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MANAGEMENT ASSESSMENT
OFFICE OF ECONOMIC AFFAIRS,
BUREAU FOR PROGRAM AND POLICY COORDINATION

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EXECUTIVE SUMMARY

The Office of Economic Affairs (PPC/EA) provides many services to a variety of users. It supplies policy and analytical support to AA/PPC and A/AID, provides studies and analyses, represents A.I.D. with other U.S. agencies and internationally, provides expert assistance and reviews non-project assistance documents. It services many Congressional needs, including the production of Development Issues and the IDCA Congressional Presentation. It serves as the Agency's center for economic concerns.

The office is small, but of high quality, and its services are much in demand. Its various clients, AA/PPC, A/AID, the regional bureaus, other offices within PPC and - although they are served to a much lesser degree - the overseas missions, are, for the most part, quite satisfied with the services they receive.

Probably too much effort is expended in producing both Development Issues and the IDCA CP. Economists would like to see more EA involvement in their professional concerns. But with its present size, EA does a good job of meeting its objectives. These objectives are felt to be fully valid; none of them could easily be foregone.

More intensive effort along present lines would require more staff. To produce a different quality of product and permit A.I.D. to exercise greater influence on development policy than it does now would require a re-thinking of the structure, organization and function of economists, attracting more of them with a policy or research orientation to the Agency and probably creating some kind of new unit in the office of the Administrator.

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PPC/EA MANAGEMENT ASSESSMENT

I. OBJECTIVE OF THE ASSESSMENT

The broad goal of this study is to determine whether the Office of Economic Affairs in the Bureau for Program and Policy Coordination (PPC/EA) is achieving its stated objectives, whether the objectives are valid given resource constraints, and whether an alternative organizational structure would work better. A more specific goal is to determine how effectively PPC/EA supports A.I.D.'s field missions and to ascertain how well this office's programs are integrated into the missions' activities. In examining PPC/EA's stated objectives, the assessment is concerned not just with the Handbook statement of functions and objectives, but also with those that emerge from interviews with PPC/EA and with its clients.

II. PURPOSE/ROLE OF THE OFFICE, ITS STAFF AND RELATIONSHIPS WITH CLIENTELE

A. Purpose/Role

The Office of Economic Affairs is one of eight offices in the Bureau for Program and Policy Coordination. Three large offices - Planning and Budget (PB), Policy Development and Program Review (PDPR), and the Center for Development Information and Evaluation (CDIE) - are grouped together under one of the PPC Deputy Assistant Administrators. Three others - Multilateral Financial Institutions (MFI), Donor Coordination (DC), and Economic Affairs - are under the other Deputy Assistant Administrator who also serves as Chief Economist.

According to the Handbook, the main purposes of the office are to:

-- provide expert staff support to AA/PPC and to A/AID in the areas of international economic issues affecting development and LDC prospects, problems and policies, in order to contribute directly or indirectly to policy formulation and articulation;

-- carry out and/or oversee studies and analyses in areas such as trade, balance of payments, debt, growth prospects and problems, economic policies, macroeconomic performance, and other international economic topics. The results are used to advise AA/PPC and A/AID on issues such as the financing needs of LDCs, levels and forms of U.S. and other donor assistance, long-term development objectives for A.I.D., and A.I.D. policies and programmatic approaches.

-- represent A.I.D. at interagency and international meetings dealing with many of the issues described above, and to maintain liaison with other U.S. government (USG) agencies and international and academic institutions on these issues;

-- provide expert assistance to other offices in PPC, to other bureaus in A.I.D., and to missions.

Other specific functions and products of the office which appeared during interviews include the following:

-- responsibility within PPC for reviewing non-project assistance proposals for economic analysis and policy linkage;

-- preparation of two major annual communications to Congress and other interested external institutions, namely Development Issues and the International Development Cooperation Agency's Congressional Presentation (IDCA CP). The office also fields a considerable volume of Congressional correspondence and prepares many of the Agency's replies to questions arising during hearings. Indeed, the office estimates that fully 35% of its effort is, in one way or another, devoted to serving the Congress.

