

**REPORT  
to the  
PRESIDENT**

**FY 1968 GOALS  
and  
FY 1967 PROGRESS**

**COST REDUCTION  
and  
MANAGEMENT IMPROVEMENT**

**Agency  
for  
International Development**

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

**ASSISTANT  
ADMINISTRATOR**

MEMORANDUM TO ALL ASSISTANT ADMINISTRATORS, HEADS OF OFFICES AND STAFFS,  
MISSION DIRECTORS, AID REPRESENTATIVES AND AID AFFAIRS  
OFFICERS

**SUBJECT:** AID Cost Reduction and Management Improvement  
FY 1968 Annual Plan and FY 1967 Accomplishments

The AID Cost Reduction and Management Improvement Plan for Fiscal Year 1968 was sent to the President in September. AID Distribution of the Plan was deferred pending determination of our appropriation levels and decisions on other restrictions ordered by the President. Our cost reduction goals will probably be raised because of these changes, however we have decided not to amend the Plan at this time and a copy is attached for the information of all AID employees.

Based on the individual cost reduction plans submitted by AID/W and overseas missions, the Administrator has established a goal of \$12,000,000 for the Agency's FY 1968 Cost Reduction Program. The AID program is as vital to our national interest as ever and the demands for assistance even greater than last year, but the funds made available were less than at any time in AID's history. Now, more than ever, AID's program goals must be accomplished by making each dollar go further. Money saved in our Cost Reduction effort can and will be reprogrammed to meet other high priority needs. A renewed effort to greatly exceed our Cost Reduction goals is a necessity.

The Annual Plan for FY 1968 has seven specific campaign areas, most of which are carried over from last year. I recommend that you give your personal attention to achieving savings within these campaign areas where they are applicable to your responsibilities. In addition, you are encouraged to identify, accomplish and report potential savings in any other area of your responsibilities.

At no time in AID's history has cost consciousness been more important. We must demonstrate to the President and Congress that every dollar spent by AID gives us the greatest value. Administrator Gaud joins with the President in making Cost Reduction a personal concern. He knows he can count on each of you to make it your personal concern and to take the necessary actions to reduce expenditures and improve productivity.

Through your efforts in FY 1967 we were able to report a series of outstanding Agency accomplishments to the President. A copy of this report is also attached for the benefit of all AID employees. As reported, we were able to achieve savings of over \$9,600,000 -- more than 17% above our goal of \$8,200,000. Many individual savings, some small in themselves, were necessary to accomplish this objective. Each of you will want to review the savings in the attached report to see whether some of these actions could be used by you to reduce costs in your own areas of responsibility.

Specific reductions in expenditures and personnel have been directed by the President - especially in AID's overseas operations. Actions taken to meet these required reductions will frequently be reportable under the Cost Reduction Program within the rules specified in M. O. 305.1. Where they are, we want to be sure they are documented and reported.

With your continued active support of this program, we look forward to reporting savings considerably in excess of the Fiscal Year 1968 Cost Reduction Goal of \$12,000,000.



H. Rex Lee

Attachment  
a/s

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington 25, D. C.

OFFICE OF  
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

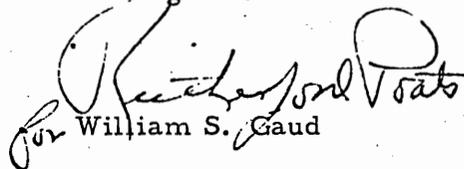
THROUGH: Director, Bureau of the Budget

I am pleased to submit AID's cost reduction and management improvement plans for Fiscal Year 1968.

I have set an Agency-wide cost reduction goal for FY 1968 of \$12,000,000. This goal is based on cost reduction projects already placed into effect this Fiscal Year or scheduled for implementation during the remainder of FY 1968.

We are continuing our program of designating Agency-wide "Cost Reduction Campaigns." These campaigns cover specific areas of potential savings within AID, both in Washington and overseas. Major potential savings are expected in program funded activities, especially in procurement, transportation, and host country contributions to AID-financed projects.

AID's Cost Reduction and Management Improvement Program seeks to establish discrete management improvement goals for the Agency, specify the magnitude and direction of the effort, and involve all organizational elements in the Agency's continuing pursuit of better management in the Foreign Assistance Program.

  
for William S. Gaud

Attachment

a/s

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

AID has set a cost reduction goal of \$12,000,000 to be realized during FY 1968. This goal is based on cost reduction projects already placed into effect this Fiscal Year or scheduled for implementation during the next few months. These projects are encompassed within a series of specific Agency-wide Cost Reduction Campaign areas summarized by title and dollar goal in Attachment A. A more detailed description of each of the Cost Reduction Campaigns, the nature of the savings or benefits to be achieved, and the planned or probable disposition of these savings is contained in Attachment B.

For the second year, AID is mounting a strong, centrally directed Agency-wide attack on specific management improvement opportunities in the Foreign Assistance Program. Specific areas of potential cost savings have been identified and Agency attention is focused on them by establishing an Agency-wide "Cost Reduction Campaign" for each. All agency organizational units, both in AID/Washington and overseas, have been asked to establish individual cost reduction projects in each of the campaigns applicable to their operations. Under the overall direction of AID's Assistant Administrator for Administration, the leadership and guidance of each of these campaigns has been assigned to an "Action Coordinator" -- in each case, the head of the central staff office having functional responsibility for that area. Action Coordinators are expected to be both a source of ideas for cost reducing innovations and a central clearing house within the Agency for information on cost reduction efforts undertaken by individual Agency organizations. In this latter capacity, they will disseminate information on successful cost reduction efforts achieved by individual organizational units to all others, thereby insuring the widest possible effect from the cost reduction activities of diverse organizational elements.

