
Regional Distribution of Japan's ODA (1992)

Asia	Africa	LAC	Middle East	Europe	Oceania	Other
65.1%	10.1	9.1%	4.3%	1.2%	2.0%	8.2%

Beyond its enormous size, Japanese ODA has several noted features. First, its "request basis", a system where all assistance must originate as a formal request from the recipient country. This official policy has historical roots in the post-WWII period and Japan's sensitivity to reversing its image as a dominating regional power in Asia through post-WWII reparations. Today, this policy continues to have its merit as it helps re-enforce the principle of careful consideration of recipient countries' needs and priorities. In practice however, it is difficult for many recipient countries to clearly articulate their priorities, and this request-based system has tended to play into the strengths of Japanese trading companies with their ability to help "identify" new projects and later win down-stream project procurement. The request-based practice has also proven to be slow in execution given the value placed on formal diplomatic communications and requirement for repeated missions to exchange ideas and opinions.

A second noted feature is Japan's philosophy to emphasize physical infrastructure as a prerequisite for further economic development. This is an approach that Japan has followed in its own domestic development planning and Japanese policy places value on physical infrastructure believing this is critical to providing a viable environment for economic growth. This perspective has had an obvious, and large impact on the nature of the Japanese assistance and its operation and management structure. And third, Japan has adopted a 'tailored' or needs-based aid program that rather clearly defines the appropriate forms of assistance by a country's income category. This is unique to Japan only in the manner in which they have 'graduated' countries in moving and matching humanitarian aid, grant assistance, technology transfer, and variable rate loan programs. Philosophically, Japan values loans over grants in the spirit of 'self-help' and the Japanese ODA program has tended to not drop a country out of its aid program as quickly as many other bilateral donors. Instead, Japan has graduated to harder terms and less grant assistance as countries like Thailand and Malaysia have prospered and their income levels have grown.

Implementing Organizations

Japan's ODA is implemented by two principle aid agencies, Japan International Cooperation Agency (JICA) and Overseas Economic Cooperation Fund (OECF). JICA administers grant programs and OECF oversees yen loans. In 1992, grant donations made up 34.1% of Japan's ODA, yen loans 40.8%, and contributions and subscriptions to international organizations composed 25.1% of the \$11.33b total ODA budget (1992 Annual Report). Beyond this two-tier JICA and OECF division of labor, it is important to note that aid administration in Japan is much more complex as it is divided among several ministries which often compete with one another for leadership. The Ministry of Foreign Affairs (MOFA), Ministry of International Trade and Industry (MITI), Ministry of Finance (MOF) and Economic Planning Agency (EPA) are the four principle public agencies responsible for policy direction.

and major investment decisions. The first three Ministries are generally considered to maintain ultimate control of Japanese ODA. In total, more than 17 Ministries and agencies in Japan participate in various facets of the aid program.

JICA

JICA is the grant-funding arm of Japanese ODA and delivers the majority of Japanese grant assistance through grants-in-aid and technical cooperation. JICA has approximately 1,100 staff working in Japan, and 50 overseas offices in 48 countries. JICA's programs include

- (1) training in Japan,
- (2) dispatch of individual long-term advisors (usually from public sector Ministries),
- (3) provision of equipment,
- (4) project-type cooperation (equipment & construction)
- (5) grant-funded construction and technical assistance,
- (6) development study (Feasibility Study or Master Plan)
- (7) dispatch of Japan Overseas Cooperation Volunteers (JOCV) - similar to U S Peace Corps,
- (8) development investment (assistance to private sector)
- (9) survey and administration of ODA,
- (10) emigration services, and
- (11) disaster relief

OECF

OECF is the loan-funding arm of Japanese ODA and in many ways its operations resemble those of the World Bank. OECF administers several types of bilateral loan programs: project type, non project-type, Structure Adjustment Loan (SAL), Sector Adjustment (SECAL), Sector Program Loan (SPL). OECF has small grant facility for feasibility studies (F/S) and early due diligence on private sector investment.