-- technical support for the A.I.D. Tied Aid Credit Program, in close collaboration with ExIm. The office also represents A.I.D. on U.S. interagency trade policy committees that are chaired by USTR (Office of the United States Trade Representative).

-- analytical support to the offices in PPC (Donor Coordination and Multilateral Financial Institutions) that represent A.I.D. in dealings with the Multilateral Development Banks, the Development Assistance Committee, and the United Nations. The office is directly responsible for A.I.D.'s interactions with the International Monetary Fund.

-- expert assistance to regional bureaus in Washington and the field missions. Examples include TDY assistance, particularly to Africa; participation in the Asia/Near East working group on trade and investment; assistance to the Africa and Latin America/Caribbean (LAC) bureaus on debt and trade questions; country risk analysis for the Housing Guarantee Program; and advice to the LAC bureau on computer applications.

--the office serves as a center, secretariat, and support group for Agency economists' professional concerns, including both Washington and field economists. Examples include sponsoring the IQCs (Indefinite Quantity Contracts) for macro-economic analysis; leadership in organizing two A.I.D.-wide conferences for economists in the past four years; and a prominent role in economist recruitment and in training IDI economists.

B. Office Staff

The office is a relatively small one, comprising:

-- a director (Senior Foreign Service)

-- a deputy (GM)

-- three GS/GM economists

-- one Foreign Service economist, plus one vacant Foreign Service economist position (candidate identified)

-- three secretaries

-- two (part time) research assistants

The staffing pattern is closely linked to the current functions of the office. The GS/GM economists provide expertise in areas such as trade and investment, debt/adjustment/stabilization, and financial issues/tied aid credits. They also provide institutional continuity which is particularly valuable for liaison work with other USG agencies, the DAC, the IBRD and the IMF. The Foreign Service economists provide a field perspective that is important to the office's role in policy formulation and review of non-project assistance. However, there is not a sharp distinction between the two groups of economists in these respects. There is strong demand by missions and regional bureaus for the services of the GS/GM economists, and the current FS economist undertakes analyses of trade and investment issues, usually the domain of a GS staff member.

Several indicators attest to the high quality of the staff. First, the overwhelming majority of interviewees indicated that the office produces very good work across the range of its functions. The main dissenting voice cited the limited availability of economic projections.

Second, the demand, essentially discretionary, for the services of the staff is high and exceeds supply. One regional bureau reported they could use four times as much TDY assistance as PPC/EA could provide. This figure coincides well with the office's (independent) estimate that it can meet only about 25% of TDY requests, because of staff (not financial) limitations. One of the offices in PPC indicated that they could use far more in the way of analytical and policy input than PPC/EA can provide, given other demands and priorities for EA's services. The regional bureaus make significant use of PPC/EA as a resource, but they state that they would like more economist backstopping services including papers on topics of interest, dissemination of quantitative techniques, etc. It is evident that the binding constraint here is staff size, not staff quality. There is a widespread perception that the office functions as a genuine talent pool.

Third, the members of the staff are in demand when other jobs open in A.I.D. One staff member is being transferred to a more senior position and another is being ardently pursued by a regional bureau (both GS/GM). Historically (the past 10 years), there has been significant turnover and upward mobility with office members moving to more senior positions in AID/W, State, and other USG agencies, to important economist positions in the field (Egypt, Pakistan, Philippines, El Salvador, Bolivia), and to the World Bank (4) and the IMF (2).

The staff morale is generally good. The staff considers most of its work to be substantive, interesting, and worthwhile. The variety of work -- analytical assignments, congressional reporting, TDYs, research, consulting services to bureaus, program reviews -- contributes to good morale. Much of the work is of a good mix between short-, medium-, and long-term assignments. Finally, the mix between directly operational work and work that contributes more indirectly to policy and program formulation is a favorable one.