AID's saving goals have been established as a result of our experience over the past years and a general tightening up of criteria by the Bureau of the Budget as reflected in BOB Circular A-44. In addition to the tighter Bureau of the Budget criteria, the Agency, in establishing its dollar cost reduction goals, has placed an increasingly heavy emphasis on the achievement of planned savings in the campaign areas. Cost reduction actions taken which do not fall into one of the specific Agency wide projects established, and cost reduction actions taken which do not result from special management actions planned in advance, have been excluded from consideration in establishing the FY 1968 goals.

It seems unlikely at this time that the cost reductions planned for FY 1968 can be reduced from AID's FY 1969 Budget Request. Savings realized as a result of the special cost reduction campaigns will, in most cases, be reprogrammed for other approved activities. Such savings may also need to be allocated to meet other urgent program requirements should the level of new obligational authority resulting from Congressional appropriation action be reduced from the level of the Administration's Foreign Assistance request. The Agency will be in a better position to evaluate this possibility, however, upon completion of the appropriation process.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
 COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
 FY 1968 SUMMARY PLAN

<u>Campaign (Goal) Titles</u>	<u>Annual Savings Goals</u> <u>Dollars (000)</u>	<u>Proposed Use</u> <u>of Savings <sup>1/</sup></u>
Enlarge Host Country Contributions to AID Program	2,000	d
Accelerate the Contribution of non-Federal Resources in the Foreign Assistance Program	500	d
Reduce the Number of Direct Hire Personnel	500	a, b, c
Reduce the Costs of AID Overseas Administrative Support	500	a, d
Simplify Agency Reporting Requirement and Improve Methods of Information Dissemination	250	c
Reduce the Costs of AID Program Procurement	3,000	d
Reduce the Transportation Costs of Program and Administrative Commodities and Equipment	5,250	a, d
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TOTAL PROJECTED SAVINGS	\$12,000	

1/ Savings Key:

- a - Use to finance increased costs, such as pay increases.
- b - Apply to production of more units of work.
- c - Apply to raise quality of service or performance.
- d - Use to finance some other approved program or activity.
- e - Place in reserve, or apply to reducing President's Budget.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Enlarge Host Country Contributions to AID Programs

Estimated Savings: \$2,000,000

PROJECT DESCRIPTION: Subject to overriding United States political or economic interests in specific countries, each overseas post will undertake a special effort to increase the use of host country resources in lieu of U.S. assistance to fund individual projects and activities.

NATURE OF SAVINGS OR BENEFITS: All decreases in U.S. resources obligated, authorized or programmed for an individual activity, project, or component will constitute a savings in this area to the extent that such reduction is accompanied by an increase in the contribution of the host country of its own resources.

DISPOSITION OF SAVINGS: In most cases, savings resulting from this effort will be reprogrammed for use on other approved AID projects. They will clearly be needed to fund high priority projects should the level of new obligational authority resulting from Congressional appropriation action be reduced from the level of the Administration's Foreign Assistance request.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Accelerate the Contributions of non-Federal Resources in the Foreign Assistance Program

Estimated Savings: \$500,000

PROJECT DESCRIPTION: The emphasis of this Campaign is on increased input from the non-Federal, private enterprise sector into development programs overseas. Each overseas organization and responsible AID/W office will undertake a concerted effort to obtain additional contributions from non-Federal donors.

NATURE OF SAVINGS OR BENEFITS: There are two aspects of the savings from actions taken under this Campaign. The first, where a non-Federal donor funds an activity or part of an activity formerly funded by AID, or programmed for funding by AID, the individual office concerned will report the amounts that AID would have funded and the amounts that the non-Federal donor has undertaken to fund. Second, in AID/W overall increases in input by non-Federal donors will be reported as an indication of this Agency's effort to involve the Private Sector in overseas economic development.

DISPOSITION OF SAVINGS: In most cases, savings resulting from this effort will be reprogrammed for use in other approved AID projects. They will clearly be needed to fund high-priority projects should the level of new obligational authority resulting from Congressional appropriation action be reduced from the level of the Administration's Foreign Assistance request. It is also expected that a portion of the savings will be additive to AID's effort.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Reduce the Number of Direct Hire Personnel

Estimated Savings: \$500,000

PROJECT DESCRIPTION: Each overseas post and AID/W office will attempt to analyze their individual operations and functions with the objective of reducing the number of personnel needed to perform the work. Particular attention will be given to the ratios of supervisors to employees, and professionals to clericals.

NATURE OF SAVINGS OR BENEFITS: Computed savings should be based upon the discrete functions or units where personnel costs are reduced. Utilization of this measure will enable the reporting organization to report savings in those situations where certain priority functions have an increasing need for staff and these needs are, in effect, being met by reductions elsewhere in other areas of lesser priority. In order to achieve a savings under this Campaign, it is not necessary that the reporting organization reflect a net decrease in staff.

