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PN-ABTS-38
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THE PROPOSED PROGRAM DEVELOPMENT AND EXECUTION SYSTEM

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A. I. D.
Development Information Center
Room 405 SA-18
Room 1656
Washington, D.C. 20523-1801

Report of Work Party on
Program Development and Execution Systems
for THE AGENCY FOR INTERNATIONAL DEVELOPMENT

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THE AID PROGRAMMING SYSTEM

Work Party Proposes
New Program Process

THE FIRST PHASE OF A major management effort to develop the basic methods whereby the AID Agency will streamline the programming process has recently been completed with the publishing of the report of the Work Party on Program Development and Execution Systems.* In presenting their proposal, which has now been circulated both in Washington and the Field, the Work Party has underscored the importance of the new concepts and objectives of AID. The proposal -

1. Assures unified planning of all US assistance. .
2. Requires long-range planning stressing self-help. .
3. Simplifies and accelerates the program process, and. .
4. Delegates maximum authority to the field.

Work is currently underway to develop the detailed procedures which, when approved, will translate the new concepts and administrative processes into operational directives for the FY 64 cycle.

Forms of Assistance - As proposed all forms of AID economic assistance will consist of three general categories. . .

- . . . Capital Assistance. . . Grant Capital Projects, Loan Capital Projects, and Development Support Loans. . .
- . . . Technical and Institutional Assistance. . . Training, advice, and demonstration activities, as well as surveys and studies. . .
- . . . Commodity Assistance. . . Commodity imports on a sale or grant basis (PL 480 programs and non-surplus agricultural and other type commodities)

Major Documentation - The proposal's procedures call for three basic program development documents to replace the ICA annual

*Work Party: Mr. William L. Parks, Chairman; Mr. David Alter; Miss Helene Granby; Mr. Timothy Russell; Mr. Stanley Doremus; Mr. Arthur Hughes; Mr. Robert McCoy

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THE PROFILE OF ASSISTANCE NEEDS ESTABLISHES U.S. STRATEGY FOR ECONOMIC ASSISTANCE TO EACH COUNTRY

THE PAN IS:

AS
APPROPRIATE
EACH PAN
INCLUDES
ANALYSIS

- FLEXIBLE IN FORMAT AND CONTENT
- PREPARED AND AMENDED "OFF-CYCLE" AS REQUIRED
- THOROUGHLY REVIEWED AT LEAST ONCE EACH THREE YEARS
- PREPARED THROUGH A PROCESS GEARED TO MISSION CAPABILITIES
- THE PLANNING FRAMEWORK FOR TOTAL U.S. ECONOMIC ASSISTANCE EFFORTS

COUNTRY SETTING ANALYZING THE:

- Political, economic and social environment
- Political, economic and social problems
- Extent of country planning to alleviate problems

OBJECTIVES OF THE UNITED STATES SPECIFICALLY COVERING:

- Relationship of U.S. to country objectives
- Priority needs to achieve U.S. objectives
- Resources required to meet these needs
- Country's resources available to meet requirements
- Self-help actions needed to increase capability

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EXTERNAL ASSISTANCE REQUIRED:

- Forms and potential magnitude of requirements
- Potential sources: Sino-Soviet Bloc, other Free-World and U.S.

PROPOSED AID FINANCING:

- Development Loans
 - Development Grants
 - Supporting Assistance
- } Including identification of Capital projects
Sector activities, and
commodity assistance

U.S. STRATEGY FOR ECONOMIC ASSISTANCE TO THE COUNTRY

TABULAR APPENDICES SHOWING PROJECTIONS OF:

- AID, PL 480, other U.S. and Free-World assistance
- Selected economic and social statistics (GNP, CGF, B/P, population)

FOOTNOTE: As originally proposed, the basic country planning document was to be called the PAN - Profile of Assistance Needs. As this issue of the DIGEST goes to press, the term PAN has been changed to PAR - Profile of Assistance Requirements.

Country Program Books and the so-called "OPAR" process. These are. . .

The PAR - The Profile of Assistance Requirements (PAR): a long-range assessment (ideally five years or longer) of: the country situation; the country development plan, if any; the US goals and objectives; and the country assistance needs. Upon approval, the PAR will constitute the basic statement of the US "strategy" for economic assistance within which all US assistance is planned and administered.

The ABS - The Annual Budget Submission (ABS): a Mission presentation, focusing principally upon requirements for new obligation authority for a single year, and presented in two phases: (1) a summary field request in September to develop the Agency's annual requirements submission for the Bureau of the Budget; and (2) a deferred mid-winter submission of program detail for Congress.

The PSP - The Project or Sector Plan (PSP): a detailed planning document for (1) capital projects (loan or grant); (2) development support loans; and (3) technical and institutional activities on a sector (activity field) basis. After PAR approval, Sector Plans covering Technical and Institutional Activities may be implemented by the Mission without Washington approval. The PSP demonstrates compliance with Section 611 of the Foreign Assistance Act of 1961 (Section 517 of the Mutual Security Act), and provides the basis for AID approval and implementation processes.

Documentation Schedule - The PAR and PSP are "de-cycled" documents in that they are to be prepared outside of the annual budgetary cycle so as to more equitably distribute the Mission work load. Because of its fiscal nature and the need to obtain additional funds from Congress each year, the ABS remains on-cycle. PARs are to be revised when required but at least once every three years.

The Pattern of Implementation - As proposed, after completion and approval of the PAR. . .

Capital Assistance - All capital assistance undertakings, whether loan or grant, will be described in a Project or Sector Plan which is to be reviewed in Washington. Implementation will be accomplished by means of a Loan Agreement or Project Agreement. Project Agreements will incorporate such standard and special provisions as are necessary. Loan Agreements are to be "custom tailored" documents, although based on the PSP. Following agreement, Letters of

THE SECTOR APPROACH TO TECHNICAL AND INSTITUTIONAL ASSISTANCE IS A NEW CONCEPT

A "sector" (or activity field) encompasses both capital and non-capital elements. An "agriculture sector," for example, might be comprised of five activities...

- RESEARCH ACTIVITY →
- EXTENSION ACTIVITY →
- AGRICULTURAL COLLEGE ACTIVITY →
- IRRIGATION ACTIVITY →
- FARMERS' SUPPLY AND CREDIT ACTIVITY →

For AID purposes, the PAN designates one or more sectors as priority areas

RIVER X IRRIGATION SYSTEM
FARMERS CREDIT COOPERATIVE

Each capital undertaking is covered by a separate PSP if a U.S. contribution of over \$100,000. or a U.S. loan is required.

Surveys leading to capital projects may be implemented by direct issuance of Activity Authorizations without a covering PSP.

Other surveys or studies or limited activities not requiring a PSP may be implemented by direct issuance of Activity Authorizations.

All Technical & Institutional activities in which the U.S. participates are covered by a single PSP for the entire sector.

REQUIRE AID/W APPROVAL

MAY BE MISSION APPROVED WHERE CONSISTENT WITH PAN

7

Implementation (a DLF practice) will prescribe the implementation responsibilities and mechanisms to be used.

The Work Party recommends that loans below \$5 million be approved by the Regional Bureau Assistant Administrators. For loans above \$5 million, the requests would be submitted to the Development Loan Committee for review and approval. Following approval, loan agreements would be negotiated and executed either by the Regional Bureau in Washington or by the AID mission overseas. They would be signed either by the AID Administrator, a Regional Bureau Assistant Administrator, or by the AID Mission Director under delegation from the Regional Administrator.

Technical and Institutional Assistance - Here, as with grant capital projects, the sector agreement is composed of a special cover sheet containing standard and special provisions together with the relevant PSP. For a survey no PSP is required. Sector Agreements and surveys will be implemented by field issuance of "Activity Authorizations" for training, manpower, services, supplies, and equipment.

Commodity Assistance - A new single commodity authorization document is to be developed. At the option of the Regional Bureaus, allotments will be issued to AID field missions to permit them to issue commodity authorizations for all commodities except surplus agricultural at the field level. In so far as possible, these will be on a multi-code basis as opposed to the ICA practice of a single code Washington issued PA. Surplus agricultural commodities (PL 480) will be handled as in the past except that AID missions may negotiate the sales agreement in the field.