Staff morale is naturally sensitive to the priority attached to economics and economic analysis by the senior officials in the Agency, particularly the Administrator and the senior leadership in PPC. The emphasis on policy dialogue and market-oriented development during the 1980s, the increased concerns with debt and adjustment, and the emerging focus on economic growth all contribute to good morale.

C. Services and the Clientele

Another somewhat crosscutting perspective on the role of the office is provided by looking at the principal field, AID/Washington, and other clientele of the office; the products

or services delivered; and the nature of the relationship. In so doing, the assessment team discovered that individual clients typically were not aware of all that EA does. Only after numerous interviews was the panoply of EA tasks clear.

Both the front office in PPC and the Administrator's office use PPC/EA as a source of economic expertise for policy formulation and articulation, and for analysis of issues and questions of concern to them. Second, AID/Washington communicates not only to the field but with Congress, other USG agencies, international organizations, and academic institutions. A great deal of this communication pertains to PPC/EA's areas of expertise. The office's staffing is influenced in a major way by the need to interact knowledgeably in such areas.

Two offices in PPC, Donor Coordination and Multilateral Financial Institutions, rely very heavily on PPC/EA. These offices are concerned with expressing U.S. views on development and foreign assistance policy questions to the Development Assistance Committee (where A.I.D. has lead responsibility) and to the United Nations (State), the World Bank (Treasury), and the regional multilateral development banks (Treasury). In cases where State and Treasury have the lead, A.I.D. is nonetheless usually more knowledgeable about development issues and so has an important substantive role to play. PPC/EA is critical to this role where matters of substance are concerned. Major examples include work on the Baker Plan and the Structural Adjustment Facility.

PPC/EA also supports other offices in PPC. There is considerable collaboration with PB at the staff level, for instance, on Action Plans, Country Development Strategy Statements and non-project assistance documents and with PDPR on research projects and policy papers where the analytical issues are of common concern. As opposed to EA's role on economic policy, where its impact is direct, EA input to other PPC offices which are reviewing documents or preparing non-economic policy papers is neither necessarily requested nor followed. EA has helped CDIE to design the country economic indicator system and country data diskettes.

Much of the office's contribution to A.I.D.'s program in the field is through direct interaction with the regional bureaus. First, it has a review function for non-project assistance, particularly where issues of economic analysis and policy dialogue are concerned. This is the office's main oversight function. It performs this on a selective, priority basis rather than fully participating in each such review.

Second, there is fairly close communication and collaboration on studies and research, including co-financing of research projects in some cases, solicitation of regional bureau views on scopes of work, regional bureau participation in reviews, seminars and conferences based on research funded by the office, and dissemination of reports to the regional bureaus. Third, there is cooperation on issues mentioned above (trade, investment, debt, computer techniques). Major examples are: cooperation with the Africa Bureau on the Africa Debt Initiative, and with the Asia/Near East Bureau on its Trade and Investment Initiative. Fourth, there is close collegial relationship between PPC/EA and the economists in the regional DP offices. PPC/EA disseminates papers from the IMF and serves as a resource both in its substantive areas of expertise (debt, trade, adjustment, etc.) and on quantitative techniques and computer applications.

The office's direct contributions to Mission programs (other than through cooperation with the regional bureaus) are less frequent but still significant. The office does some TDY work, although it must turn down about 75-80 per cent of the requests for TDY assistance. Secondly, some of the research results are disseminated directly to Missions, although more often this is left for the regional bureaus to do. Third, the office originated and administers the macroeconomic IQCs (Indefinite Quantity Contracts) which missions and regional bureaus have drawn upon. Fourth, the office helps prepare newly-hired economist IDI's (International Development Interns) before they go to the field. Finally, the office has played an important role in recruiting economists for the Foreign Service.