DISPOSITION OF SAVINGS: In most cases, savings accruing from this effort will be used to finance increased costs, increase the production of more units of work, and raise the quality of performance.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Reduce the Costs of AID Overseas Administrative Support Activities

Estimated Savings: \$500,000

PROJECT DESCRIPTION: Each overseas post will undertake a concerted effort through specific planned actions and projects to reduce the cost and improve the operation of our various support activities. Actions planned under this Campaign cover the wide range of activities including but not limited to real property, inventories, and motor vehicle acquisition and maintenance.

NATURE OF SAVINGS OR BENEFITS: Savings accruing from the actions planned under this Campaign will be computed on the basis of the actual costs before and after adoption of an improvement.

DISPOSITION OF SAVINGS: A portion of the savings which will be achieved in this campaign will be reductions in foreign currency costs. Such savings will be reallocated within the country achieving the saving to cover costs of other approved activities. In many cases, the money saved will be required to meet increased local currency costs brought about by inflation in the Host Country.

U.S. dollar savings resulting from this effort will either be reallocated for use in other approved high priority activities or be used to accomodate budget reductions should the level of new obligational authority resulting from Congressional appropriate action be reduced from the level of the Administration's Foreign Assistance request.

Attachment B

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Simplify Agency Reporting Requirements and Improve Methods of Information Dissemination

Estimated Savings: \$250,000

PROJECT DESCRIPTION: In conjunction with continuing Agency efforts to improve reporting requirements, each overseas post and AID/W Office will make special efforts to review their own internal reports with the objective of eliminating, consolidating, or reducing them in frequency and size. A major effort in this area will consist of the Agency's current attention to the establishment of an Agency-wide program information and monitoring system with its attendant revision of current reporting systems.

NATURE OF SAVINGS OR BENEFITS: Computation of the savings resulting from the elimination, consolidation, or reduction in reports will be based upon the reduction of (1) the time spent in preparation, review, and issuance; (2) the number of pages and copies; and (3) the reading, handling and filing time. Actual dollar savings will consist of the reduction of time (quantified) spent by personnel in the preparing, handling, reading and filing of the materials that are eliminated.

DISPOSITION OF SAVINGS: Savings will be applied to the production of more units of work through devoting working time to higher priority tasks.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Reduce the Costs of AID Program Procurement

Estimated Savings: \$3,000,000

PROJECT DESCRIPTION: Each overseas post and AID/W office responsible for the procurement of program commodities, equipment or services will take affirmative action to improve program procurement policies and practices. Special effort will be focused on increasing consolidated buying of non-loan financed commodities.

NATURE OF SAVINGS OR BENEFITS: Savings which result from planned actions to reduce the costs of program procurement will be computed on the basis of the difference between the actual costs under any new procedure or practice and the previous costs of procurement.

DISPOSITION OF SAVINGS: In most cases, savings resulting from this effort will be reprogrammed for use in other approved AID projects. They will clearly be needed to fund high-priority projects should the level of new obligational authority resulting from Congressional appropriation action be reduced from the levels of the Administration's Foreign Assistance request.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
COST REDUCTION AND MANAGEMENT IMPROVEMENT PROGRAM  
PLAN FOR FISCAL YEAR 1968

CAMPAIGN (Goal): Reduce the Transportation Costs of Program and  
Administrative Commodities and Equipment

Estimated Savings: \$5,250,000

PROJECT DESCRIPTION: Each overseas post and AID/W office responsible for incurring costs related to the shipment of either program or administrative commodities or equipment will undertake a special effort to arrange for less costly or more efficient transportation arrangements for such commodities or equipment. Efforts in this area will include any action to reduce shipping costs related to commodities procured under loan agreement through the host country and/or borrower/grantee contractors.

NATURE OF SAVINGS OR BENEFITS: Savings which result from planned actions to reduce transportation costs will be computed on the basis of the difference between the actual costs under the new arrangement and the costs which would have been incurred without the application of the new method or procedure.

DISPOSITION OF SAVINGS: Savings realized as a result of this campaign will, in most cases, be reprogrammed to meet priority needs in other approved activities. Such savings may be reallocated to meet other urgent program requirements should the level of new obligational authority resulting from Congressional appropriation action be reduced from the level of the Administration's Foreign Assistance request.

ANNUAL PROGRESS REPORT

COST REDUCTION AND MANAGEMENT IMPROVEMENT

AGENCY FOR INTERNATIONAL DEVELOPMENT

JULY 1966 - JUNE 1967

ANNUAL PROGRESS REPORT  
ON  
COST REDUCTION AND MANAGEMENT IMPROVEMENT IN AID  
JULY 1966 - JUNE 1967

AID has met and exceeded the cost reduction goals it established at the beginning of fiscal year 1967. Successful completion of the actions and projects taken during the year has resulted in estimated cost reductions totalling \$9,619,814 -- more than 17% over our previously established goal of \$8,217,000. This accomplishment has been achieved through (a) the application of good management practices, and (b) special efforts and attention on the part of Agency employees to find new ways to utilize non-dollar resources and to develop more effective methods of implementing development assistance. Progress against the cost reduction targets in each of the campaign areas established by the Agency is shown in the summary following this narrative report.