Organization and Management Functions

Japan's early foray into development assistance in the 1950s was administered by a multiplicity of public agencies, each with separate agendas. This division of responsibility created a decentralized aid bureaucracy that largely persists today. Tracing the management and decision making responsibility in Japanese ODA is complex, and is difficult to fully comprehend, as it is different from other donors. Foreign aid administration is not centralized into one aid agency like many other bilateral donors and the private sector plays a large role in helping to shape the early stages in the project development cycle. Furthermore, the system is in evolution in response to its enormous growth over the last ten years forcing considerable strain on management systems.

For its size, Japanese ODA is administered by a very small number of government employees. Dollar for dollar (or yen for yen) Japanese administrators are responsible for far more funding than their counterparts in AID or even the World Bank. For example, both in Indonesia and the Philippines two

of the largest recipients of Japanese aid Japan with a staff of one-fifth the size, directs a larger funding program than that of A I D

The Ministry of Foreign Affairs (MOFA) through embassies overseas maintains a wide, but modest network of personnel charged with reviewing official requests for assistance, and reviewing the implementation of the overall aid program in a given country MOFA, as the foreign diplomatic arm of the Japanese government, takes the lead in policy matters and audits the performance of ODA worldwide

JICA runs a large network of domestic branch offices in Japan, regional training centers in Japan, and generally follows a country / field representative office approach overseas Regional offices are largely for administrative, logistical, and information-gathering purposes These offices have rather limited responsibility for leading regional or country activities Budgets and program direction rests firmly in Tokyo, and follows a centralized management model

One finds some signs of a more regionalized approach evolving, with country and regional offices having larger roles in program and project management However, this will be a slow process given the small cadre of development specialists in Japan For example, a few JICA offices have a regional scope Vienna has responsibility for CEE/NIS, and in FY1995, Turkey will oversee Central Asia programs These offices will play an important role in administration of programs in these new geographic areas, though without full authority for decision-making Also the number of "research and planning" experts assigned to JICA offices overseas has grown from 3 in FY1988 to 24 in FY1992 These staff 'experts' are charged with the task of exploring assistance needs in developing countries and coordinating new projects This staffing pattern is likely to continue over the implementation of the Fifth Medium-Term Plan

OECF in contrast to JICA, runs a very small set of overseas offices (16) The majority of these offices have administrative responsibility for more than one country program and deal mostly with the financial performance of OECF's yen credit programs These offices are similar to the World Bank Resident Representative model The regional office network includes

Bangkok	SE Asia except Indonesia Philippines Malaysia Singapore and Brunei
Cairo	Egypt Libya Sudan and MidEast
Seoul	Korea coordination
Jakarta	Indonesia and Oceania
Beijing	China Mongolia Hong Kong
KL	Malaysia, Brunei Singapore
Islamabad	Pakistan and Afghanistan
Dhaka	Bangladesh
Colombo	Sri Lanka and Maldives
New Delhi	Southwest Asia (except Bangladesh Pakistan Afghanistan SL Maldives)
Mantla	Philippine, PNG
Nairobi	East Africa (except Rwanda and Burundi) and Southern Africa (except Lesotho Swaziland S Africa and Namibia)
Paris	Europe N Africa French speaking West Africa
London	UK Ireland N Africa N Europe S Africa English speaking West Africa
Wash,DC	US, North/Central America Caribbean

For both the implementing agencies JICA and OECF, overseas offices are thinly staffed in comparison with the USAID management model. Offices on average have 7-12 people usually sharing general management responsibilities. Overseas offices are viewed as important sources of information, and serve public relations functions for the Tokyo home offices. Yet, resource decisions, beyond an operating budget and small project activity fund, are made in Tokyo headquarters. For the most part, contracting is directed from Tokyo for JICA activities, and OECF procurement is managed by host country governments. OECF offices facilitate an administrative review function and financial invoicing for Tokyo headquarters. Overseas offices of JICA and OECF oversee contract performance and legal compliance, but do so with very little authority for independent action without Tokyo approval. Project funds are authorized and allocated by Tokyo, and overseas offices do not have access to technical assistance or financial resources except through Tokyo headquarters.