Mission Responsibility - The Work Group's proposal calls for the implementation of AID programs, projects and activities with delegation of maximum operational authority and flexibility to the Mission Directors. At the implementation stage it is to be assumed that all basic program policy questions have already been decided and there is no need or justification for further Washington re-examination of the related program or project. As proposed, the role of AID headquarters at the implementation stage is to be primarily that of a servicing agency acting in response to an order from a duly constituted and competent authority, and the acceptance of this concept, both in Washington and the field, should be of material assistance in accelerating program execution.

THE PROJECT OR SECTOR PLAN (PSP) IS A MULTI-PURPOSE, BI-LATERAL PLANNING DOCUMENT

THE PROJECT OR SECTOR PLAN SERVES AS THE BASIS FOR APPROVAL AND IMPLEMENTATION OF:

- Capital Projects

- Sector Activities

- Development Support Loans

Upon Approval the Project or Sector Plan:

Converts to a grant project or sector agreement upon signature and attachment of appropriate provisions

Forms the basis for the development of "custom-tailored" loan agreements

EACH PROJECT OR SECTOR PLAN INCLUDES AS APPROPRIATE

A Description of the Nature and Scope of the Proposal Which:

- Shows the specific goals and end results desired
- Shows its significance to total sector and country development plan

A Work Plan Which:

- Itemizes requirements for:
 - Manpower
 - Training
 - Contract Services
 - Supplies and Equipment
- Itemizes responsibilities of:
 - Cooperating Country
 - AID Mission
 - Others
- Schedules each step or sub-activity
- Itemizes the estimated cost of each element

A Copy of A Completed Feasibility Analysis Covering:

- Technical aspects
- Economic aspects
- Financial aspects
- Managerial aspects

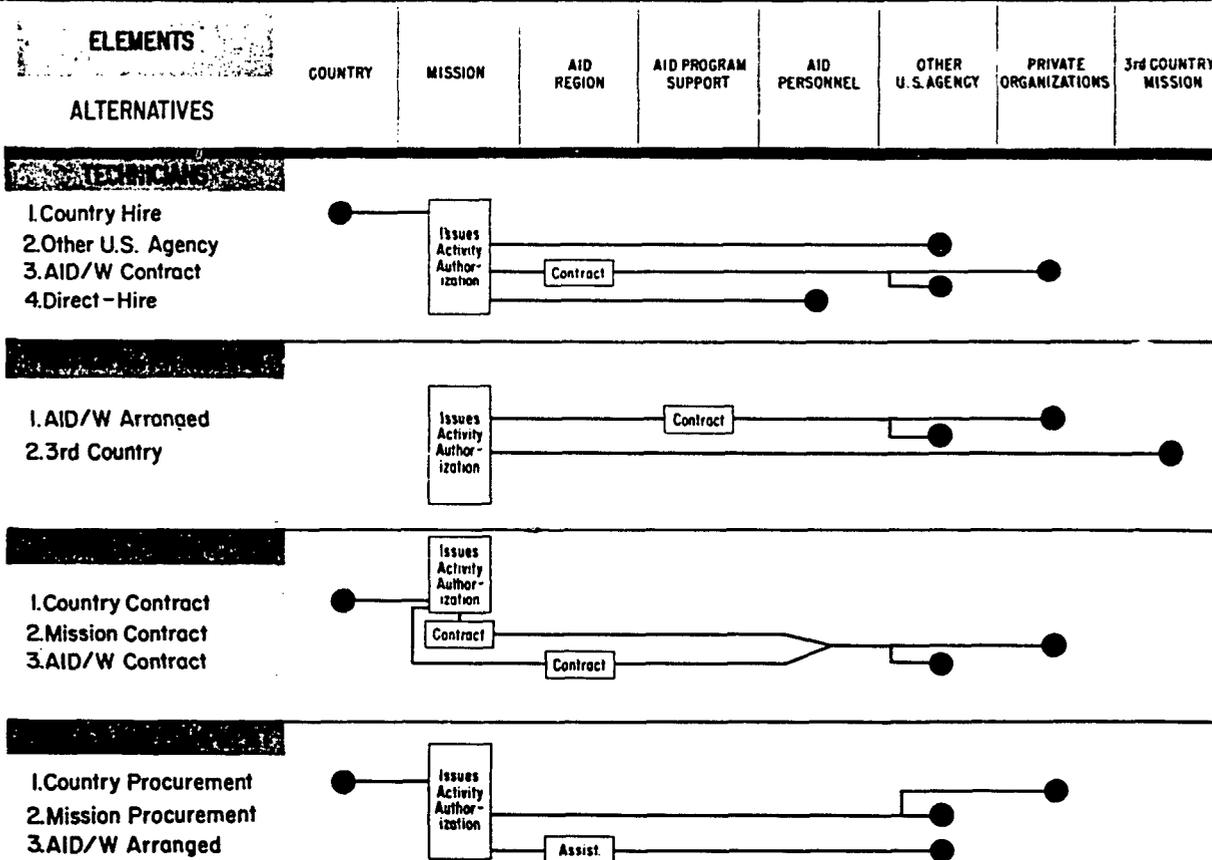
In the Case of Loans, an Additional Statement Indicating the Terms of Repayment and the Financial Position and Ability of the Borrower to Repay

In summary, it is proposed that Missions be authorized to take any of the following actions without prior Washington review and approval:

1. To approve any "Project or Sector Plan" (PSP) covering Technical and Institutional activities provided the PSP is consistent with the approved PAR.
2. To negotiate and enter into obligating "sector" agreements covering Technical & Institutional activities, provided such agreements (a) are consistent with the approved PAR, (b) do not involve physical facilities construction costing more than \$100,000, and (c) can be funded from available mission allotments.
3. To undertake, or authorize the country to undertake, any study or survey considered essential whether or not specifically included in the PAR, provided (a) funds are available within the mission allotment and (b) no such study or survey exceeds \$500,000 in total cost.
4. To determine the commodity composition of, and to issue obligating commodity authorizations against any grant Commodity Assistance funds allotted to the mission, subject only to such general standards and criteria as AID/Washington may prescribe for such purposes.
5. To transfer grant funds within and among the three forms of assistance (Capital, Technical and Institutional, and Commodity Assistance) in any single appropriation category, provided the amount transferred does not exceed 20% or \$5 million, whichever is less, of the funds made available for that category of assistance.
6. To re-obligate de-obligated funds within the same appropriation category for any purposes consistent with the objectives and priorities indicated in an approved PAR.
7. To allocate, in any way deemed desirable, AID-generated local currencies (or counterpart funds) over which the US has approval authority, among the various projects and activities undertaken within the framework of the approved PAR, and to transfer such funds between economic and military uses within limits approved by the Ambassador.

MISSIONS ARE GIVEN MAXIMUM FLEXIBILITY IN SELECTING CHANNEL OF PROGRAM IMPLEMENTATION

ALL
ELEMENTS
OF U.S.
CONTRIBUTION
ARE
OBLIGATED
BY PROJECT
OR SECTOR
AGREEMENT



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REPORT OF WORK PARTY
ON
PROGRAM DEVELOPMENT AND EXECUTION SYSTEMS

Attached is the report proposing a Program Development and Execution System for the new Agency for International Development. It has been prepared by a work party established under the Working Group on Administration and Organization of the over-all President's Task Force on Foreign Assistance.

This report completes the first phase of this major management effort. Phase II of this undertaking will lead to the development and issuance of administrative instructions and publication of the necessary forms to put such a program system into operation.

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REPORT
OF
WORK PARTY
ON

PROGRAM DEVELOPMENT AND EXECUTION SYSTEMS

FOR
THE AGENCY FOR INTERNATIONAL DEVELOPMENT

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PREFACE

This report was prepared by the "Program Development and Execution Systems" Work Party originally established as an arm of the Group on Organization and Administration of the President's Task Force on Foreign Economic Assistance.

The report represents the first phase of a major management effort to develop the basic systems whereby the new AID agency will develop, review, approve and execute economic and social development programs and projects. As such, it is essentially a prospectus covering the totality of program planning and implementation processes, which if approved in principle, will provide the basis for the preparation, clearance and issuance of detailed operating instructions for general agency application. The second phase of the project, accordingly, will be devoted to the translation of the methodological concepts and administrative processes proposed herein into the required final procedures and forms.