The total figures cited above do not tell the full story of AID's efforts to obtain the maximum effectiveness from its resources. They deal only with those actions taken which have resulted in clearly identifiable savings to Agency appropriations. In addition to the cost reductions included in the summary portion of this report, many other actions have been taken to augment U.S. assistance to developing countries without a corresponding increase in AID obligation and expenditure levels. Some relate to innovative utilization of other than dollar resources -- primarily excess U.S. Government owned property and U.S. or host country counterpart foreign currencies. Use of these resources to achieve a development purpose is often equally as effective as the use of dollar resources. In this context, it is a bona fide savings to dollar appropriations. In most cases, however, it is additive and supplemental to the development program of a country.

The following pages of this report briefly describe the actions and projects completed during the second half of FY 1967. The total savings shown for each campaign include the savings reported in AID's Progress Report for the period July-December 1966 and the FY 1967 savings which resulted from FY 1966 actions. As can be seen from the listing of actions taken, AID's cost reductions cover a wide range of activities under the criteria established in the Bureau of the Budget Circular A-44 on "Cost Reduction and Management Improvement in Government Operations" and have resulted from curtailment of activities, innovations by this Agency and in conjunction with other Agencies, and through more effective program performance at no added cost.

*BEST AVAILABLE COPY*

The cost reductions taken by AID during FY 1967 affect the Agency's funding requirements in several major ways. Some actions have improved program performance at no added cost thus making it unnecessary to obligate or expend additional funds for these activities. Such actions do not result in making funds available for use elsewhere. They do, however, result in obtaining a higher return for the expenditures and obligations involved. If AID were to attempt to achieve this higher level without the increase in efficiency, additional funds would have been necessary.

The majority of actions, however have resulted in an actual release of funds for use elsewhere. These funds have been (1) reobligated or reprogrammed to finance other approved AID programs or (2) reflected in Agency estimates of end of year deobligations and availabilities, thereby increasing AID's unobligated balances at the end of a fiscal year. In the first instance, the immediate reuse of funds permits the Agency to achieve its primary goals in a shorter period of time (a faster phase-out of United States assistance) and in the second, reduces the Agency's requirements for New Obligational Authority in subsequent years.

CAMPAIGN NO. 1 -- Review Regional and Inter-Regional Technical Assistance and Research Projects.

Goal:	FY 1967	\$1,500,000
Achieved:	FY 1967	\$1,232,000

The achievements made in this Campaign have resulted from intensive reviews by the Regional Bureaus to reduce the cost of AID's activities in the subject area. The savings reported resulted from actions taken during the current and past fiscal years by the Africa Bureau and the Latin American Bureau. These savings have all accrued during FY 1967 and are being used to fund other high priority activities.

Although not included in the totals, a significant amount of AID funds was freed as a result of intensive reviews of country technical and capital assistance projects. The Africa Bureau extended the scope of this Campaign and through their review were able to eliminate projects of marginal value and place a lower limitation on the funding levels of other projects. This effort resulted in the release of over \$4.8 million for use on other higher priority activities.

AID's NESAs Bureau made similar efforts to stretch their program dollars. Each NESAs Mission examined all technical assistance obligations and identified those which could be deobligated. These actions plus others such as an earlier phase-out of USAID/Iran and a special review of development loan obligations released several million dollars for use elsewhere on high priority activities.

CAMPAIGN NO. 2 -- Augment Voluntary Foreign Aid Agency Assistance  
to AID Programs

Goal:       FY 1967     \$100,000  
Achieved:   FY 1967     \$193,855

Actions taken during reporting period:

AID pays the shipping costs of commodities contributed by Voluntary Foreign Aid Agencies (VOLAG's). Any action to decrease these costs enables the Agency to increase its assistance to the VOLAG's. The usual cost reduction activities consist of efforts at consolidation of shipments and arranging bulk shipments. During the reporting period the Office of the War on Hunger was able to negotiate favorable rates for a large Catholic Relief Services cargo despite the fact that the cargo was not consolidated. In view of the amount of cargo, a special conference rate was obtained and a direct savings of approximately \$132,000 was achieved. These savings will be used to finance additional VOLAG shipments.

CAMPAIGN NO. 3 -- Reduce Costs of Program Procurement

Goal: FY 1967 \$4,500,000  
Achieved: FY 1967 \$3,414,336

Action taken during the reporting period:

Continued utilization of the services of the Afro-American Purchasing Center has yielded substantial benefits. The Center persuaded a supplier of measles vaccine to furnish the "diluant" for 12 million doses of vaccine free of charge. The normal cost is 40 cents per vial of 500 doses. Thus a savings of \$9,600, with potential savings of \$100,000.

USAID/Kenya and USAID/Ethiopia have saved approximately \$48,329 by procurement actions made through the Afro-American Purchasing Center rather than through GSA.

For some time USAID/Nicaragua did not have strict controls and restrictions on the procurement of program commodities. The Mission designated a Program Procurement Officer to review and approve all purchase requests. As a result, procurement was drastically reduced, and a savings of \$19,300 was effected.

The NESAs Bureau initiated a special review of all recipient country tender specifications and found that major revisions and standardization of fertilizer tender documents were necessary. A model tender document was developed and put into use in all NESAs countries procuring fertilizer. Fertilizer suppliers have advised the Bureau that the new tender document will enable them to offer fertilizer at lower prices. It is thus estimated that over \$500,000 was saved in NESAs because of the use of the model fertilizer tender.