Audits for on-going work are supervised by field offices, but often with short-term inputs from Tokyo. Evaluations of on-going and completed projects under Japanese ODA are still the exception and not the rule. Only a small percentage of total projects are comprehensively evaluated, and MOFA takes the lead responsibility in directing project evaluations. OECF and JICA have relatively new offices of monitoring and evaluation that are conducting in-house evaluations, and gradually contracting work out to host country third party organizations or Japan-based consultants. Again, due to small staff size a small subset of projects receive monitoring or ex-post evaluation studies. Japanese ODA has been sighted for its absence of indicators of performance and standardized methods for measuring project success. This however is an area of Japanese ODA administration that is now and will continue to receive expanded emphasis in the future.

Project designs are an interesting feature of Japanese ODA. As noted earlier the Japanese system is based on a request-based approach driven officially by the host country back through diplomatic channels of Japan. However the Japanese private sector (trading companies and consulting firms) and third sector trade associations play a large role in helping recipient countries identify projects that they think will be attractive to Tokyo, helping appropriate ministries in recipient countries formulate requests for assistance, and facilitating contacts between the ministry and Japanese embassies. After a project is requested it is reviewed by MOFA, then the implementing agencies (JICA and OECF) take the lead in surveying the technical and financial nature of the projects. These verification and review missions are staffed by Ministry and agency staff, often complimented by individuals from other organizations.

Japanese ODA does not yet have contracting vehicles in place like the Indefinite Quantity Contract (IQC) or Centrally-funded technical or regional programs that facilitate rapid project development. Again this is an area of study following many of the models developed by USAID. M/P or F/S activities are each contracted individually and tend to involve contracts of 12-24 months. Contracting for these studies is done by Tokyo headquarters in the case of JICA, as well as the small grant project design facility of OECF. Contracting is slow due to its project by project nature, and F/S or development studies are often much longer than those of other multilateral or bilateral donors.

Field implementation of JICA F/S or M/P studies is conducted by contractors. JICA grant aid construction and OECF loan-funded implementation projects are also contracted out through competitive

bidding The placement of long-term advisors for technical cooperation is usually conducted by individual public sector Ministry staff sent out for 1 2 year assignment, with little short term activity connected with this advisory position

Organization and Management Effectiveness

Japanese ODA has been criticized for its absence of clear principles or an efficient aid administration system Japan has made great strides to address these weaknesses over the last 5-6 years A decentralized and competitive Tokyo management structure, small total number of personnel, and rapidly growing program in financial terms has presented many challenges Japanese ODA, and its two implementing agencies JICA and OECF are evolving to meet the changing environment for development assistance

The current model is a highly centralized command and control system led by the Tokyo headquarters of the various agencies, principally JICA and OECF Important characteristics include

- Allocation and approvals for field activities originate from Tokyo,
- High compartmentalization by function or sector following closely the structure of Tokyo-based ministries
- Limited ability to fund or act locally even for design technical monitoring or evaluation
- Private sector identifies projects given the small aid bureaucracy
- Evaluations are limited
- Project audits are modest from field
- Logistical support for long-term advisers is limited, and
- OECF field offices facilitate processing loan vouchers with a minor role in technical oversight of projects

The role of country and regional offices if expanded, would contribute to improved financial efficiency through benefits of closer proximity to the development activity reduced mobilization time and cost savings If staffed appropriately, there would undoubtedly be gains in improved beneficiary participation and project management if overseas offices had larger involvement in the country activities Field costs are small as a percentage of total activity but this structure sacrifices quality control and overall effectiveness

One interesting innovation coming from Japan is the South South cooperation program sometimes referred to as the triangular aid program Japan is providing assistance to principally ASEAN member countries for these countries to then manage assistance to less developed countries Examples include assistance to Turkey for further lending onto the Central Asian republics and grant

assistance to Indonesia and Thailand for providing technology transfer in selected fields in Cambodia. This scheme offers interesting opportunities in capacity building, through tapping the resources of rapidly growing countries with similar economic and cultural setting to provide technology and advice to their less developed neighboring countries.