The work party consisted of the following full or part-time members:

Mr. William L. Parks, Chairman

Mr. David Alter
Miss Helene Granby
Mr. Timothy Russell
Mr. Stanley Doremus
Mr. Arthur Hughes
Mr. Robert McCoy

***THE PROPOSED PROGRAM SYSTEM
REFLECTS NEW CONCEPTS AND OBJECTIVES***

System Assures Unified Planning
of Total U.S. Assistance
Strategy for Each Country

System Requires Long-Range
Planning Stressing Internal
Reform and Self-Help

Program Review, Approval, and
Implementation Processes are
Simplified and Accelerated

Maximum Authority is
Delegated to the Field

CHAPTER I: SummaryA. Introduction

In accordance with its terms of reference (Appendix A) approved June 29, 1961, the work party has reviewed the existing systems whereby economic assistance programs are formulated, approved, and implemented. As the result of this review and its understanding of the new program and management concepts enunciated in the FY 1962 Congressional presentation, a number of significant revisions in these processes are considered to be necessary. These are subsequently described.

The scope and time limitations of this assignment have precluded the development of the instructions which will eventually be required to translate the methodological changes proposed into effective operational guidance. Thus, this report is essentially a prospectus of a proposed new program system which, if approved in principle, would then form the basis for the preparation, clearance, and issuance of detailed operating procedures and forms for general agency application.

At the outset of its assignment, it was determined that interim "turn-around" problems relating to the approval and implementation of FY 1962 programs and FY 1963 program guidelines were matters beyond the purview of the work party. Accordingly, primary attention was centered upon the development of program systems as they might apply to the beginning of the FY 1964 budget cycle (i.e., July 1962), on the assumption that detailed instructions and forms to effectuate approved changes could not be introduced before calendar year 1962. If the recommendations submitted herein are accepted, it will then be appropriate to examine the feasibility of introducing those changes which, from a timing viewpoint, could be made effective in advance of the issuance of procedures covering the system in its totality. For example, it may be feasible to introduce certain changes in the agency's processes in time for application to the Congressional submission and program approval aspects of the FY 1963 program.

B. Assumptions and Objectives

In developing the framework of the basic systems proposed, the work party has been guided by a number of substantive assumptions and objectives. These are as follows:

1. That the Congress will approve substantially all of the major program and administrative concepts reflected in the agency's FY 1962 Congressional presentation.
2. That primary emphasis during the program formulation process must be given to the long-range developmental needs of the countries participating in the AID program, and particularly to the implications of these needs in terms of potential requirements for U.S. assistance during the next three to five years.
3. That the "self-help" capacity and preparedness of cooperating countries must now be specifically identified and evaluated as an integral facet of long-term planning of U.S. assistance.
4. That the new program development and approval processes must be so devised as (a) to reduce the total paperwork required of headquarters and the field missions, and (b) to minimize the peaking of workload in these processes by more realistic phasing of the agency's program documentation requirements.
5. That the new systems must assure more effective joint mission/headquarters participation in the processes of program formulation, review, and approval.
6. That maximum feasible authority and flexibility will be permitted to field missions in the implementation of approved programs, projects, and activities.
7. That greater reliance will be placed in the future upon the countries themselves, AID missions, other U.S. agencies, and private organizations for the assumption of operational responsibilities such as contracting, procurement, and the employment of technicians.

**NEW SYSTEM CORRECTS FOLLOWING
MAJOR DEFICIENCIES OF CURRENT PROGRAMMING
PROCESSES AND PRACTICES**

* Fragmented and Uncoordinated
Planning and Implementation

* Inadequate Emphasis on
Long Range Planning

* ICA's Excessively Voluminous Annual Country Submission

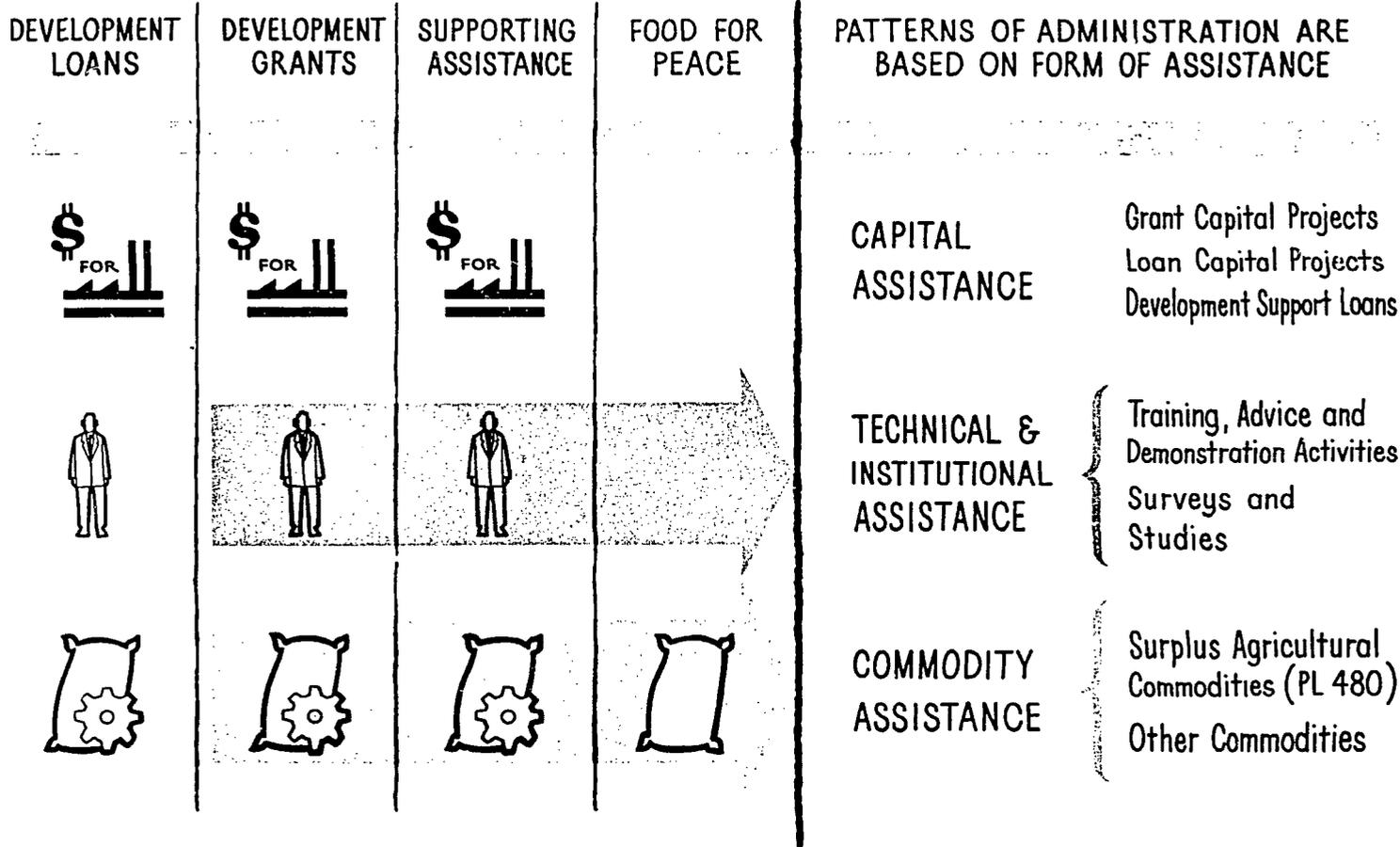
* Unrealistic Timing and Work
Load Peaking in ICA's
Budget Process

* Requirement for Detailed
Budget Year Estimates Prior
to Determination of
Operational Funding Levels

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APPROPRIATION CATEGORIES ARE INAPPROPRIATE FOR DETERMINING METHODS OF ADMINISTRATION



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8. That the new systems should accelerate the program approval and implementation processes, particularly the allotment of funds and the execution of approved programs and projects.

C. Basic Concepts Underlying Proposed Systems

The categories of economic assistance described in the FY 1962 Congressional presentation are distinguished primarily by the objectives to be achieved. These range from the essential strategic and political objectives for which Supporting Assistance may be necessary to the unpredictable and emergent requirements for which the Contingency Fund was devised. As the submission to the Congress indicates, the new categories of assistance represent a compromise of various possible classifications. Significantly, however, this compromise in classification is intended to permit maximum flexibility to the agency in the selection and use of the various resource tools envisaged.

