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AID'S ROLE WITH RESPECT TO NON-AID RESOURCES
IN THE TOTAL FOREIGN ASSISTANCE EFFORT

Our resources in AID - both in staff and money - are not equal to the needs of the developing countries. Therefore we must work harder than ever to mobilize other resources - private, community, and local government.

I am convinced that the attached Policy Determination will enable us to get more mileage from each dollar spent and each direct-hire employee on board.



William S. Gaud

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AID'S ROLE WITH RESPECT TO NON-AID RESOURCES
IN THE TOTAL FOREIGN ASSISTANCE EFFORT

A. Background

AID is just one part of the total foreign assistance effort. It has always recognized the importance of other free world and multi-lateral aid donors. It must now pay increased attention to the valuable resources available from U.S. non-Federal aid donors. These include the business community, voluntary agencies, the universities, community groups, foundations, unions, farm organizations, cooperatives, and state and local governments.

AID furthers the total foreign assistance effort to developing countries through three means:

1. It assists developing countries to coordinate diverse aid-donors, encouraging such donors to provide assistance and identifying, where necessary, suitable opportunities for assistance by U.S. non-Federal aid donors.
2. It finances - or provides financial incentives for - the provision of skills or resources to developing countries by U.S. entities other than AID.
3. It uses its own personnel to assist developing countries.

B. General Policy

1. AID as a Catalyst. AID must act as a catalyst to stimulate others to provide assistance to the developing nations. In all fields and all assisted countries, AID must, therefore, be fully aware of the total range of potential aid donors, whether U.S. non-Federal, multilateral, or foreign.

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2. AID's Role in Coordination. AID should assist developing countries to coordinate the use of all resources available for development - whether indigenous, AID-provided, or non-AID. AID is directed by statute to coordinate its efforts with those of private and other public entities providing resources from the United States. It must do so vigorously, but with full respect for the independence and ultimate autonomy of private and non-Federal aid donors.

3. AID as a Channel. AID is not staffed to provide, through its own direct-hire personnel, all the required technical assistance which it is capable of financing. Therefore other sources of personnel must be tapped.

Rather than directly carrying out all of its own programs, AID must increasingly become a channel through which American resources and skills - wherever located - can be identified, focused, and transmitted to the less developed countries of the world. Through contracts and interagency agreements, AID must, by law as well as policy, draw upon the technical resources of governmental and private institutions to the fullest extent practicable.

C. Specific Policy Regarding Coordination and Catalytic Activities

1. Pre-Condition. Before agreeing to finance a technical assistance activity, AID will make a diligent effort to ascertain that no other suitable aid donor is willing to finance the activity.

2. Identification of Projects. Missions will seek to identify, to countries and available potential donors, specific new projects - whether or not suitable for AID financing - which are to the cooperating countries' advantage and suitable for private U.S. sponsorship. They will then, as requested, assist cooperating countries to enlist the support of such sponsors and, in addition, will inform AID/ Washington of such projects to permit further solicitation efforts in the United States.

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3. Coordination. Missions and Bureaus will assist cooperating countries, as requested, in coordinating non-Federal U.S. aid donors. They will seek to encourage sponsorship of projects which have maximum social or economic impact and to discourage duplicative or low priority activities. They will, as requested by sponsors, assist in the resolution of operating problems and advise as to local conditions and difficulties.

4. Private Investment. Missions and Bureaus will continue to be alert to opportunities suitable for U.S. private investment and will take all appropriate measures to encourage such investment when it would further development objectives. The Office of Development Finance and Private Enterprise should be called upon to assist in this effort, where appropriate.

D. Specific Policy Regarding the Implementation of AID-financed Activities

1. Order of Preference. Where other factors are equal, means of obtaining skilled personnel will be used in the following order of preference:

- a. by contract with non-governmental organizations.
- b. by participating agency agreement (or contract) with other federal, state, or local government agencies.
- c. by direct-hire.

2. Use of Direct-Hire. It is AID policy to restrict to a minimum, consistent with other legal and policy requirements, the use of direct-hire personnel. This policy is consistent with the needs to: (a) shift as many projects as possible from grant to loan financing; (b) foster an increased assumption by competent borrowers and grantees of implementing responsibility for AID-financed projects; (c) facilitate, through concentration, the elimination of marginal activities and the relocation of technicians devoted to such activities, and (d) eliminate all but the smallest possible contingent of AID personnel, using such personnel primarily for policy, managerial, technical supervisory, and coordinating functions.

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3. Choice Between Government and Private Instrumentalities. In choosing between other government agencies and the private community as sources of needed skills, it is AID policy, other factors being equal, to favor the private community. This policy is designed to make even the AID-financed portion of the total foreign assistance effort less of a purely governmental endeavor. It will broaden the base of contact between the United States and aid recipients.