Information Management

Japanese ODA administration and management, like much of white collar work in Japan, suffers from limited use of the latest communication and information management technology. The automation of records filing, storage, data sorting, and reporting capabilities is in its infancy among the white-collar workforce. The use of electronic mail for communication and data exchange is rarely used among public sector agencies, and contractors in the development consulting business. Implementation of improved information management systems will enhance management, monitoring, evaluation and public disclosure.

FORD FOUNDATION

Introduction

The Ford Foundation is a private philanthropic institution dedicated to international peace and to advancing the well-being of people throughout the world. Under the policy guidance of a Board of Trustees, the Foundation grants and lends funds for educational, developmental, and experimental efforts designed to produce significant advances on problems of worldwide importance. Occasionally the Foundation itself administers projects without the help of intermediary organizations.

Through 1991, the Foundation has made commitments totalling more than \$7 billion to more than 9,000 organizations and 100,000 individuals located in all 50 states, the District of Columbia, and various foreign countries. The Foundation operates out of its New York headquarters, and field offices in Asia, Africa and Latin America.

The Foundation's philanthropic work addresses problems and issues in the US and abroad. Much of its overseas work is concentrated in developing countries. Grants are made through a Program Division encompassing the seven broad categories listed in Table 1 below. Program activities in individual countries are determined by local needs and priorities within these subject areas.

For illustrative purposes, the Program budget for 1992-1993 totalling \$644.5 million represents an increase of 7.5 per cent over the budget for the previous biennium. Annually, approximately 35 percent of the Foundation's program budget is allocated for work in selected developing countries.

The organization of its domestic and international work within the seven areas reflects the Foundation's belief that the US and developing countries share many similar problems and that the approaches taken in one setting often have relevance beyond national boundaries. This transnational perspective has strengthened efforts to resolve problems related to economic development, rural poverty and refugees and migrants for example.

To create programs of broader scope and impact, the Foundation has turned increasingly to the formation of partnerships with other organizations both public and private, national and local. In addition to managing programs itself or making grants to enable other institutions to establish and operate

Program Budgets 1992 and 1993 (millions of dollars)

Major Program Areas	
Urban Poverty	84.8
Rural Poverty and Resources	56.9
Rights and Social Justice	59.1
Governance and Public Policy	51.8
Education and Culture	79.2
International Affairs	63.9
Reproductive Health and Population	15.8
Other Program Allocations*	64.6
Program Related Investments	30.0
Program Support	68.4
General Reserve	70.0
Total Budget	<u>\$644.5</u>

*Includes allocations for media projects, special program actions, and unanticipated needs within each major program area.

programs the Ford Foundation added a third mechanism called "program-related investments" (PRIs)

PRIs are usually loans or loan guarantees or equity investments. Their distinguishing feature is that they are drawn from a portion of the foundations capital assets rather than from its earnings. Unlike grants, they are recoverable. As investments, PRIs involve relatively small returns and high risks. For recipients, however, they help attract other sources of financing, develop financial experience, and accumulate assets and income to sustain their operations.

Management and Operations

The Foundation operates its programs with the assistance of a small network of Field Offices located overseas.

