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AGENCY FOR INTERNATIONAL DEVELOPMENT

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ASSISTANT
ADMINISTRATOR

INFORMATION MEMORANDUM FOR THE ACTING ADMINISTRATOR

FROM: AA/AFR, Walter G. Bollinger (Acting) ^{W. G. Bollinger}

SUBJECT: Improving Agency Efficiency

At the conclusion of the Agency-wide OE budget review last August you asked me to assemble a group of senior officers to identify ways the Agency might improve its operating efficiency and, by implication, conserve scarce operating expense resources. You further expressed an interest in receiving a "broad sweep of ideas," constrained only by the avoidance of proposals which go so far as to entail the elimination of an entire regional or central bureau.

I identified a representative group of senior officers (see list attached). We met twice a week, over brown bag lunches, to examine prospects for streamlining Agency operations. Our ideas are arranged in five clumps as follows:

- Eliminating Central/Regional Bureau Redundancies
- De-layering Intra-Bureau Functions
- Improving Program Management and Documentation Process
- Improving Personnel Management
- Making Administrative Management More Efficient

You will notice in our comments, especially those in the clump dealing with regional/central bureau redundancies, a bias or preference for the regional bureaus. This reflects both the management direction of the past generation within the Agency as well as the majority sentiment among those looking at these issues with me. However, I would be less than candid if I did not point out that an alternative approach to eliminating redundancy might be to go in the opposite direction and give large chunks of exclusive responsibility to central bureaus (e.g., private sector activity, research, food aid, and so forth). I suspect there would be sentiment for this kind of approach from the leadership of most of the central bureaus.

Before going further, it is essential to point out that the ideas in this paper do not constitute well-scoped and neatly staffed recommendations. Rather, the paper represents considerable culling of the many ideas discussed; what remains are those ideas (and we acknowledge that some of them have been around for some time) which we think represent the most significant potential for improving efficiency and/or savings in operating expenses.

I. ELIMINATING CENTRAL/REGIONAL BUREAU REDUNDANCIES

The most promising area for reform, we concluded, lies in the substantial redundancies existing between regional and central bureaus. While you admonished me early in this process to avoid recommendations for major reorganization, they really cannot be avoided if we want to streamline.

A. DOWN-SIZING PPC

Consideration should be given to having PPC return to its principal functions of research, policy formulation, and program oversight, thereby eliminating redundancies with the regional bureaus. This could be accomplished by assigning more budget functions to operating bureaus. PDPR and PB could be slimmed down and merged into a program monitoring and oversight office. This could be facilitated by automation of corporate financial/budget data bases, many of which are now manually managed by PB and duplicated in one form or another by the regional bureaus. Economic Affairs (EA) could be merged into CDIE, to become the non-technical research and policy arm of the Agency. The donor coordination functions--PPC/DC and PPC/MFI--could be turned over to operating bureaus and PPC economists. PPC project management responsibilities (e.g., socioeconomic research), could be shifted to other bureaus.

B. DOWN-SIZING THE OFFICE OF FOOD FOR PEACE

Despite almost a decade of encouraging "integration," food aid remains intellectually and bureaucratically isolated from mainline mission and bureau operations. The FVA Bureau's Office for Food for Peace maintains its own policy, budget, and operations shops, paralleling functions being carried out by PPC and the regional bureaus. An alternative could be to eliminate the FFP office by reassigning policy functions to PPC, budget to PPC, and operations to the regional bureaus.

Benefits could be in the form of integrated program and policy management, alignment of authority and responsibility with regional bureau/mission operations, as is now the case for DA and ESF resources, and considerable staff savings. A first step could be taken in this direction by assigning program review and approval responsibilities to the regional bureaus.