Loans may be made, for example, for whatever purposes and activities will make the most effective contribution to a country's economic growth, and the proceeds may be used for capital projects, commodity imports, or other developmental needs. Similarly, Development Grants may be used for a multiplicity of purposes, including in some instances capital projects such as roads and dams for countries not capable of servicing loans. Supporting Assistance, although probably to be made available chiefly in the form of commodity import financing, may conceivably also be used for other purposes and Contingency Funds may presumably be made available for any purpose in any form (including outright cash grants).

For purposes of program administration and execution, however, the very flexibility permitted within and among these categories of assistance presents a problem in determining which specific methods of making aid available would be most appropriate for use in particular circumstances. The fact that a program or project may be negotiated as a loan or a grant, or may be funded out of the Supporting Assistance or Development Grant appropriation, or may be for economic or social purposes, does not in itself identify the techniques and documentation whereby such activities are to be replanned, approved, obligated, and implemented.

The variety of the "tools for action" envisaged in the Congressional presentation, each of which may be employed for any of a number of essential economic and social purposes, and each of which may take virtually any form of resource transference (e.g., capital equipment, raw materials, consumable commodities, human skills, advice and training and in some instances even money), has tended to complicate the problem of devising methods of program administration which will permit some logic and consistency in their selection and application.

As a solution to this problem, an attempt has been made to formulate (a) an appropriate number and type of mechanisms to give the agency maximum flexibility in the procedures and documentation to be used in the transfer of resources (financial, human, or physical) to cooperating countries, and (b) a reasonably logical and understandable conceptual distinction among these mechanisms to guide the agency in its selection of the procedures and documentation to apply in particular circumstances.

Analysis of the various techniques employed in the past by ICA, DLF and predecessor foreign aid agencies, and consideration of a number of alternative approaches supports the conclusion that, for purposes of program and project administration, economic assistance can reasonably and efficiently be planned, approved, and implemented primarily on the basis of the form of the resources to be transferred. Thus, regardless of whether extended on a loan or a grant basis and irrespective of the ultimate U.S. objectives to be achieved thereby, all AID assistance will normally be made available initially in one of the following three forms or some combination thereof:

1. Through the transfer of commodities (e.g., wheat, steel, agricultural machinery, spare parts, etc.);
2. Through the transfer of financial (capital resources chiefly in the form of loans but including grants for capital projects); and
3. Through the transfer of knowledge, skills, and techniques (usually by exporting experts or by training country nationals).

These distinctions, deriving principally from the form or nature of the resource being made available, represent the conceptual foundations upon which rest the systems it is proposed that the agency use in developing, approving, financing, and implementing its programs.

THREE MAJOR PROGRAM DEVELOPMENT DOCUMENTS ARE PROPOSED

PROFILE OF ASSISTANCE NEEDS (PAN)

The PAN is a unilateral U.S. long-range assessment of: country situation; country development plan, if any; country "self-help" preparedness; U.S. goals and objectives; and country assistance needs. Upon approval, the PAN constitutes the basic statement of U.S. strategy for economic assistance within which all U.S. assistance is planned and administered.

ANNUAL BUDGET SUBMISSION (ABS)

The ABS is presented in two phases: (1) a summary field request for NOA each fall, and (2) a mid-winter submission of program detail for Congress.

PROJECT OR SECTOR PLAN (PSP)

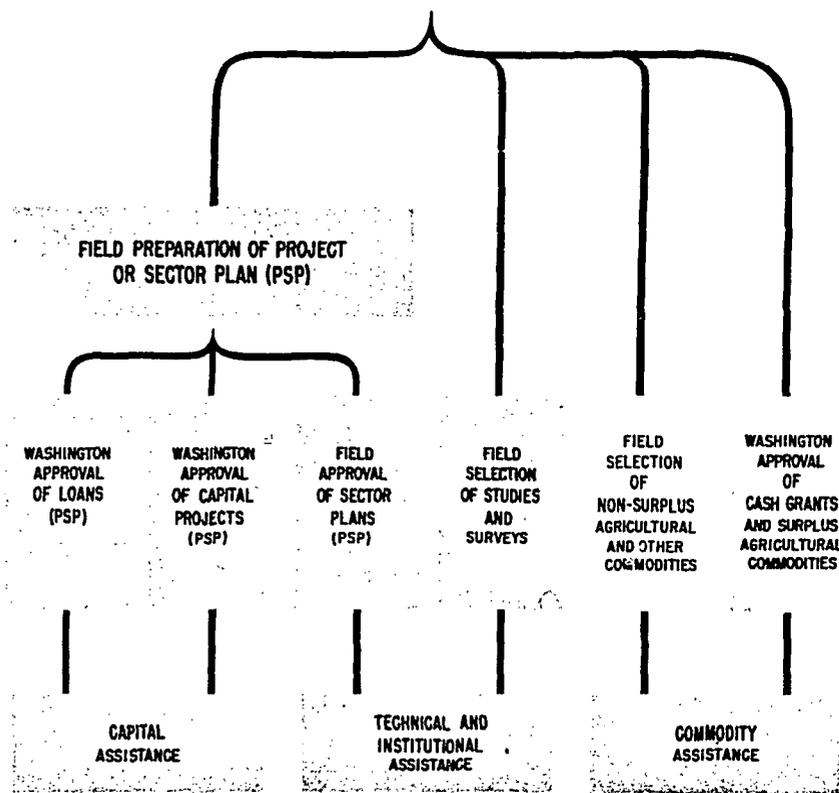
The PSP is a detailed planning document for (1) capital projects (loan or grant), (2) development support loans, and (3) technical and institutional activities on a "sector" (activity field) basis. The PSP demonstrates compliance with Section 611 and provides basis for approval and implementation.

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PAN IS FRAMEWORK FOR ANNUAL BUDGET SUBMISSIONS AND DETAILED PLANNING AND APPROVAL OF PROJECTS AND ACTIVITIES

PROFILE OF ASSISTANCE NEEDS



SUBJECT TO ANNUAL CYCLE

WASHINGTON PREPARATION OF ANNUAL BUDGET CALL	June to July
FIELD PREPARATION OF SUMMARY BUDGET SUBMISSION (ABS-EB)	Aug. to Sept.
WASHINGTON REVIEW AND PRESIDENT'S BUDGET FIGURE	Sept. to Dec.
FIELD/WASH. REVIEW AND PREP. OF CONGRESSIONAL SUBMISSION (ABS-CP)	Jan. to Mar.
CONGRESSIONAL HEARINGS AND APPROPRIATION	Apr. to Aug.
FINAL WASHINGTON REVIEW AND ALLOTMENT OF FUNDS	Sept. to Oct.
DEVELOPMENT LOAN FUND GRANT AND SUPPORTING ASSISTANCE PL 480 ASSISTANCE	

It is recognized that, in terms of taxonomy, these distinctions are neither completely pure nor conceptually unassailable. They are, however, devices which will give the agency some essential administrative "handles" to affix to the processes and documentation to be employed in the conduct of its business.

D. Definitions

Accordingly, to facilitate agency understanding and utilization of these systems, three basic classes of assistance are envisaged. These are briefly as follows (see Chapter II for more complete definitions):

1. Commodity Assistance

"Commodity Assistance" is aid made available on a sale or grant basis to a cooperating country through the transfer of commodities intended for distribution and use within the civilian economy of a cooperating country in order (a) to meet essential import needs and/or (b) to generate local currency needed for mutually agreed activities within the country.

2. Capital Assistance

"Capital Assistance" is aid made available to a cooperating country either (a) as a dollar loan for capital projects or other purposes, or (b) as a grant to finance capital projects.

3. Technical and Institutional Assistance

"Technical and Institutional Assistance" is the transfer of knowledge, skills, and techniques through education, demonstration, training, analysis, and advice, in order to strengthen and improve the human resources and institutions of a cooperating country. Such assistance is normally planned, arranged, financed, and executed in terms of "functional fields" or "sectors" such as agriculture, public health, public administration, labor, etc.