Africa and Middle East Programs

Eastern and Southern Africa Kenya, Zimbabwe (sub-office)
Middle East and North Africa Egypt, Sudan (sub-office)
West Africa Senegal, Nigeria (sub-office)

Asia Programs

Bangladesh China India (including Nepal and Sri Lanka)
Southeast Asia Indonesia Thailand(sub-office) Philippines (sub-office)

Latin America and Caribbean Programs

Brazil, Mexico (including Central America)
Andean Region and Southern Cone Chile, Peru(sub-office)

Programs for developing countries are grouped into one of three regions: Africa and Middle East, Asia, and Latin America and Caribbean. Each of the regional programs is headed by a Director based in its New York headquarters with a Representative in each field office. Several field offices, for example Indonesia, service programs in neighboring countries where smaller sub-offices have been established as well. In the case of Southeast Asia, the Representative is aided by Assistant Representatives who work out of the Thailand and Philippines sub-offices.

The network of field offices and sub-office satellites have been determined by three factors:

1 **History** The Foundation has had offices to support large programs in places like Dhaka, Bombay, and Delhi for many years. These programs have survived the test of time despite fluctuations in the endowment's earnings and against the emergence of new and promising locations elsewhere around the world for program activity. The opening of China in 1988 and Vietnam in 1995 result in the reallocation of field office resources to manage changing program priorities.

2 **Country Needs** Representatives are responsible for beginning an analysis of country needs. These discussions move up to the Director in NY, Vice President, and finally to the Trustees where decisions on the size of country and regional program budgets are finally made.

3 **Endowment Earnings** The field office network as it exists today is much reduced from previous years. The Foundation operates only on the basis of investment earnings of its underlying endowment. As market conditions fluctuate, so too do the earnings available for the Foundation's programs. Contractions and expansions in endowment earnings influence the number and size of the

field offices needed to manage the Foundations grants and more recently its loan programs

The Geography of Functions and Responsibilities

Field Offices function with a great deal of independence once country budgets have been established. For country grants under \$75,000, Regional Representatives have approval authority. Grant proposals for amounts over this limit are still prepared in the field office and then sent to the NY headquarters where a program officer presents the proposal to the President. While clarification, change and improvement may be called for, the proposals are said to be never turned down.

As mentioned earlier, field offices report to one of the three regional directors in NY. The NY program staff is likewise organized into one of three regions and operate under a director.

In Asia for example, the Director is supported by two program officers. The program officers administer a regional program budget out of NY which provides grants to programs which cut across national boundaries. A grant to a university in Thailand to offer training to people from the four surrounding countries in the Asia region is one example of such a regional activity. For the Asia region in the year 1994, NY administered a portfolio of between \$1.5 and 2 million.

The field offices across all of Asia administered \$30 million for the same year. To carry out these grant making activities a program staff of 11 people for South East Asia and a staff of 17 for China, India and Bangladesh were employed in the field offices. In the current fiscal year program staff deployment between offices was as illustrated below.

Indonesia Regional Office 5 persons
Thailand Sub-Office 2 persons (one for Vietnam)
Philippines Sub-Office 3 persons

China Regional Office 5 persons

India Regional Office 8 persons

Bangladesh Regional Office 4 persons

In headquarters they do not have numbers available on the size or composition of support staff in the field offices. It appears that the Regional Representatives handle local support staff levels within the overall budgets established for their programs.

Personnel

All program staff positions in the Ford Foundation are authorized by the Trustees. These staff, whether they are working in the headquarters or in a field office, are hired out of NY. There is one salary scale and benefits package which is applied irrespective of an employee's own country of origin. Employees who work in their own country do not require and hence are not eligible for assisted home leave. There does not appear to be other categories of people working for the Foundation such as contractors, intermittants, temporaries or the like.

Being hired from NY, it would appear that most routine personnel matters are handled in a centralized fashion as well

Operations and Management Ratios

The US Internal Revenue Service requires that the Foundation in order to maintain its tax exempt status report on the size of its O&M expenditures relative to its grants program. The Foundation maintains a relationship which meets the IRS's requirements and as determined by its Trustees. It does not report this relationship to the public.