In the Paksong-Houei Kong Road Project, USAID/Laos had used commercial corrugated metal pipe for installation in culverts being constructed. The Mission then substituted empty, non-returnable gasoline drums welded together, end to end, for the metal pipe culvert on the road, and netted a savings of \$1,700.

USAID/Peru had decided to finance the mechanization of the Sample Survey Center. The Mission made a PL-480 loan for \$75,000 to the Ministry of Labor to purchase data processing equipment. The Michigan contractor involved in this project sought and obtained a cost reduction of \$25,000 from the supplier of the equipment. This saving will be applied to partially fund the local costs of developing a national sampling frame for Peru, thereby saving an equivalent amount of dollar costs which would otherwise have gone into the project.

The closing of the Suez Canal prompted steamship lines operating from the U.S. to India and Pakistan to inform AID that a 25% additional charge was due on all cargo delivered after June 8, 1967. AID immediately took steps to arrange for the increased cost to take place at a later cut off date. This is permitted by Federal Maritime Commission rules. The 25% increase became effective June 23. Savings to AID during that period amounted to \$375,000.

AID's Office of Public Safety has made significant gains in its attempts to reduce its procurement costs. Through negotiation of a contract for revolvers, a unit cost lower than standard U.S. Government prices was obtained. FY 1967 procurement of this item resulted in savings of \$20,640.

Many procurement actions of the Office of Public Safety are processed through the procurement section of the Office of Administrative Services rather than the General Services Administration. This procedure saves AID the 7% surcharge which would have been paid to GSA. Thus a realized savings of \$93,937 has been achieved by these actions.

All savings achieved through the above actions are being used to finance other high priority programs and activities.

CAMPAIGN NO. 4 -- Enlarge Host Country Contributions to AID Programs

Goal:       FY 1967   \$1,000,000  
Achieved:   FY 1967   \$2,953,293

Actions taken during reporting period:

USAID/India has been funding a program by which tool kits are provided to various Trade Training Institutes. The USAID has now turned the support of this program over to the government of India. Thus the annual expenditure of \$15,000 was not made.

USAID/Ethiopia entered into negotiations with the host government on personnel funding. The result of the Mission efforts was to obtain agreement of the Ethiopian government to partially fund 30 positions thus achieving a savings of \$391,000.

USAID/Paraguay saved \$177,000 when the Paraguayan Ministry assumed full support of the Agricultural Servicio (STICA). Formerly, USAID contributions to this activity had averaged between \$150,000-\$200,000 annually.

This Mission also had programmed \$76,000 for "other costs" for six agricultural projects. A Document of Understanding was then signed with the Government of Paraguay, providing for GOP contributions equivalent to \$40,000 of the original \$76,000 programmed.

Savings achieved through the above actions are being used for other high priority activities and programs.

CAMPAIGN NO. 5 -- Increase the Substitution of Foreign Nationals  
for American Employees

Goal:	FY 1967	\$100,000
Achieved:	FY 1967	\$206,878

Actions taken during the reporting period:

USAID/Liberia has made special efforts to improve and upgrade the skills of a number of its local Liberian employees. The result of this effort was such that the more skilled Liberians were able to take over the work of both American and other Liberian filled positions. This successful effort has saved \$17,129.

Based upon a detailed survey of Mission manpower requirements conducted by USAID/Ethiopia, it was determined that one local national position could be eliminated and the secretarial position held by a resident American could be filled by an Ethiopian national. This action resulted in a savings of \$875.

USAID/Nicaragua undertook an administrative review and recommended that the position of an AID Field Support Officer be cancelled. The AID employee was replaced by a local employee, thus netting the Mission \$5,400 in savings.

USAID/Paraguay had been seeking to obtain the services of a U.S. consultant to provide assistance to the Paraguayan Ministry of Finance. Estimated total costs of such a contract would have amounted to \$20,600. However, a qualified person of Colombian nationality was located, whose services were subsequently utilized at a cost of \$11,500, thereby effecting a savings of \$9,100.

This Mission also appointed a local national as Assistant to the Capital Development Officer, in lieu of a U.S. hire. The cost for the proposed American employee was \$15,366, whereas the local employee's services cost \$2,639, saving the Mission \$12,727.

USAID/Brazil began a program to identify and recruit professional Brazilian employees with a view to developing a cadre of able local personnel. A secretarial position filled by a U.S. National is now occupied by a Brazilian secretary, netting the Mission \$2,668.

USAID/Guinea determined that the work of an American employee in the Mission Controller's staff could be accomplished by a local Foreign National. This action resulted in a savings of \$10,000.

All savings accruing from above actions are being applied to finance increased costs and raise quality of performance.

CAMPAIGN NO. 6 -- Decrease Overtime Usage

Goal:       FY 1967     \$60,000  
Achieved:   FY 1967     \$350,000

Following a Presidential directive to hold the line on overtime costs, AID's Controller undertook a special study to ascertain the methods by which an overall reduction in overtime use could equitably be imposed on the Agency. The study resulted in major reductions in overtime allotments for most AID Bureaus, Offices and Staffs. However, the swiftly expanding Viet-Nam program required substantial increases in overtime use. Therefore the controls to reduce overtime use in AID were applied to all elements other than Viet-Nam. The result of this action has been an estimated 25% reduction in overtime use. This was achieved in spite of the fact that controls were not effected until September of 1966. Although all subordinate units were unable to reduce by 25%, the overall reduction, excluding Viet-Nam, represent an estimated savings of approximately \$350,000.