It is envisaged that, under these definitions, U.S. economic assistance initially made available in the form of commodities would normally be treated either as a sale (PL 480) or as a grant. In those instances where general commodity imports (consumables) are permitted under the terms of a loan, such assistance for administrative reasons would be considered "Capital Assistance" and the procedures with which the borrower must comply in order to draw down the loan proceeds would be incorporated in the loan implementation instructions.

"Capital Assistance", as its name implies, would be confined to all loans and to all capital projects (whether on a loan or grant basis). Capital projects financed on a grant basis are included in this category because essentially the same documentation and agency review/approval processes would apply. The administrative advantages of this approach are obvious.

"Technical and Institutional Assistance" would be made available principally in the form of advisors and technicians (direct-hire or contract), or through the education and training of participating country nationals in the United States or selected 3rd countries. This category of assistance would also include, in order to avoid unnecessary fragmentation of closely integrated activities, such related supplies and equipment as are required to make effective the transfer of the knowledge, skills, and technicians involved. In addition, to give increased approval authority to the missions, minor-value construction or the physical improvement of "public sector" facilities (such as schools or clinics) up to \$100,000 in AID dollar costs are included in this category of assistance. It will be noted that this dollar limitation conforms to the provisions of Section 611 of the new Act for International Development.

Because of its objectives, Technical and Institutional Assistance lends itself logically to the development and execution of programs on a broad "functional field" basis such as agriculture, public administration, education, and public health. The mechanisms proposed for administering this form of assistance will provide considerably greater flexibility and latitude to the field missions in planning, negotiating, executing agreements, and carrying out joint AID/country efforts to improve and strengthen the human resources and institutions of cooperating countries.

WORKLOAD IS REDUCED AND PEAKING IS ELIMINATED

		J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D											
BROAD DIRECTION AND PRIORITIES OF PROGRAM		IN CYCLE	■	CPB Part I	■	■	■	■	■	■	■	■	■
	AID	"OFF CYCLE"	■	<i>PAN SUBMITTED</i>	■	■	■	■	■	■	■	■	■
SUMMARY ESTIMATE OF NOA FOR BUDGET YEAR		IN CYCLE	■	Aid Level Justification	■	■	■	■	■	■	■	■	■
	AID	IN CYCLE	■	ABS-EB	■	■	■	■	■	■	■	■	■
CONGRESSIONAL DETAIL		IN CYCLE	■	Project Fiscal Detail (E-1)	■	■	■	■	■	■	■	■	■
	AID	IN CYCLE BUT LATER	■	ABS-GP	○	○	○	○	○	○	○	○	○
NARRATIVE ON PROJECTS AND ACTIVITIES		IN CYCLE	■	Project Narrative (E-1)	■	■	■	■	■	■	■	■	■
	AID	"OFF CYCLE"	■	<i>PSP PREPARED</i>	■	■	■	■	■	■	■	■	■

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THE PROFILE OF ASSISTANCE NEEDS ESTABLISHES U.S. STRATEGY FOR ECONOMIC ASSISTANCE TO EACH COUNTRY

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- Political, economic and social environment
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- Resources required to meet these needs
- Country's resources available to meet requirements
- Self-help actions needed to increase capability

EXTERNAL ASSISTANCE REQUIRED:

- Forms and potential magnitude of requirements
- Potential sources: Sino-Soviet Bloc, other Free-World and U.S.

PROPOSED AID FINANCING:

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- Selected economic and social statistics (GNP, CGF, B/P, population)

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E. Proposed Program Development, Review and Approval Systems

The existing ICA processes whereby programs are formulated and approved require considerable change in order to accommodate to the new emphasis on long-term planning and to minimize the annual excessive burdens upon both Washington and the field missions resulting from the current requirement for annual comprehensive program submissions.

Appraisal of the existing ICA "Country Program Book" concepts and procedures has identified several basic deficiencies. Chief among these are the excessively voluminous data required annually from each mission; the inadequate time available both for the missions and for Washington to review and evaluate the annual program package; the lack of logic in requiring detailed program submissions at a time when most missions have not as yet been advised of their current operational year fund availability; the repetition inherent in the annual submissions particularly in the sections dealing with the "Setting for U.S. Programs" and project data; and the fact that, in numerous instances, missions have had to develop and submit country program books to headquarters prior to receipt or analysis of the so-called "guidelines" issued by Washington. These are significant defects which have had adverse program and administrative implications.

Recognition of these deficiencies and consideration of the major program objectives of the new AID agency indicate that certain substantive revisions both in concept and in methodology are necessary and feasible. In summary form these are as follows:

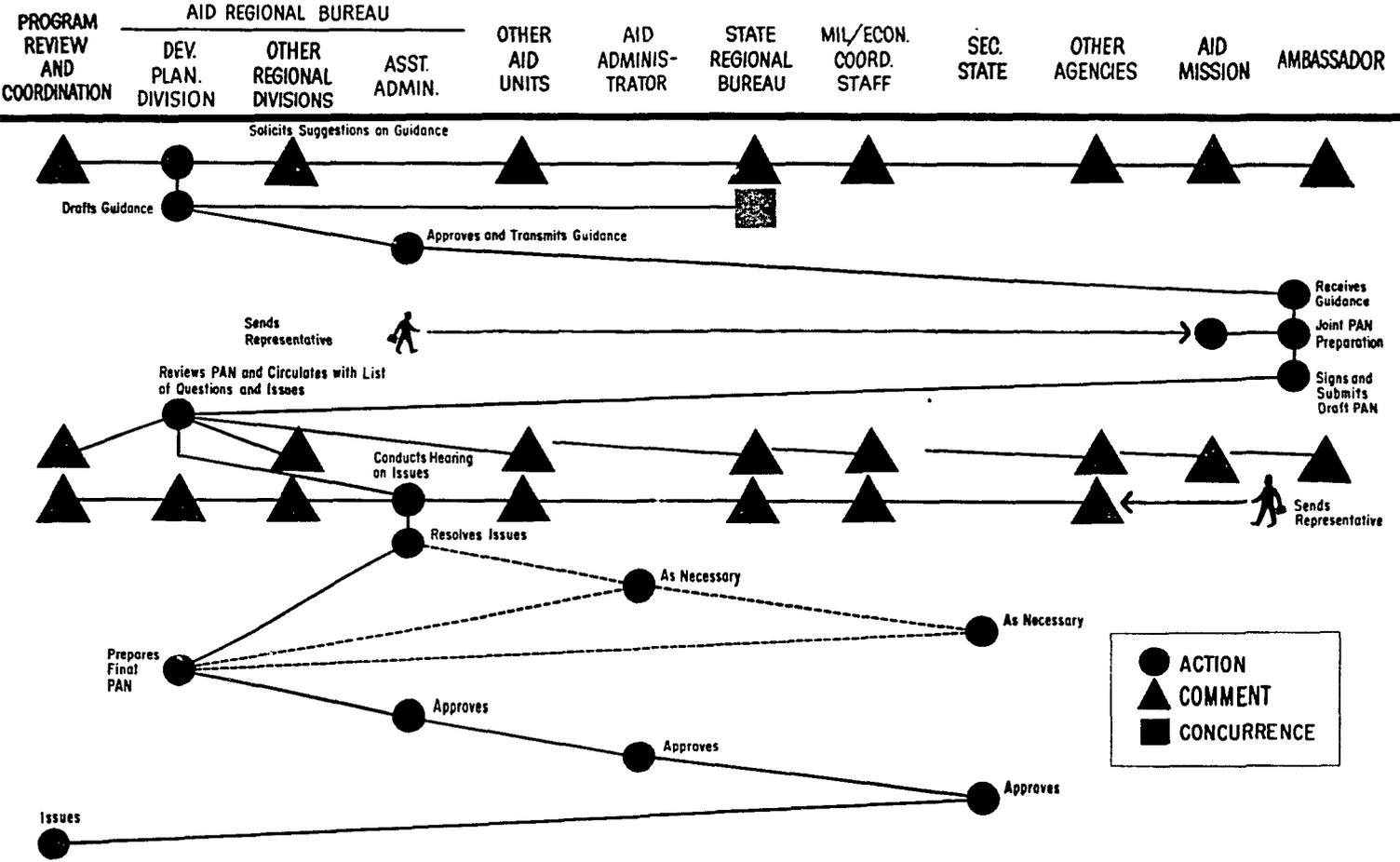
1. The Profile of Assistance Needs (PAN)

Consistent with and in furtherance of the new emphasis upon long-range planning, it is proposed that future U.S. economic assistance activities be based upon long-term analyses of each cooperating country's needs for external assistance, particularly such assistance as the U.S. may deem it appropriate to provide. Assuming the validity and feasibility of this concept, the agency's annual budgetary effort could be significantly simplified and made more meaningful inasmuch as such budgets would be developed and evaluated within the framework of the long-range projections envisaged.