To shed some light on what is going on, the Foundations annual reports do include a Statement of Income, Expenditures and Changes in Fund Balance. Two line items under Expenditures suggest the level of management and administrative overhead necessary to support the Foundations programs. These are labeled as General Management (\$19,250,000 FY1993) and Expenses Incurred in the Production of Income (\$17,049,000 FY1993). These administrative expenses represent 17 percent of Program Activity (\$326 million for FY93) expenditures for general management and an additional 19 percent when factoring in costs of producing income. Together, 26 percent of the program expenditures for 1993 were required to manage and produce the necessary funds.

There are of course other ways to look at the relationship of administrative expenses to program. A global indication can be given for the Asia region whereby the total professional field and supporting New York headquarters staff are compared with the roughly US\$30 million grants program that was administered in FY 1994. For the field, this ratio amounts to 28 professional staff for \$30 million or \$1.07 million per professional staff member posted in the field. If we add the three additional staff in the NY headquarters, the ratio drops to just below \$970,000 per program staff member.

Ratio analysis on a country specific basis, more along the lines of USAID ratios of USDH to program disbursements, present a different picture. USAID ratios consider program funds in the pipeline, which can extend for up to eight years, managed by USDH staff. The annual ratios for Ford offices in Asia would be estimated at: Manila office at 1 expatriate to \$1.3 million, Bangkok office covering Thailand and Vietnam at 1 expatriate to \$1.68 million, and the Jakarta office which has regional and bilateral responsibilities at 1 expatriate to \$ 8 million. If these are average annual ratios and the pipeline of grant funds for management purposes is about five years, then the ratios for these same offices would appear as: Manila at 1 \$6.5 million, Bangkok at 1 \$8.4 million, and Jakarta at 1 \$4 million.

In order to use a ratio like this in any sort of inter-organizational comparison, we have to take into account the nature of the work that these professional staff are engaged in. In the case of the Ford Foundation, grant funds are used in one of two ways:

- The first and most common avenue for grants disbursement is through primarily non government organizations. In this case the program staff in the field offices are engaged in a participatory process and involved with grantees in all aspects of proposal development, monitoring and evaluation. Given the large number of relatively small grants (below

\$75 000) that are administered this generates a large workload for the program staff ¹

- A second means for administering grants are through a Program Support budget whereby Foundation funds are used to support activities that are administered entirely by program staff without intervening grantees for implementation Worldwide in 1992-93 these programs accounted for only \$68.4 million or 12 percent of the total amount of funds granted to beneficiaries Despite the fact that these account for only a small proportion of the total spent (\$544 million) program staff can be expected to devote a disproportionate amount of time to the running of these activities ²

The measures employed above suggest that Foundation program officers carry a relatively light load when it comes to managing program funds In comparison to the portfolios that USAID project officers manage for example, it is not at all uncommon to find a much 'heavier' load frequently in the tens of millions of dollars Those figures would be revised downward rather rapidly however once the multiple layers of program management are added into the calculation It may well be that the total management cost numbers are better for inter-organizational comparison with some adjustment on the amount of overhead expended to produce income This might be adjusted into something comparable which USAID expends in its dealing with the Congress which is its source of funding

Arithmetic ratios do not present the full picture The load of program offices also depends on the management-intensity of disbursements as mentioned earlier Most of Ford's grants are approximately \$100 000 each Each office in Asia for example averages between 37 and 40 regional and bilateral activities or grants each year In comparison USAID and other bilateral donors generally disburse much larger grants and contracts resulting in a much lower average number of activities each year

¹ A relevant comparison with USAID might be to look at the level of professional staff needed to administer grants and other contractual agreements with NGOs Unfortunately it is not possible to break out the \$30 million spent in the Asia region in FY94 by the amount that was provided as grants to NGOs versus that which was administered directly by Foundation staff

² The Foundation's NY headquarters was unable at this time to provide a breakdown by funds administered in the form of grants under the Major Program Areas versus those administered under Program Support for the Asia region in the fiscal year ending September 30 1994