This amount is being applied to finance increased costs.

CAMPAIGN NO. 7 -- Reduce Agency Real Property Costs

Goal:       FY 1967   \$150,000  
Achieved:   FY 1967   \$130,315

Actions taken during the reporting period:

USAID/Laos negotiated a rental reduction for twenty-five leased housing units. Original cost was \$210.80 per unit per month; with the renegotiated rent, cost is \$187.60 per unit per month. To date, \$1,740 worth of savings has resulted.

USAID/Peru did not re-new a lease for a small building used to store books in connection with the book program. Space was made available in the AID warehouse resulting in a savings of \$1,500 per year.

USAID/Nicaragua moved its Cooperative Project Offices into the Agriculture Division space and cancelled the short term lease of the Labor Division, whose operation was relocated in the space vacated by the Cooperative Project Offices. Previously the Agriculture Division, Labor Division, and Cooperative Project Offices had been housed in separate buildings resulting in large rental fees being paid. This action resulted in savings of \$2,725.

USAID/Brazil moved items stored at a commercial warehouse to the Mission warehouse. Consolidation of the USAID owned material has resulted in a reduction of commercial storage costs for a total of \$1,977 in savings.

These savings are being used to finance increased costs for other approved activities.

CAMPAIGN NO. 8 -- Save on Costs of Agency Inventories

Goal:	FY 1967	\$175,000
Achieved:	FY 1967	\$141,832

Action taken during the reporting period:

AID Missions in India, Malawi, Kenya, and Nepal saved a total of \$74,867 through analyzing inventory, standardizing and controlling stock levels, and establishing reorder points based upon gathered usage data.

USAID/Nicaragua undertook various reforms of their administrative procedures pertaining to inventories, e.g., elimination of surplus, reduction of ordering cycle, establishment of central issuing points, etc. These actions saved \$200.

These savings have been used to finance other approved activities.

CAMPAIGN NO. 9 -- Cut Costs of Overseas Administrative Support  
Activities

Goal:       FY 1967     \$100,000  
Achieved:   FY 1967     \$436,228

Actions taken during reporting period:

USAID/India has reduced the cost of support activities through the purchase of additional items in India rather than from the U.S. Recent purchases of air-conditioners and stationary supplies saved some \$10,000 in ocean freight costs.

Additional review of the American Embassy/Athens Administrative Support Agreement has resulted in additional savings for the Athens Area Controller. Existing personnel in the Athens Area Controller have taken on the work of vouchering and personnel services. These changes have resulted in a savings of \$7,822.

USAID/Liberia provides transportation to employees between their homes and the USAID. The employees are now being charged for this service thus reducing the costs of the Mission. Savings have amounted to \$6,425.

USAID/Tunisia has determined that the costs of rehabilitation of furniture -- reupholstering and refinishing -- can extend the useful life at a cost which represents a savings over new procurement. Savings achieved this year amount to \$50,000.

USAID/Malawi is now receiving repair service for such items as refrigerators, stoves, etc., from a Consolidated Administrative Management Organization in Malawi. This organization was established as a result of a joint study by State, AID, and USIS, and provides support activities to each Agency on the basis of pro-rata cost. This action resulted in a savings of an estimated \$3,000.

USAID/Peru had planned an Industrial Development Seminar and had contracted with Conway Research, Inc., for the rental of simultaneous interpreting equipment in the amount of \$2,600. Upon discovering that the same equipment could be rented from a Peruvian Government Ministry at a cost of \$730, the Mission cancelled its previous purchase order and achieved a savings of \$1,870.

In addition, USAID/Peru was able to secure a savings of \$22,300 by obtaining seven sets of household furnishings from USAID/Ecuador's excess furniture supplies. Household furnishings in USAID/Peru's warehouse had been nearing depletion, and the Mission had immediate need of seven sets of furniture, which would have cost the Mission in excess of \$30,000. By obtaining the furniture from USAID/Ecuador at a cost of \$7,700, the Mission thereby saved \$22,300.

USAID/Nicaragua undertook an administrative review and work load analysis of local staff in its Rural Development Office, resulting in a new work load distribution and the elimination of two local positions, netting a savings of \$1,550.

In addition, USAID/Nicaragua made a complete study of instructions for the Shared Administrative Support budget. When the budget was presented the Mission was able to find erroneous calculations of cost services and corrections were effected. In several instances the charges were eliminated completely and in others, proper offset credits were given AID. Savings thus effected totalled \$3,000.

USAID/Paraguay's commodity shipments from GSA previously had been consigned to Buenos Aires for transshipment to Asuncion, thereby incurring additional transportation costs and brokerage fees. When the GSA procurement region was transferred to Dalla, GSA was instructed to move all shipments to Asuncion on a through bill of lading, thereby eliminating the previous transshipment fees. This resulted in a savings of \$2,137 to the Mission.

Additionally, USAID/Paraguay had used a commercial packer to handle all packing services for USAID personnel. The Mission then employed a non-commercial packer under contract, using Government owned packing materials, and thereby effected a savings of \$1,556.