A.I.D. economists as a group are also an important client of PPC/EA. PPC/EA serves as a center and secretariat, as an organizer of economists conferences, and as a resource for technical expertise. This supports mission programs by facilitating a greater contribution by mission economists.

Finally, the office interacts on a number of significant issues with other USG agencies. One staff member devotes about 75% of his time to A.I.D. participation on trade policy committees headed by USTR. Another staff member provides technical support for the A.I.D. Tied Aid Credit Program, in close collaboration with ExIm.

III. ASSESSMENT OF PPC/EA'S FULFILLMENT OF ITS PURPOSE/ROLE

A. Staff Support to AA/PPC and A/AID

The Administrator's Office and the AA and DAA's for PPC require a staff of economists devoted to macro-economic issues to assist in the formulation and articulation of

development assistance policy. Statements on economic development policy and briefing book material are also needed for Congressional hearings. The Administrator needs information in preparation for regular meetings with the Secretaries of State and Treasury. Briefing materials on LDC questions must also be prepared for the President's use at Economic Summits. While the economists attached to the regional bureaus and to PPC/PDPR can be expected to have specialized knowledge about the economic impact of individual development programs, country-specific economic and financial issues and regional problems, they cannot devote the time necessary to develop the more broadly-based expertise which agency policy makers frequently need. EA provides that expertise. Typical areas include economic stabilization, effectiveness of policy reform efforts, conditionality of assistance, cash transfer accountability, trade policy, growth scenarios and debt management.

EA is considered to be highly competent in these areas. It is responsive, timely, sound and imaginative. Its quality is highly respected. In recent months, however, the Administrator's Office has requested projections and graphs which the office had not previously produced. There is some feeling that these should have been readily available.

There is also a school of thought that EA has evolved into something of a reactive mode in its relationship with Agency policy makers. This school believes that EA should really be a kind of economic development policy think tank, providing intellectual leadership throughout the U.S. Government. This issue will be addressed in a later section of this paper. What now appears clear, however, is that EA, even as it is presently constituted and oriented, provides an indispensable service in the policy area. The assessment team concluded that A/AID and, especially, AA/PPC have been well served overall. There can be no doubt that increased requirements from them would be met by EA, but at the expense of other functions.

B. Special Studies and Analyses

The EA staff has produced a number of studies, policy papers and discussion papers and has commissioned studies from others. This effort is designed to address issues directly related to U.S. development assistance policy and strategy. Because of the relevance of the research, issues are addressed which normal academic scholarship would not normally reach. Many of these studies also make important contributions to the literature of economic development. Recent staff studies have dealt with the impact on LDCs of the drop in oil prices,

linking trade and development, country-specific concept papers and policy reform evaluations, among others.

The commissioned studies are financed from EA's \$400,000 annual budget for this purpose. Recent topics include comparative regional studies of developing country financial systems, LDC experience with tax reform, consequences of agricultural trade liberalization for A.I.D.-assisted countries, and the role of Japan and the U.S. in Third World development.

Economists throughout the Agency are familiar with the studies and believe they are among the most useful products of the office. Some Missions also commented enthusiastically on the quality and utility of this work. Agency policy makers are aware of these studies and consider them useful contributions to the pool of knowledge from which policy evolves, but it was not possible to identify any specific policy which was developed as a result of these studies. The studies receive fairly wide dissemination - especially the published ones.

C. Representing A.I.D. within the U.S. Government

There are many issues under consideration within the U.S. Government which affect developing countries, such as debt, trade and hunger. EA presents the development viewpoint of A.I.D. as a whole, free from the particular interests which might color the views of economists from the regional bureaus. Most frequent contacts occur with State's International Finance and Development Office (EB/IFD), Treasury and the Office of the United States Trade Representative (USTR). With State and Treasury, the principal issues revolve around policy reform in developing countries. Both State and A.I.D. are concerned with influencing Treasury's positions toward the International Monetary Fund; frequent informal consultation facilitates that process. Both State EB/IFD and PPC/EA are able to approach the identification of appropriate policy reform elements for specific countries without the risk of bias or advocacy common to geographic offices in State and A.I.D. Accordingly, there is considerable confidence in the information and advice each supplies to the other.