C. STREAMLINING THE AGENCY'S SUPPORT FOR PRIVATE SECTOR DEVELOPMENT

There is redundancy in the private sector activities of PRE, S&T, PPC, FVA, OIT, the Office of the Assistant to the Administrator for International Trade and Promotion (ITIP), and the regional bureau private sector offices. Project activities of these offices should be reviewed and consolidated. Specific issues include: relations of regional bureaus to the PRE Revolving Fund; and possible overlap of the PRE Financial Sector Project and the S&T and PPC research on financial markets and the regional bureaus' financial markets technical assistance mechanisms. ITIP should be moved to PRE. The anomaly of an Office of Housing continuing to be shown as part of PRE but having no operational relationship to it should be resolved. Many of the comments on technical support functions relevant to the S&T Bureau below also apply to PRE.

D. IMPROVING TECHNICAL SUPPORT FOR OVERSEAS MISSIONS

S&T and the regional bureaus have in place technical assistance projects designed to support mission activities in the technical sectors. Over time the distinction between the worldwide "centers of excellence" concept underlying S&T projects and the operational orientation of regional bureau technical projects has blurred. In addition, the development issues and priorities faced by the regional bureaus in the 1990's will probably require regional, rather than worldwide, technical support projects. Eliminating redundancies between the S&T Bureau and the regional bureaus in providing technical support for USAIDs should improve operating efficiency. Sector councils, in our judgment, have not been effective in this area. One way to provide needed management oversight would be to have all technical support projects, whether managed by a regional or central bureau (including PRE and PRE/H), reviewed by a committee consisting of the DAA's and chaired by the Counselor.

E. FOCUSING THE IG

IG audits take tremendous amounts of staff time, and there is a widely held view within the Agency that much of this time is wasted and that the IG is not doing what the Congress wants. This is largely due to the expansion of the scope of the audits into the areas of policy and program design where the IG was not originally intended to be involved. In this regard, many audits overlap with Agency program evaluations. The Agency should attempt to come to agreement with the Congress on a set of guidelines to concentrate audit resources on project accomplishments, financial accountability, and control issues.

II. DE-LAYERING INTRA-BUREAU FUNCTIONS

A. ORGANIZATION OF FIELD MISSIONS

The basic structure of A.I.D. field missions is similar around the world and that structure has remained basically unchanged for a generation. Small missions mimic larger mission organization. Yet A.I.D. staffs have dwindled over that generation and the work responsibilities of U.S. direct hires (USDHs) have changed, involving more focus on project management and accountability because of requirements that only USDHs can be responsible for many such functions.

In recent years the nature of A.I.D. programs has also evolved, to include more emphasis on sectoral assistance and policy dialogue. Long-term trends toward staff reductions also appear likely to continue. In light of these factors, it is probably time to undertake a review of the basic mission organization structure and the way in which USDH staff are used within that structure. In the past most of the workload has been associated with project design and implementation. As the analytical, dialogue, and evaluation roles assume greater importance, it should be possible to identify fundamentally different organization structures which would be less staff intensive and more effective.

For example, the Africa Bureau is contemplating a different structure in its Madagascar program. Essentially the mission would contain two offices: 1) an implementation office consisting of the controller (financial records), executive officer (contracting and input delivery), and project development officer and FSN project managers; and 2) an analysis, strategy, and impact evaluation office, consisting of program and technical officers and economists, to develop a broader understanding of Madagascar and its problems, and to design programs to respond to those problems. The total staffing complement would be 9-10 people for a \$23 million program.

B. REDUCING THE NUMBER OF ORGANIZATIONAL UNITS

While staff size in Washington has declined over the years, the number of organizational units has remained about the same. The way we do business has changed but the way we are organized has not. The large number of units is maintained in part to provide supervisory positions for Foreign Service Officers rotating through AID/W. The number of organizational units we have in AID/W is 392 (one unit per 6 employees) and the supervisory to professional employee ratio is 1 supervisor for every three employees.

We recommend that each AA conduct an organizational review to determine specific organizational units which could be abolished or whose functions could be combined with other units. To the extent possible, organizational changes would be paired with scheduled departures of supervisors. The review should consider possible perceived costs in career development opportunities resulting from the elimination of supervisory positions and attempt to find compensating means of career enhancement. This initiative would allow reallocation of position slots to priority areas and result in some savings.