A major feature of the proposed new program system is the preparation by AID missions of what we have termed the "Profile of Assistance Needs", or "PAN". The PAN is a relatively long-range assessment (ideally five years or longer) of the extent to which, and specific ways in which, U.S. economic assistance can and should be used to further the attainment of U.S. objectives in each cooperating country. It is a unilateral U.S. document which provides the background for evaluation of the specific needs and priorities in each country to facilitate determination of both the "mix" and magnitude of U.S. resources likely to be required. The PAN also includes an appraisal of the impediments to the country's economic and social progress, its preparedness to undertake basic self-help measures, its economic development plan (if any), and the resources actually or potentially available from external non-U.S. sources. When approved, therefore, the PAN constitutes the basic statement of the U.S. "strategy" for economic assistance to each country.

The PAN is initially formulated in the field pursuant to guidance and staff assistance made available from AID headquarters. After review and approval, it is issued by the Secretary of State and serves as the basic U.S. planning document within the framework of which all forms of U.S. economic assistance are developed and executed for the particular country concerned. The timing of each PAN's preparation is determined by the AID Regional Bureau and, although subject to amendment where significant changes necessitate partial or total revision, it is expected that most PANs will remain substantially valid for reasonable periods following issuance.

PAN PROCESS ASSURES UNIFIED FORMULATION OF U.S. STRATEGY FOR ECONOMIC ASSISTANCE



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THE FIRST PHASE OF THE ANNUAL BUDGET SUBMISSION CONSISTS OF A BASIC TABLE WITH SUPPORTING NARRATIVE AND STATISTICAL DATA

SUMMARY TABLE		ACTUAL OBLIGATIONS		ESTIMATED OBLIGATIONS DURING OPERATIONAL YEAR FY___	PROPOSED OBLIGATIONS						
		All Years Prior to Actual Year	During Actual Year FY___		DURING THE BUDGET YEAR (BY) FY			During (BY+1)	During (BY+2)	During (BY+3)	
PROPOSED NEW OBLIGATIONAL AUTHORITY (NOA)					Continuing ¹	New ²	Probable ³	TOTAL	FY___	FY___	FY___
<small>(in \$1,000)</small>											
DEVELOPMENT LOANS	Capital Project										
	Dev. Support										
	TOTAL										
DEVELOPMENT GRANTS	Capital Project										
	Sector Activities										
	Surveys										
	Commodity Assist.										
TOTAL											
SUPPORTING ASSISTANCE	Capital Project										
	Sector Activities ²										
	Survey										
	Commodity Asst.										
TOTAL											
ADMINISTRATIVE COSTS											
PROGRAM SUPPORT COSTS											
FOOD FOR PEACE PL 480	Title I										
	Title II & III										
	Title IV										
	TOTAL										
NON-AID ASSUMPTIONS*											

* Non-AID assumptions which, if they do not materialize, would require increases in AID assistance
¹ Items on which PSP was approved in Actual or Prior Year; ² In Operational Year; ³ In Budget Year

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2. The Annual Budget Submission

The Annual Budget Submission from missions will in the future focus principally upon requirements for new obligation authority for a single year. In lieu of the current annual country program book submission and the successive reviews and supplementary data required for Congressional presentation purposes, the budget process will be simplified, accelerated, and made more realistic as follows:

- (a) In September of each year, each mission will submit to Washington minimal tabular and narrative data estimating its budget year funding requirements. This abbreviated submission, called the "Annual Budget Submission -- Executive Budget" (ABS-EB), will be required primarily for executive branch budget purposes. It will provide the basis for discussions with the Bureau of the Budget and the establishment of the so-called "one-line" estimate for inclusion in the President's budget each January.
- (b) In January of each year, each mission will submit such detailed tabular and narrative statements as are required to develop the annual Congressional presentation. These submissions, called the "Annual Budget Submission -- Congressional Presentation" (ABS-CP), will be principally "budget year" oriented and will be so designed as to minimize Washington conversion of field data into the final format and content of the Congressional presentation.

In the aggregate, both annual budget submissions will require considerably less detail and data than the existing country program book procedures. This is possible because these submissions will be chiefly concerned with budget year data and because the existence of the PAN will obviate the need for background, analytical, and justification statements of various kinds.

The advantages of the proposed segmented budget submissions are manifold. Inasmuch as the initial fall submissions will be developed within the framework of the "Profile of Assistance Needs", it will be possible for AID headquarters to appraise a mission's estimate in a more meaningful manner than prior systems permitted. Moreover, Washington review of this preliminary submission will be less onerous than heretofore both because of the existence of the PAN and because of the simplified, abbreviated nature of the submission itself. Additionally, the process should enable AID/Headquarters to establish tentative allocations of program resources among regions and countries for more definitive guidance in the preparation of the later Congressional submission.

Deferral of the more detailed mission submission needed for Congressional presentation purposes to January of each year should not only minimize the undesirable "peaking" of field and headquarters workload resulting from the existing system, but, of greater significance, should result in a more current and realistic submission to the Congress. This should be possible for a number of reasons. First, the submission prepared by the mission in January will enable the field to take account of and report more accurately upon the funding and implementation status of its operational year program. Secondly, the interval between the two budget submissions should enable the mission to make such adjustments in its preliminary submission as may be necessitated by virtue of intervening changes in the country situation.

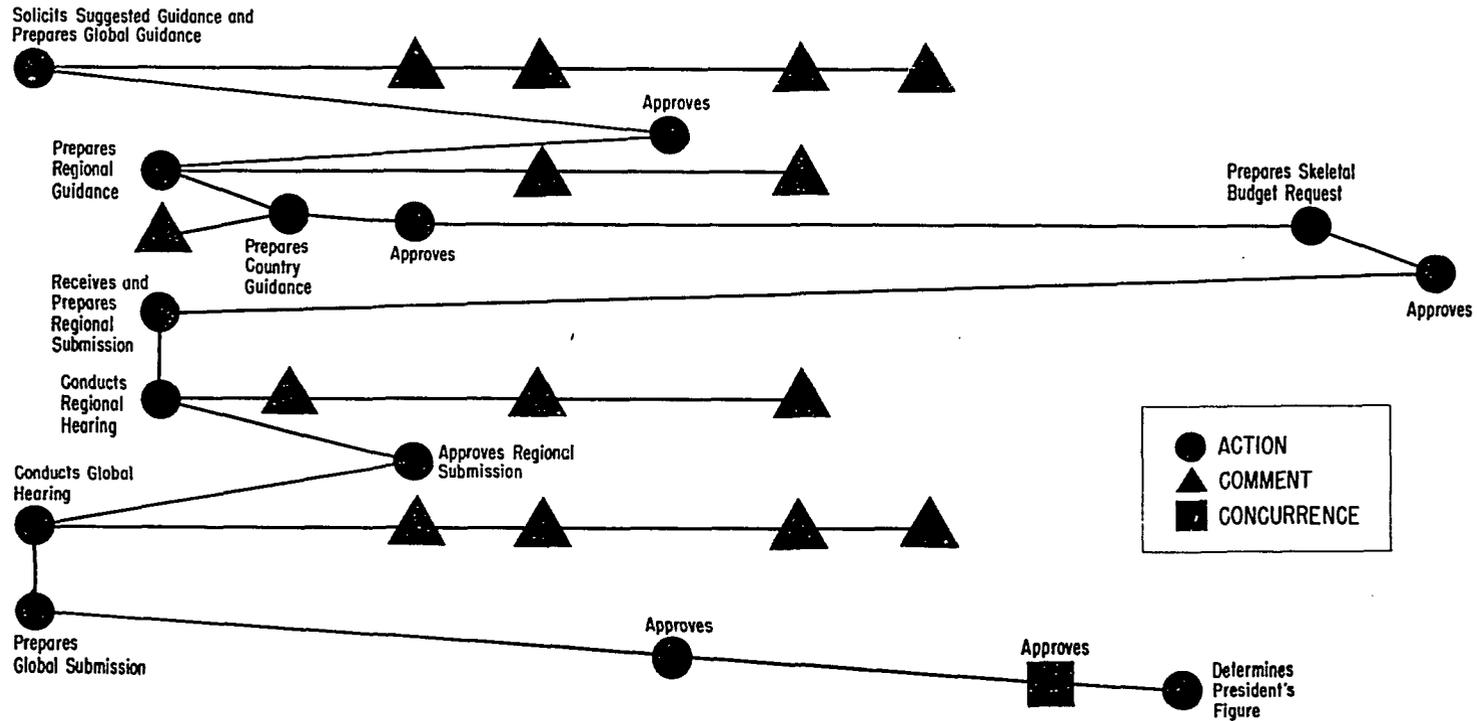
In brief, what is proposed in this combination of the PAN and a two-phased simplified annual budget submission is a programming system which, in its totality, should result in the following advantages:

- (a) The availability for the first time of long-range projections of total potential demands for U.S. assistance.