EA houses the Agency's expertise on trade and investment questions. In some cases, U.S. trade policy can have a vastly greater impact on an LDC's development performance than any amount of financial or technical assistance. In recognition of that fact, A.I.D. has a voice at the various levels of policy coordination of USTR. At the highest level, that of the Economic Policy Council, the Administrator is invited to attend as the Director of IDCA.

The PPC Deputy Assistant Administrator/Chief Economist might represent the Agency on the Trade Policy Review Group. There is also considerable interaction at the senior staff level. Whether policy level A.I.D. officials attend or whether EA represents the Agency, the EA trade and investment expert prepares the A.I.D. position, comments on papers under consideration and occasionally speaks for the Agency. His work is well respected. Despite the opportunity which A.I.D. has to influence trade policy for the greatest development impact, however, consistent high level A.I.D. participation in the work of the USTR has not occurred. Part of the reason surely lies in the fact that USTR issues do not frequently involve the LDCs. EA prepares position papers for GATT negotiations and for the USTR task force working toward the integration of more LDCs into GATT.

D. Expert Assistance

All of the regional bureaus regard EA as a valuable source of expertise. In some cases, EA is looked to on issues where the regional bureaus cannot afford to develop expertise, such as debt, mixed credits and trade. In other cases, they provide additional weight to the economist viewpoint on specific country policy reform programs. Finally, as a pool (however small) of high level economics talent, they are seen as particularly useful in providing short-term expertise for bureau and mission needs, since the Agency faces a chronic shortage of economists. As noted above, however, most mission TDY requests go unmet. The flexibility and adaptability of the EA staff receive high praise.

The PPC offices of Donor Coordination and Multilateral Financial Institutions could not get along without EA. Neither office has its own economists, yet they must provide comments on numerous policy documents and country lending programs. Both offices feel the EA product is excellent. Similarly, in the face of the worldwide debt crisis, the Office of Housing has grown increasingly reliant on the analyses of country risk of non-repayment in deciding where to make Housing Guaranties available.

E. Review of Non-Project Assistance Documents

Although all non-project assistance documents are submitted to EA for review, staff time is not available for systematic study of every one. Accordingly, documents tend to be selected for review when the regional bureaus request it. Those that do request it find such review very useful. It tends to reinforce economic policy concerns and assures a consistency of policy in the face of parochial pressures.

Others think an EA review might be useful, but do not often request it. Still others feel reviews would not be useful and would duplicate bureau efforts. These views tend to reflect the views regional bureaus hold about the role of PPC in general.

Some interviewees suggested that PPC/EA should review all non-project documents. While conditionality and policy reform cannot be identical for each country, proposed programs should fit within the Agency's policy framework. If full review is not practical, one regional economist proposed that each document could at least be screened for a few previously-selected, sharply-focussed issues.

F. Development Issues and the IDCA CP

EA devotes considerable time and energy to the preparation of two documents. Development Issues is an inter-agency document issued by the Chairman of the Development Coordination Committee, who is the Director of IDCA. Its submission and content are prescribed by statute. The IDCA Congressional Presentation is submitted as part of the budget request process. While some of the material is different in each publication, it has been estimated that there is a 60% to 70% overlap between the two. The necessity for two separate publications is not apparent.

Both documents tend to be reportorial, as opposed to analytical. They explain what A.I.D. and other U.S. Agencies do for international development. They inform about the latest thinking in the field, and they describe situations in the developing world. Finally, they address the work of the multilateral organizations which the U.S. supports.