C. REALIGN RESPONSIBILITIES AMONG THE REGIONAL PD, DP, AND TR OFFICES

In each regional bureau there is an inefficient redundancy in the office mix of geographic desk, the Project Development office, the Development Program Office and the Technical Resources Office; i.e., each regional bureau could eliminate one of these offices and probably improve its efficiency. However, the office to be eliminated varies among the bureaus. In LAC, a consolidation of the PD and DP regional analyst functions appears desirable with a more clean delineation of the geographic desk functions in program and project review/backstopping. In AFR, consideration should be given to combining the desk and PD functions, with responsibility for program tracking assigned to DP. For ANE a consolidation of PD and DP should be explored.

D. ABOLISH OFFICERS-IN-CHARGE

AFR is the only regional bureau with OIC's (who serve between the geographic office director and the desk officer), and the number of these slots in AFR has fallen in recent years. If there is a consolidation of desk and PD functions in AFR, the OIC role could be combined with the division chief function from PD to reduce the number of senior slots. If the PD/regional office consolidation does not take place, then all OIC's in Africa could be eliminated.

E. HANDLING CORRESPONDENCE AT A LOWER LEVEL

ANE has instituted a new system for handling correspondence at a lower level, which could be used throughout the Agency. ANE now assigns action for all correspondence to office directors, except 1) correspondence from Congress, 2) personal correspondence to the AA or DAA, and 3) correspondence that the office director feels is politically sensitive. The appropriate office director is responsible for clearing with other relevant office directors, and the document is transmitted under his or her signature. This could serve as a model for other bureaus.

III. PROGRAM MANAGEMENT & DOCUMENTATION PROCESS

A. ABOLISH CDSS'S AND/OR ACTION PLANS AND/OR ABS'S

The program planning and review process has become increasingly unwieldy and ineffective. It requires missions to spend too much time on description rather than analysis, or on relatively abstract analysis, and too much effort on peripheral rather than central issues. Washington has to spend too much time on an overly bureaucratized process which ties up large amounts of staff time in relatively inconclusive meetings. The process should be down-sized by stripping it down to its analytic essentials.

There is redundancy in the CDSS/Action Plan/ABS process. One way to reduce this redundancy would be to make the "program logframe" (the program counterpart of the logical framework used for project design and evaluation) the key element of an abbreviated Country Program Strategic Plan (CPSP), which would take the place of the CDSS. In place of the Action Plan, missions would report annually on progress toward the objectives and targets laid out in the program logframe. This could be a part of the existing portfolio reporting, which would increasingly focus on outputs rather than inputs and impact rather than process. A CPSP would be valid up to six years or until a major event (e.g., change in host country's fortunes, U.S. administration change) mandated a strategic review. The budget/project review process would shift from the Action Plan to the ABS.

This approach would allow Washington and the field to concentrate on the analytic issues in the program strategy and on the tracking and reporting of results and impact.

B. ABOLISH PL-480 TITLE I RESERVE

Under current arrangements, \$700 million of the \$800 million PL 480 title I program is allocated through the Congressional Presentation, as we do with DA and ESF resources. Some \$100 million is held in reserve. That \$100 million constitutes the essential agenda of the DCC throughout the fiscal year--an agenda involving endless meetings, discussion, disagreements, and interagency politicking. The process stands in sharp contrast to the rather efficient allocation of \$700 million through the Congressional Presentation process. It has been argued that Agency workload (if not staff) could be substantially reduced by simply eliminating the reserve (recognizing that the President can ask for a reallocation to meet emergencies as he sees fit). There is no reason to use food aid for a slush fund any more than DA or ESF; in most cases it is a worse device. For your information, this view of the reserve is shared by USDA, which also devotes too much time and manpower to the reserve.

C. REVIEW A.I.D.'s MANAGEMENT OF LOCAL CURRENCY

Any A.I.D. economist will say that donor-generated local currency is not a real resource for development. It represents no new transfer of goods, services or the power to purchase them to the local economy, but rather simply a claim for some level of possible joint control over the distribution of domestic resources. Only the original donor transfer of cash, commodities or food counts as a development resource.