Savings resulting from the above action are being used to finance other approved costs and to raise the quality of service and performance.

CAMPAIGN NO. 10 -- Reduce Motor Vehicle Fleets

Goal:	FY 1967	\$175,000
Achieved:	FY 1967	\$180,780

Actions taken during reporting period:

Throughout the world, AID has been attempting to hold the line on the size and cost of its vital motor vehicle fleet. The very nature of AID's work requires extensive motor travel throughout the host country. The results of our efforts are demonstrated by the fact that AID's Bureau Near East and South Asia has reduced the number of U.S. Government owned vehicles from 939 in 1965 to 676 in June 1967. Utilization surveys, use of public transportation in lieu of official vehicles, use of pools, etc., have enabled many of this Bureau's USAID to reduce their vehicle fleets. Through actions such as these over \$167,280 has been saved.

USAID/Honduras made a major review covering the need for all mission vehicles. As a result of this review it was not necessary to obtain additional vehicles. This saved \$13,500.

Savings resulting from the above actions are used to meet higher costs and raise the quality of service.

CAMPAIGN NO. 11 -- Economize on Vehicle Maintenance and Operation

Goal:       FY 1967   \$40,000  
Achieved:   FY 1967   \$23,091

USAID/India, after analysis of procurement practices relating to automotive supplies revised its list of parts eligible for local procurement. This action saved \$4,026 in transportation costs. In addition, India previously furnished free of cost transportation to U.S. citizen employees to and from the office. A charge is now made for this service which resulted in savings of \$3,012.

Standardization of vehicles and utilization surveys, have reduced vehicle maintenance costs in USAID/Afghanistan. Their savings amounted to \$11,653.

Through better utilization of existing staff and equipment, USAID/Kenya was able to make a \$4,400 reduction in its vehicle maintenance costs.

These savings are being used to finance increased costs.

CAMPAIGN NO. 12 -- Curtail Cable Traffic

Goal:       FY 1967    \$17,000  
Achieved:   FY 1967    None

The Agency's effort to decrease its worldwide cable traffic through increased utilization of alternative modes of communication was unsuccessful. Agency-wide cable usage for FY 1967 increased approximately 12% over FY 1966. This increase, however, would have been considerably greater had there not been a successful effort to hold the line in most areas. The Campaign was successful in reducing the cable traffic in the NESAs, LA and AFR Bureaus. However, this decrease was not great enough to overcome the increase in Far East traffic and the large number of circular messages which are repeated to two or more posts.

The Agency will continue its efforts in this area with an aim of holding the increases to a minimum.

**CAMPAIGN NO. 13 -- Simplify Agency Reporting Requirements and Improve  
Information Dissemination Methods**

Goal:       FY 1967     \$300,000  
Achieved:   FY 1967     \$110,406

Total shown above reflects savings resulting from actions taken during the period July-December 1966 and carry-over savings from FY 1966 actions. The Agency is continuing its reviews of reporting requirements and methods of information dissemination into fiscal year 1968 and at that time will report on this campaign.

OTHER ACTIONS OF SIGNIFICANCE WHICH DO NOT FALL INTO A SPECIFIC CAMPAIGN

Savings Achieved: FY 1967 \$246,800

AID's Viet-Nam Bureau has been conducting intensive municipal recruiting campaigns in order to obtain the large number of qualified personnel required for their rapidly expanding program. New procedures and methods of conducting these campaigns were developed. A smaller group of employees work the telephones from Monday through Wednesday rather than an entire week as before and then interview prospective candidates from Thursday through Saturday. Formerly two separate groups totalling 50 employees were used to perform each function concurrently. Now staffing requirements are reduced to 25. Additional economies were made by reducing the time classified ads are run in newspapers. These actions have resulted in a total savings of \$241,800.

USAID/Laos undertook a study of truck shipments from Bangkok to Vientiane to ascertain what steps could be taken to increase load densities. As a result of these studies, permission of the Thai National Police was requested to increase the permissible load height of truck shipments by one foot. Since receipt of this authority, the average load carried per truck has increased, resulting in a savings of \$5,000 to the Mission.

Savings achieved are used to finance increased costs and to finance other approved activities.