The one thousand five hundred (1500) copies of Development Issues are exhausted each year. While there is the required distribution to the Congressional committees, USAID Missions, U.S. Embassies and USIA also use them to explain the U.S. role in development. A.I.D. distributes the rest to foreign embassies in Washington and in response to public inquiries. The IDCA CP is also distributed in response to public inquiry, but to a lesser extent.

Development Issues requires inter-agency clearance. The IDCA CP does not, and thus contains a somewhat franker discussion of the state of LDC economies. The IDCA CP has the further advantage of presenting the A.I.D. and Trade and Development Programs within the IDCA context, which is the existing legislative framework.

The U.S. Government clearly needs an annual document describing its efforts on behalf of developing countries. A.I.D. would prepare one even if it were only Congressionally welcomed, instead of required. Were the Agency given more flexibility, by removing the statutory language mandating Development Issues and specifying its content, perhaps a single publication could be produced. Such a document could meet the very real needs for information of Congress, the U.S. public and overseas users. An A.I.D. document without inter-agency clearance would also have the advantage of more in-depth discussions of the the state of LDC development and could even contain a greater degree of analytical content to more fully justify the effort of its production. Hopefully, a way can be found to combine both of these documents into one.

G. Support for Economists' Professional Concerns

The Indefinite Quantity Contracts (IQCs) for macro-economic analysis are available for overseas mission use. A number of missions have taken advantage of them for short-term analysis or the preparation of specific studies and have found them useful.

Four years ago, PPC/EA took the initiative to organize regular conferences of all A.I.D. economists. Two have been held so far. They serve to permit coordination among economists of the Agency's development policies and strategies, to allow discussion of professional concerns and to focus on career issues. There is unanimous and enthusiastic support for this effort. It strengthens the links between Washington-based economists and those in the field and among field economists. Field economists return to their missions with new ideas and approaches. The quality of the Agency's economic analysis is considered to have improved. Morale is dramatically enhanced as economists perceive recognition within the Agency.

Some would like to see the office serve as even more of an intellectual and spiritual home for the Agency's economists. By this construct, EA would look after professional concerns and career development, would take a more active role in recruitment and assignment and would be the office of choice for Foreign Service economists on rotation to the U.S. So long as the shortage of economists persists, however, orderly assignment and career development efforts will give way to the operations of informal systems arising from the intense competition to meet bureau and mission needs from the limited numbers of economists available. As a result, Foreign Service economists do not regard EA as a career-enhancing assignment; the few who do serve there are usually enticed away before the end of their normal rotation tour.

IV. CONCLUSIONS

A. Has the office achieved its stated objectives?

Although PPC/EA responds to a large variety of clients for a diverse set of services, its small staff has a very clear idea of its objectives and accomplishes them well. This office, as seen above, does not directly serve many mission needs, nor is it intended to do so. Missions solicit and provide funds for the TDYs of EA staff and receive the indirect benefit of the economic studies, the reviews of non-project assistance documents, the macro-economic IQCs, and the economists conferences. It is to A.I.D. headquarters in Washington, however, that the overwhelming proportion of the office's effort is devoted.

In the provision of staff support, EA clearly does provide a steady stream of information and policy guidance on international economic policy issues and worldwide trends. It is a highly valued source of objective comment on specific countries. Its research is thought to be relevant, thorough and very helpful in bringing new ideas into the Agency. As the repository of specialized economic expertise, its assistance to the regional bureaus is much applauded and it is uniquely qualified to represent the Agency with other U.S. Government agencies, donor agencies and international and academic institutions.

In addition to these stated objectives, the office meets a number of others as well. These are detailed in an earlier section.