The Annual Budget Submission - Phase One

THE EXECUTIVE (SUMMARY) SUBMISSION LEADS TO DETERMINATION OF THE PRESIDENT'S FIGURE

PROGRAM REVIEW AND COORD.	AID REGIONAL BUREAU			OTHER AID UNITS	AID ADMINIS- TRATOR	STATE BUREAU	MIL/ECON. COORD. STAFF	SECRETARY OF STATE	BOB AND PRESIDENT	AID MISSION	AMBASS- ADOR
	DEV. PLAN. DIVISION	GEOGRAPHIC DIVISION	ASST. ADMIN.								



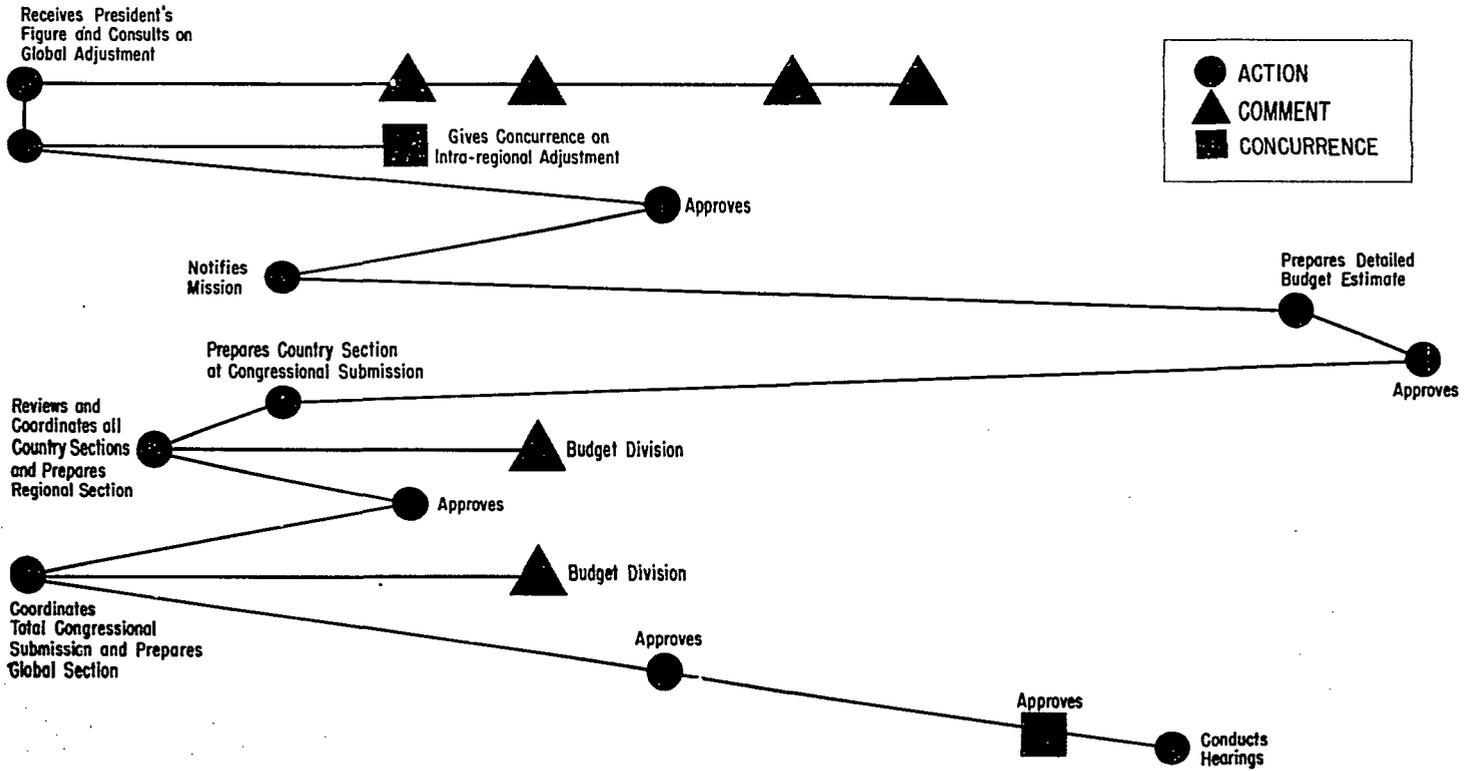
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The Annual Budget Submission - Phase Two

THE MID-WINTER SUBMISSION FURNISHES DETAIL FOR CONGRESS

PROGRAM REVIEW & COORD.	AID REGIONAL BUREAU			OTHER AID UNITS	AID ADMINIS- TRATOR	STATE BUREAU	MIL/ECON. COORD. STAFF	SECRETARY OF STATE	CONGRESS	AID MISSION	AMBASS- ADOR
	DEV. PLAN. DIVISION	GEOGRAPHIC DIVISION	ASST. ADMIN.								



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- (b) Systematic assessment of each country's long-term economic potential and problems, and of its national development plan, if any.
- (c) By virtue of the time-phasing and nature of the submissions proposed, both the missions and Washington will have more time and opportunity to review critically annual requests for new obligation authority, and to evaluate actual performance against prior years' funding and program objectives.
- (d) The probability of producing a more realistic and persuasive case to submit to the Congress each year in support of the agency's request for additional funds.
- (e) The administrative benefits resulting from a more logical phasing of effort both by the field and by headquarters, fewer paper submissions in the aggregate, and more effective management tools with which to evaluate mission performance in the achievement of previously defined program objectives.
- (f) A more intimate and effective joint Headquarters/mission participation in the development, analysis, review, and approval of the basic program document, the Profile of Assistance Needs (PAN).

3. Congressional Presentation

For a number of reasons, it is proposed that the agency endeavor to secure Congressional agreement to an annual submission not earlier than April 1st. A later submission will allow time for both mission and headquarters staffs to develop a more realistic and responsive presentation to the Congress. A major advantage of the later submission proposed is that it will enable the missions to take into account the funding and implementation status of its operational year program more accurately than has been possible under existing procedures.

Timing of the Congressional submission is not completely within the control of the Executive Branch, but persuasive arguments can be advanced for a later submission, including the prospect of more current and meaningful budget presentations. It is to be noted, incidentally, that past experience shows that early presentation of budgets to Congress does not necessarily result in faster Congressional action, and it is likely that in the future completion of the annual Congressional review will continue to depend largely upon factors other than the time of submission of budget requests.

4. Post-Congressional Program Approval and Funding

Under the proposed new system, the need for a formal "Operational Program" review and approval process no longer exists. The availability of the PAN, the two-phased annual budget submission, and the compression of the time gap between the Congressional submission and the budget year, should make unnecessary the resubmission by field missions of revised country programs.

It is therefore contemplated that immediately after final Congressional action, the Program Review and Coordination Staff, in consultation with the Regional Bureau Assistant Administrators and the Directors of other AID units to which funds are to be allotted, can quickly and readily develop a funding plan for approval by the AID Administrator. Adjustments to Congressional cuts in requested appropriations will be accommodated through this consultative process.