Yet A.I.D. has slid far down the slippery slope toward managing directly local currencies generated by our assistance, applying standards for monitoring and accountability closely equivalent to the real resource transfer of appropriated dollars. Underneath all the chatter about ownership of local currency, special accounts for local currency, projectizing local currency vs. budget support, two seemingly contradictory points have emerged:

(1) A.I.D. management requirements for local currency are substantial and growing; and,

(2) Despite the seduction of appearing to allocate local currency to worthy uses, a host country monetary authority worth his or her salt can offset A.I.D.'s preferred allocations at will. Thus, the expenditure of any management time and effort on direct local currency programming is a potential waste of a valuable resource.

The Agency's revised local currency policy guidance issued in 1987 has not halted the drain on A.I.D.'s scarce management resources. The IG continues to press for end-use accountability for local currency generations. The issue needs to be revisited and a new policy adopted.

IV. IMPROVING PERSONNEL MANAGEMENT

A. DELEGATION OF CLASSIFICATION AUTHORITY

Delegating personnel classification authority to line managers would provide them with greatly enhanced flexibility, while at the same time imposing increased responsibility and accountability for personnel management. Managers would be required to adhere to regulations pertaining to position management and classification. They would gain the opportunity to determine the structure, personnel level, and types of staff needed to carry out their mandate. This initiative would be consistent with the management to budget concept.

B. FSN PAY SCALES

The Foreign Service Act of 1980 requires the State Department to establish prevailing practice compensation plans for FSN employees of the USG at overseas posts. This provision applies to direct hire employees. Since it is statutory, A.I.D. cannot remove itself from the process without legislation; this was confirmed by GC a number of years ago. Our best "defense" is to continue what we are doing, i.e., continue to promote improvements in the system, seek exception pay rates where warranted, work to improve the list of comparator firms on a country by country basis, and other similar proactive activities. However, State has no authority over FSN Personal Service Contractors (PSCs). Although our practice is to compensate PSCs as we do DHs, there is a little more flexibility with PSCs. We presently have approximately 1100 FSN DH employees and 6700 FSN PSCs. PM and M should conduct a study to ascertain the benefits of filling future FSN vacancies through the use of PSCs as opposed to DH.

C. SECRETARIAL/SUPPORT STAFF REDUCTIONS IN LIGHT OF AUTOMATION

Office automation in AID/W was practically nil in 1981. In 18-24 months it is expected that approximately 90 percent of all AID/W staff will have direct access to automation equipment and systems. As a result, much of the work effort formerly expended by secretarial/support staff personnel in the preparation of data, correspondence, and

similar materials has shifted to other personnel. While the empirical evidence indicates that this shift in effort is quite significant, a study has never been done to measure the impact of automation on the agency's secretarial/support staff position requirements.

Given the direct and associated costs of employing personnel in these categories, the need for such a study is strongly indicated. Some issues to be considered are: 1) eliminating some secretaries and replacing others with lower-level clerical support staff; 2) adding editors to format and polish officer-prepared material; and 3) upgrading selected secretaries to become information system management specialists; and/or 4) upgrading selected secretaries to undertake various automation-aided, para-professional procedural jobs (such as clearing documents) heretofore performed by officers; and 5) requiring all professional staff (including those at senior levels) to use the new technology. The net result should be a reduction in support staff.

D. NEW RULES FOR GS EMPLOYEES

GS employees currently get locked into positions which they encumber indefinitely, primarily because of the small number of GS promotion and assignment opportunities. One way to ease this situation would be to set 3-4 year assignment limits for GS employees, similar to FSO's. This would reduce management resistance to GS staffing based on concern about creating permanent assignments. GS employees would be considered for assignment board processing for Washington jobs (within the same grade) along with Foreign Service Officers.