Where a United States firm or non-governmental institution is placed under contract for an overseas project, a relationship is created which has the potential -- after cessation of AID financing -- of being independently extended or renewed for the mutual benefit of both parties and in furtherance of AID's broad objectives. This potential for "by-product assistance" does not exist when the job is accomplished by government personnel. Nor does it often exist when single individuals are placed under contract.

It is also AID policy, therefore, to seek, wherever possible, to tap the private community for needed skills by placing firms or institutions rather than single individuals under contract. This policy requires AID to contract for such skills on a project by project rather than an expert by expert basis, to the maximum extent practicable.

4. Criteria. The policies stated immediately above should be applied in light of the criteria set forth in the attachment to this Policy Determination.

E. Implementation

1. All Missions and all units in AID/Washington are instructed to apply these policies in every appropriate instance.

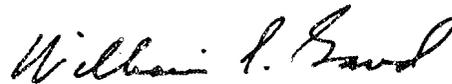
2. Staff offices must intensify their efforts to become conversant with the location, capability, and quality of resources throughout the United States which are potentially available for the total assistance effort. Missions must intensify their efforts within

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their respective countries to become conversant with the activities of all other aid donors and to assist the countries in coordinating them.

3. The Office of Management Planning must, in consultation with other offices, design agency-wide procedures to assure maximum possible compliance with these policies.

I shall from time to time request special reports of progress towards the full implementation of these policies.



William S. Gaud

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AttachmentGuidelines Governing the Choice Between Direct, Contract, and Participating Agency Hire to Implement AID-Financed Activities

The following guidelines are to be taken into account in reflecting -- through specific choices between direct, contract, and participating agency hire -- the policies stated in Section D of the foregoing Policy Determination. The guidelines are intended as an aid to analysis. They do not purport to be exhaustive.

I. Legal Restrictions

Many functions, for legal or compelling policy reasons, can only be performed by direct-hire personnel. They include:

- A. Negotiating with host countries in behalf of the United States.
- B. Making policy, planning, budgeting, and programming decisions which determine the allocation of resources available to AID.
- C. Evaluating and overseeing the execution of functions assigned (through contract or interagency agreement) to other government agencies or the private community.
- D. Locating, judging the competence of, selecting, and negotiating with external sources of needed skills.
- E. Performance of essentially internal functions such as personnel administration, agency management, and Congressional presentation.

II. Administrative Considerations

Despite the policy preferences which have been established, it may occasionally be desirable, for reasons such as those listed below, to perform given tasks or functions through AID direct-hire personnel even though it is not legally necessary to do so. Such reasons might include:

- A. The acute need for speed, in instances where the needed personnel are processed, cleared, and immediately available from the ranks of AID's direct-hire corps.

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- B. The non-existence of personnel in other government agencies or the private community who possess the requisite expertise. This situation is most likely when the needed skill consists, in addition to purely technical skill, of ability to (1) adapt American skills and techniques to foreign conditions, (2) impart possessed skills to others of a different culture or educational level or (3) create institutions for the retention or dissemination of such skills.
- C. The possibility of a prohibitive cost differential between direct-hire and other skills. Before conceding any such differential, it will be necessary to consider the indirect costs of direct-hire (such as overhead expense, retirement benefits, etc.) as well as the significant, though intangible, benefits to AID of creating potential, through a contract with the private American community, for "by-product assistance." Also, there will be situations in which it is necessary to pay more than direct-hire salary scales will permit in order to procure the level and type of talent required.
- D. The possible loss of control that might result from having a project (or function) implemented by personnel who are not direct-hire. Such a loss is by no means to be considered inevitable, for it is not necessary to perform a function in order to control the manner in which it is performed. Normally, AID should control project implementation through significant leverage points rather than through an overly intimate involvement in all the details of execution.

III. Other Factors

In addition to the stated policy preference in favor of the private community over participating agencies of government, the following criteria are among those to be considered in choosing between the two sources:

- A. Where the participating agency would use AID funds to hire personnel into its own ranks from the non-government community, AID should consider whether it might be preferable to obtain the needed skills directly by contract in order to create otherwise absent potential for "by-product assistance." This consideration should be measured against the benefits that might accrue from the unique backstopping capacities and institutional environment existing in the participating agency. Generally, it will be more advantageous to obtain single experts from participating agencies and to obtain skilled personnel for the implementation of whole projects from the private community.

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- B. As their primary responsibilities are domestic, it may be difficult, in some instances, for participating agencies to accord the requisite priority to AID's projects.
- C. Conversely, once its staff resources have been committed to a project, it may be more difficult for a participating agency to terminate its services should a shift in AID's program emphasis occur.