The management assessment team did identify some problem areas. On the staff side, all regional bureaus and some PPC offices noted that EA did not have enough staff. In the first place, Agency management would need to allocate higher position ceilings, restoring positions which have been lost in recent years to efforts at staff reduction throughout A.I.D. Even with more positions, there is the problem, as noted above, of a fairly high staff turnover. Moreover, the Agency has not been able to hire enough Foreign Service economists to fill its present openings. Of the many who have applied, few meet A.I.D.'s exacting standards, and priority must be given to meeting mission needs. At the same time, PPC/EA, in common with other AID/Washington offices, has a hard time attracting experienced Foreign Service economists, for whom field assignments are more fulfilling and career-enhancing. Staff scarcity will be all the more acute in view of the demands likely to be placed on EA resulting from a renewed emphasis on economic growth by A.I.D. leadership and a heightened concern with elaborating the economic underpinnings of A.I.D. policies.

During interviews, a few objectives were identified for the office which it was not seeking to meet and, indeed, may not be able to meet in light of its present staff size, composition and objectives. Some respondents felt that the office should provide an "esprit de corps" for the Agency's economists, providing intellectual leadership and setting quality standards for economics work. It should become more active in sharing ideas and information both from the Agency's own economists and from outside sources through some sort of "Occasional Notes" circulated widely overseas and in A.I.D. headquarters.

The most ambitious set of suggestions would have the office become even more of a policy-oriented think tank on economic development issues. It would take the initiative in surfacing new ideas, playing a more active role in shaping Agency policy, instead of reacting to expressed needs. It would analyse what the Agency has been doing and reach conclusions as to its consequences and effectiveness. This, in turn, would lead to the shaping of assistance programs with solid intellectual underpinnings, an economic - rather than emotional or political - rationale for development assistance. Indeed, some think the office should regain for the Agency the leadership in economic development thinking it enjoyed in the 1950's and 1960's. A.I.D. would wield preponderant influence on U.S. Government development policy. Economic development ideas would flow again from A.I.D. to the Congress, leading to genuine dialogue and replacing the steady flow of development decisions taken by Congress to which the Agency must react. Such a role would necessarily mean less attention to operational concerns. Perhaps, according to those who espouse this position, EA would provide such a stimulating environment that Agency economists would clamor to be assigned there.

B. Do the office's objectives remain valid?

The assessment team concluded that EA's present organizational objectives remain valid. A team of versatile, flexible economists not attached to any regional bureau is necessary for support to the Agency's leadership. Global issues of economic development must be addressed and researched. Specialized expertise in certain areas should be centralized, since regional bureaus do not need it on a continuing basis. A staff able to speak to economists outside the Agency on development issues in general and on the work of A.I.D. is indispensable for effective coordination of effort. Communication and articulation of what A.I.D. is doing is a function the Agency must perform.

The assessment team also considered whether some of the other objectives considered valid for EA could properly be assigned there. The "clearing house" function could be accommodated easily. Providing an "esprit de corps" and taking a more active, rather than reactive, role, is in some measure a question of individual style, but is susceptible to being influenced greatly from above. Circulating ideas around the Agency at home and overseas would be useful to economists and managers; the only real constraint is staff numbers. To create at least a modest level of intellectual ferment and to increase EA's overall capacity, consideration could be given to offering one or two scholars IPA appointments to EA.

C. Would an alternative organizational structure be more efficient?

Given the continuing validity of EA's special functions, which differ from but complement those of the regional bureau economists, the assessment team does not believe EA should be dissolved and its tasks assigned to the geographic bureaus. The team did consider the option of merging EA with PPC's Office of Policy Development and Program Review (PDPR), since PDPR is a part of PPC and already has some economic expertise. Moreover, PDPR does have a policy function, albeit more country oriented. To merge the two offices, however, would lose the economics identity of EA and would lead its economists away from macro-economic, global concerns into a much more operational role than they have now. Its specialized expertise would tend to get lost within the various divisions and layers of PDPR. The team then considered whether the non-project assistance review function might at least be transferred. While such a transfer would be completely feasible and would fit well with PDPR's other mandates, it, too, was rejected since the team felt that to do so would deprive EA of its major link to the work of the rest of the Agency. Such a link is clearly needed to help keep EA's policy advice and research efforts as relevant as they now are.