E. ATTRACTING MORE FOREIGN SERVICE OFFICERS TO THE CENTRAL BUREAUS

FSO's are under-represented in the central bureaus, especially S&T. (This is partly due to FSO fear that central bureau assignments would reduce prospects for a good onward assignment.) If we can ease this career concern, we could improve effectiveness in the central bureaus. For example, FSO's in S&T could handle the non-specialist management jobs (administering research and field support programs) thus freeing technical types to do the "center of excellence" functions originally intended for S&T. Senior FSO's also should be recruited to fill S&T office director/deputy positions, thereby providing a stronger field perspective to S&T decision-making. One suggestion is to include in the precepts for the promotion panels an admonition that service in the central bureaus should be viewed as favorably as regional bureau service in judging an employee's job performance.

Conversely, GS employees seemingly find the central bureaus more attractive, at least in part because some GS jobs in the central bureaus carry higher grade levels than their counterpart positions in the regional bureaus. In addition to bringing position grades into alignment, elimination of "F" and "G" designations for Washington jobs could also be considered.

V. MAKING ADMINISTRATIVE MANAGEMENT MORE EFFICIENT

A. ORGANIZE COMMUNICATIONS TO FIELD

The rapid evolution of communications technology should facilitate the management of a farflung, decentralized organization, such as A.I.D. A.I.D. communications policy is focused on the State-run diplomatic cable system. In recent years communications technology, even in LDC's, has reduced the cost and increased the access to telephones. FAX technology and direct computer hookups have expanded enormously. Many field missions also have installed telex lines to facilitate their commercial dealing's with suppliers and host governments. As a result, significant volumes of A.I.D. headquarters/field communications now occur outside the channels for which our formal communications policy was designed. Missions send in drafts of program documents, letters, even cables by FAX, for preliminary Washington reaction.

Country desk officers attempt to coordinate communications to their missions but they are unable to monitor the flow of communications through alternate channels.

A.I.D. should review its communications management practice in the light of evolving technology and organizational needs. Key issues for such a review should be:

- Is there a need for having a central screening point for communications to field missions for all forms of communications to minimize confusion in field missions and ensure policy consistency and the maintenance of appropriate administrative and policy controls;
- What are "official" communications channels for various aspects of A.I.D.'s business and how does the Agency ensure that messages through these channels are appropriately cleared and authorized;
- What changes in A.I.D.'s communications policy are needed in order to take appropriate advantage of the evolution in communication technology.

B. MISSION REPORTING

Several reviews have been conducted recently of Agency reporting requirements (e.g., the Koehring group). These reviews included an examination of reporting administrative, personnel, and related information to AID/W by missions. The Agency should move expeditiously in focusing on Mission reporting requirements with the purpose of identifying those that can be eliminated, reduced, or simplified.

C. DECENTRALIZATION OF MANAGEMENT SUPPORT

A review should be conducted to determine whether the current level of centralization is appropriate for certain functions. An alternative would be to assign support resources, now allocated to PFM and M, to other bureaus. In particular, the decentralization of some procurement authorities should be considered; e.g., bureaus might be authorized to make their own small purchases, rather than sending them to M. Bureau flexibility in the use of operating expense funds (in line with the management to budget concept) should be considered as part of this review, and bureaus could be given the authority to shift funds among functions.

D. GENERIC CONTRACTING

Currently the Agency models its contracting and other implementing systems against projects. There is a contract for technical assistance, for commodity procurement, for training, etc., all tied to the project. This means that new contracts have to be crafted for each project. This creates an enormous workload and slows the process. Typically, technical assistance contractors arrive on site a full 18 months after project approval.

An alternative would be to establish a set of generic contracts (e.g., a contract with a consortium of organizations engaged in child survival), each of which could support several projects. Benefits would be a reduction in the number of management units (i.e., contracts) and the facility to have technical assistance arrive in country contemporaneously with project approval.

Generic contracts would resemble IQC contracts, albeit for long-term as well as short-term services. The essential point would be to focus on projects for authorization purposes (for looking at policy and design issues) and portfolios for implementation systems.

E. REVIEW U.S. PSC BENEFIT PACKAGE

The reduction of USDH employees has been partially offset by increasing numbers of U.S. PSCs. Many, if not most, of the U.S. PSCs work in USAID missions, and many are former USDH employees.