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 1 -- Review Regional and Inter-Regional Projects</u> Goal:			\$1,500.0		
Savings Reported in Jun-Dec 1966 Progress Report			418.0		D
Carry-over savings from FY 1966 actions			814.0		D
Total			\$1,232.0		
<u>CAMPAIGN NO. 2 -- Augment Voluntary Foreign Aid Agency Assistance</u> Goal:			\$ 100.0		
Jan-June 67 Actions:					
CRS Contributions			132.0		D
Savings Reported in Jun-Dec 1966 Progress Report			61.9		D
Total			\$ 193.9		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 3 - Reduce Costs of AID Program Procurement</u>					
<u>Goal:</u>			\$4,500.0		
Jan-Jun 67 Actions:					
Use of Non-Profit Afro-American Purchasing Center,			57.9		D
Use of Program Procurement Officer			19.3		D
Use of model tender document for fertilizer procurement			500.0		D
Substitution of gasoline drums for metal pipes in culverts			1.7		D
Lower procurement costs by contractor for data processing equipment			25.0		D
Lower cargo rates negotiated with Federal Maritime Commission			375.0		D
Lower revolver procurement costs			20.7		D
Substitution of A/AS for GSA processing			93.9		D
Savings Reported in Jun-Dec 1966 Progress Report			2,320.8		B, D
Total			\$3,414.3		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 4 -- Enlarge Host Country Contributions to AID Programs</u>					
Goal:			\$1,000.0		
Jan-Jun 67 Actions:					
Host government assumes funding of tool kits			15.0		D
Host government pays part of salaries			391.0		D
Host government assumes support of servicio			177.0		D
Host government assumes partial funding of agricultural projects			40.0		D
Savings Reported in Jun-Dec 1966 Progress Report			2,259.4		A, D
Carry-over savings from FY 1966 actions:			70.9		A, D
Total			\$2,953.3		
<u>CAMPAIGN NO. 5 -- Increase the Substitution of Foreign Nationals for American Employees</u>					
Goal:			\$ 100.0		
Jan-Jun 67 Actions:					
Skilled local nationals replace U.S. Nationals			17.1		A
Country resident hired for USAID position			.9		C
Local national replaces U.S. National			5.4		A
Third country national hired in place of U.S. National			9.1		D
Local national hired for USAID position			12.7		A
Local national hired in place of U.S. National			2.7		C
Third country national hired for USAID position			10.0		C
Savings Reported in Jun-Dec 1966 Progress Report			40.5		D
Carry-over savings from FY 66 actions:			108.5		D
Total			\$ 206.9		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 6 -- Reduce Overtime Usage</u>					
Goal:			\$ 60.0		
FY 67 Actions:					
Reductions in overtime usage, excluding Viet-Nam			350.0		A
Total			\$ 350.0		
<u>CAMPAIGN NO. 7 -- Reduce Agency Real Property Costs</u>					
Goal:			\$ 150.0		
Jan-Jun 67 Actions:					
Renegotiation of house rentals			1.7		A
Non-renewal of warehouse lease			1.5		A
Reduced space requirements			2.7		A
Reduced storage costs			2.0		A, D
Savings Reported in Jun-Dec 1966 Progress Report			63.4		A, D
Carry-over savings from FY 1966 actions:			59.0		A, D
Total			\$ 130.3		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 8 -- Save on Costs of Agency Inventories</u>					
Goal:			\$ 175.0		
Jan-Jun 67 Actions:					
Standardization of stock levels, establishment of reorder points			74.9		D
Elimination of surplus, reduction of ordering cycle			.2		D
Savings Reported in Jun-Dec 1966 Progress Report			66.8		A, D
Total			\$ 141.8		
<u>CAMPAIGN NO. 9 -- Cut Costs of AID Overseas Administrative Support</u>					
Goal:			\$ 100.0		
Jan-Jun 67 Actions:					
Administrative supplies procured locally			10.0		D
Vouchering and personnel services assumed by existing staff			7.8		D
Mission charges for employees' home-to-office transportation costs			6.4		A
Furniture costs reduced			50.0		A
Consolidated administrative support organization formed			3.0		D
Rental costs of equipment reduced			1.9		A
Use of excess household furnishings in lieu of new procurement			22.3		D
Elimination of two local positions			1.6		C
Cost services reduced on SAS budget			3.0		D
Elimination of transshipment fees			2.1		D
Personnel packing service costs reduced			1.6		D
Savings Reported in Jun-Dec 1966 Progress Report			74.8		A, D
Carry-over from FY 1966 actions:			251.7		A, D
Total			\$ 436.2		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 10 -- Reduce Motor Vehicle Fleets</u>					
Goal:			\$ 175.0		
FY 67 Actions:					
Various projects to reduce vehicles			167.3		D
Mission Review reduces vehicles			13.5		D
Total			\$ 180.8		
<u>CAMPAIGN NO. 11 -- Economize on Vehicle Maintenance and Operations</u>					
Goal:			\$ 40.0		
FY 67 Actions:					
Additions to list of locally procured items			7.0		A
Standardization of vehicles and utilization surveys			11.7		A
Better utilization of equipment			4.4		A
Total			\$ 23.1		
<u>CAMPAIGN NO. 12 -- Curtail Cable Traffic</u>					
Goal:			\$ 17.0		
FY 67 Actions:					
No savings achieved			---		

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Goals and Projects, Programs, or Actions to Achieve Them	Estimated Annual Savings from Actions During Reporting Year				Proposed Use of Dollar Savings (See Key)
	man-years		dollars (000)		
	CY	NY	CY	NY	
<u>CAMPAIGN NO. 13 -- Simplify Agency Reporting Requirements and Improve Information Dissemination Methods</u>					
Goal:			\$ 300.0		
Savings Reported in Jun-Dec 1966 Progress Report			22.6		A, B, C, D
Carry-over savings from FY 1966 actions:			87.8		A, B
Total			\$ 110.4		
 <u>OTHER</u>					
Jan-Jun 67 Actions:					
Recruiting staff and advertising time reduced			241.8		D
Increased load densities of trucks			5.0		A
Total			\$ 246.8		
 TOTAL SAVINGS FOR FY 1967			\$9,619.8		
<u>Saving Key:</u>					
A--Use to finance increased costs, such as pay increases.					
B--Apply to production of more units of work.					
C--Apply to raise quality of service or performance.					
D--Use to finance some other approved program or activity.					
E--Place in reserve, or apply to reducing President's budget.					