The assessment team gave considerable thought to how to meet the objective of some to return A.I.D. to its pre-eminence in economic development thinking. The team recognized that by virtue of its role in the development community, including its influential positions in the DAC and on the executive boards of the MDBs, the U.S. has exercised leadership in terms of development priorities and policies. This has been evident in the 1970's focus on distributional issues and basic needs, and in the 1980's focus on the private sector. A.I.D. has been an important part of this leadership. Further, A.I.D. has often been in the forefront operationally in terms of innovative projects and programs that have later been adopted by other donors.

At the same time A.I.D. no longer exercises intellectual leadership in the development community. Historically, that position was enjoyed during a period when the Assistant Administrator of PPC was chosen from among a small group of nationally renowned academics, established professors at leading universities who were experts in development economics. These individuals could in turn attract the brightest young professors and recent graduates as staff economists, and provide an environment conducive to good applied research that would further their careers outside A.I.D. During the 1970's, when A.I.D.'s focus moved from economic growth to humanitarian and social concerns, leadership shifted to the World Bank and PPC was no longer headed by senior scholars. In the 1980's, to begin to reverse the trend, the position of Deputy Assistant Administrator/Chief Economist was created. That position has been filled by a senior A.I.D. officer first and then by a senior State officer. This was an important part of a more general renewed emphasis on economics and economic policy issues. However, the Chief Economist position is not high enough in stature to attract a world-class academic. The position of Director of PPC/EA, being one level lower, is even less likely to appeal to the kind of economist likely to return A.I.D. to its former position of economics leadership.

The team concluded that there was considerable doubt whether A.I.D. could ever compete again with the World Bank in this area, because the Bank will always be able to marshal a large group of top-flight academic and quasi-academic economists to study any problem it chooses. A.I.D. works effectively and collegially with them. A.I.D.'s capacity to contribute to the foundations of development economics theory is strictly constrained by its limited capacity to attract the best research-oriented economists.

However, a somewhat distinct issue is whether A.I.D. could exercise a significantly greater leadership role in influencing U.S. and international development policy. This would require much less in the way of research talent. The economics staff would not need to be a basic producer of theoretical work on development economics, but would have to be an intelligent and critical consumer and retailer of advances in development thinking, including those generated at the Bank. This role would not be nearly as demanding as far as research and academic talent are concerned. But it would still call for a figure of some stature in the field of development as a spokesperson, supported by well-trained policy-oriented economists, including perhaps some IPAs. One mechanism might be an Economic Counselor for the Agency in the Administrator's Office, with a small staff that worked closely with PPC/EA. Another mechanism might be an outside Council of Economists to meet three or four times a year to grapple with economic development issues.

Glossary of Acronyms Used

A/AID	Administrator, Agency for International Development
AA	Assistant Administrator
CDIE	Center for Development Information and Evaluation, PPC
CP	Congressional Presentation
DAC	Development Assistance Committee, Organization for Economic Cooperation and Development
DC	Office of Donor Coordination, PPC
EA (PPC/EA)	Office of Economic Affairs, Bureau for Program and Policy Coordination
EXIM	Export Import Bank
FS	Foreign Service
GM	General Schedule (Performance Management Recognition System)
GS	General Schedule
IDCA	International Development Cooperation Agency
IDI	International Development Intern
IPA	Intergovernmental Personnel Acts
IQC	Indefinite Quantity Contract
LAC	Bureau for Latin America and Caribbean Affairs
LDC	Less Developed Country
MDB	Multilateral Development Bank
MFI	Office of Multilateral Financial Institutions, PPC

PB	Office of Planning and Budget, PPC
P DPR	Office of Policy Development and Program Review, PPC
PPC	Bureau for Program and Policy Coordination
TDY	Temporary Duty Assignment
USG	United States Government
USTR	Office of the U.S. Trade Representative