It has become standard practice to grant U.S. PSCs the same benefit package under their contracts as that available to USDH employees. U.S. Foreign Service benefits, however, have been designed to attract high quality people to serve abroad who, if not offered a competitive combination of salary and benefits, would not be available. This concept does not necessarily apply to a U.S. PSC who is seeking employment abroad. Frequently, U.S. citizens are available abroad in the local job market. Non-U.S. citizens or host country nationals hired abroad have lower benefits. If A.I.D. were to adopt a market based philosophy for hiring U.S. PSCs, the benefit package would be negotiable.

For example, why should a U.S. PSC automatically get home leave as a benefit? Home leave grew out of a need to ensure that U.S. Foreign Service Officers serving abroad for relatively long periods stayed in touch with their own culture so as to better represent the U.S. abroad. A U.S. PSC hired to provide a particular technical skill for a specific requirement is not normally expected to go to another country. Why should he/she get home leave every 18 months to two years? The issue applies to other benefits as well.

Many mission directors will argue that having two unequal classes of U.S. citizen employees working together--comparing pay and benefits--would create morale problems and complicate mission management. However, the potential savings associated with using a market-based concept for determining a PSCs' benefit package could be substantial.

F. LIMIT DEALING WITH THE SMALL BUSINESS ADMINISTRATION

A.I.D., like most agencies, contracts through the SBA for services of 8(a) firms. The SBA contracting process is enormously time consuming. A.I.D. should examine the possibility of direct relationships with these small and disadvantaged firms. The objective would be to speed project implementation by reducing the additional time required to go through SBA and to reduce the overall workload associated with such set-aside contracting.

G. CONVERT TO CONTRACTS MOST SERVICING AGREEMENTS WITH OTHER AGENCIES

Currently A.I.D. enters into agreements for the services of other federal agency employees under RSSAs (Washington services) and PASAs (overseas). A review should be conducted to determine if most of the services under these agreements can be better provided through broad, private-sector contracts that can be accessed by AID/W and the missions.

RSSAs and some PASAs have concerned A.I.D. for a number of reasons. First, since the agreements are with other federal agencies, A.I.D. has less control over their activities than over private sector contractors. Second, in cases where subcontractors by other agencies are involved, A.I.D. pays the overhead rate of the other agency on top of the overhead rate of the subcontractor. Third, there have been continuing questions about the use of other agencies rather than the private sector; U.S. Government agencies should be used only when they have unique capabilities and excess workforce.

The review should determine whether very broad, long-term contracts can be put in place in lieu of the majority of RSSAs and PASAs. (Certain RSSA/PASA agreements with unique federal organizations, such as CDC, would be continued.) The contracts would be established along functional lines, and each contract sponsored by an appropriate AID/W bureau. The contracts would then be drawn upon by missions and other bureaus for either short- or long-term assistance. Such level of effort contracts should have lower overall costs than comparable IQCs.

H. COMBINING PROGRAM & OE MONEY

The separation of program and operating expense money is, once again, becoming a serious management and budgetary problem. We see uneconomic choices being made, such as the project manager who, for lack of \$3000 in OE travel money, hires a consultant to perform a field trip and write a report for \$10,000. At the same time, we are taking on new initiatives, requiring more and more specialized skills without the hope of quickly recruiting, hiring, and training the specialized direct hire skills needed to manage the technical aspects of the initiatives.

In this area, the Congress has provided some relief by allowing the Agency to use program funds to hire specialists in child survival and AIDS. The Senate has included similar authority to use program funds to augment the Agency's environmental cadres. While these initiatives are pragmatic approaches to immediate technical/managerial constraints, for the longer term the dichotomy between OE and program money has to be resolved. The distinction is becoming more and more artificial at the margin. As program funding levels continue to decline and OE levels increase, the heightened visibility of the OE level may become an increasing liability. The study which you have directed Mr. Nygard to perform should include a wide range of options from doing away with the OE account to a more flexible general transfer authority between program and OE accounts at 5 to 10 percent levels.