Under this system, it should also be feasible to arrange prompt allotments to the missions of Development Grant and Supporting Assistance funds. Shortly after Congressional appropriation action, therefore, it is expected that the agency can put missions in an operational posture for most grant commodity import programs and activities of a Technical and Institutional Assistance nature. In the more detailed discussion of the "Annual Budget Submission" (ABS) process in Chapter IV,

POST-CONGRESSIONAL REVIEW AND ALLOTMENT PROCESS IS SIMPLIFIED AND ACCELERATED

GENERAL
COUNSEL

AID
ADMINISTRATOR

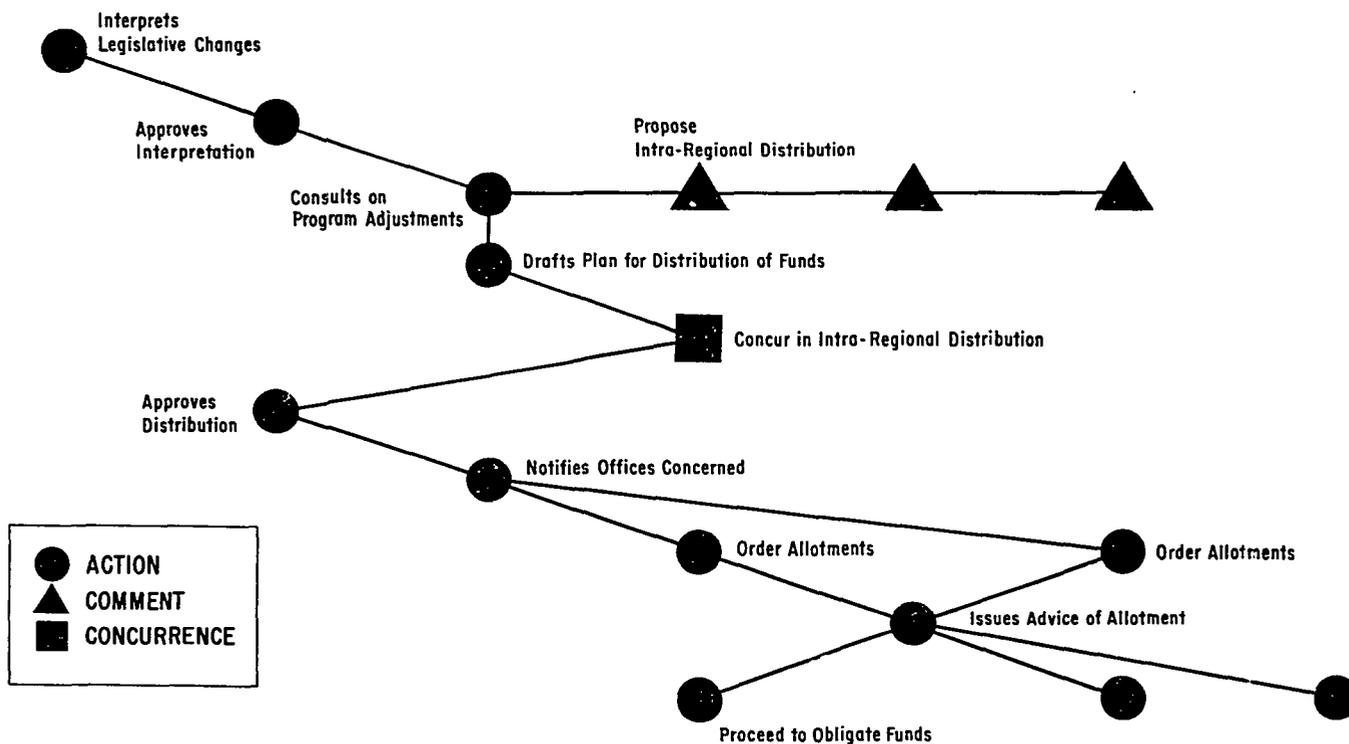
PROGRAM REVIEW
AND COORDINATION

ASSISTANT
ADMINISTRATORS

CONTROLLER

OTHER
AID UNITS

AID
MISSION



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THE SECTOR APPROACH TO TECHNICAL AND INSTITUTIONAL ASSISTANCE IS A NEW CONCEPT

A "sector" (or activity field) encompasses both capital and non-capital elements. An "agriculture sector," for example, might be comprised of five activities...

- RESEARCH ACTIVITY →
- EXTENSION ACTIVITY →
- AGRICULTURAL COLLEGE ACTIVITY →
- IRRIGATION ACTIVITY →
- FARMERS' SUPPLY AND CREDIT ACTIVITY →

For AID purposes, the PAN designates one or more sectors as priority areas

RIVER X IRRIGATION SYSTEM

FARMERS' CREDIT COOPERATIVE

Each capital undertaking is covered by a separate PSP if a U.S. contribution of over \$100,000. or a U.S. loan is required.

REQUIRE AID/W APPROVAL

Surveys leading to capital projects may be implemented by direct issuance of Activity Authorizations without a covering PSP.

MAY BE MISSION APPROVED WHERE CONSISTENT WITH PAN

Other surveys or studies or limited activities not requiring a PSP may be implemented by direct issuance of Activity Authorizations.

All Technical & Institutional activities in which the U.S. participates are covered by a single PSP for the entire sector.

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it will be noted that provision has been made for the establishment of adequate "reserves" for the funding of potential new activities. In addition, provision has been made for an initial tentative earmarking of loan funds by region against which the Regional Bureau Assistant Administrators can approve loans under a specified amount for countries within their respective regions.

F. Proposed Program Implementation Processes

1. General

Implementation of AID programs, projects and activities must be characterized by the delegation of maximum operational authority and flexibility to Mission Directors. The agency's implementation procedures should permit missions to deal directly with sources of services and supplies wherever feasible. Mission-issued orders for AID headquarters action must be accepted as "demands" rather than "requests" and responded to accordingly. At the implementation stage, it is assumed that all basic program policy questions have already been decided and there is consequently no further need or justification for Washington re-examination of the related program or project. From this point of view, the role of headquarters is primarily that of a servicing agency acting in response to an order issued by a duly-constituted and competent authority. Acceptance of this concept should be of material assistance in accelerating program execution.

It is proposed that missions be authorized to take any of the following actions without prior Washington review and approval:

- (a) Missions may enter into obligating "sector agreements" for Technical and Institutional Assistance at any time, provided such agreements are consistent with an approved "Profile of Assistance Needs" and provided the required funds are available within the mission allotment.

- (b) Missions may undertake or authorize at any time all studies and surveys of a technical, institutional or economic nature.
- (c) In the Commodity Assistance area, missions may issue obligating authorizations against grant funds allotted to them, subject to standards and criteria developed by AID headquarters.
- (d) For Technical and Institutional activities and for approved grant capital projects, missions may issue "activity authorizations" directly to any approved implementing agency for such manpower, contract services, equipment and participant training as are needed to carry out such programs and projects.
- (e) Mission authority to execute technical services contracts, and to authorize and approve country contracts for AID financing, should be increased to at least \$100,000.

In terms of the categories of assistance defined earlier (Commodity, Capital, and Technical and Institutional Assistance), the implementation processes and the basic documentation proposed may be summarized as follows:

2. Commodity Assistance

Generally speaking, the procedural mechanisms and methods of financing heretofore employed to effect the transfer of commodity resources to cooperating countries appear to be reasonably effective and efficient. With respect to commodity assistance furnished under PL 480, no significant changes are proposed except that it is assumed that Title I PL 480 sales agreements will in the future be negotiated and executed by AID.

Non-surplus agricultural and industrial commodities made available on a grant basis will continue to be authorized primarily through an adaptation of the ICA "procurement authorization" mechanism. It

THE PROJECT OR SECTOR PLAN (PSP) IS A MULTI-PURPOSE, BI-LATERAL PLANNING DOCUMENT

THE PROJECT OR
SECTOR PLAN SERVES
AS THE BASIS FOR
APPROVAL AND
IMPLEMENTATION OF:

Capital Projects

Sector Activities

Development Support Loans

Upon Approval
the Project or
Sector Plan:

Converts to a grant project or sector agreement
upon signature and attachment of
appropriate provisions

Forms the basis for the
development of
"custom-tailored" loan agreements

EACH PROJECT
OR SECTOR PLAN
INCLUDES AS
APPROPRIATE

A Description of the
Nature and Scope of
the Proposal Which:

Shows the specific goals and end results desired

Shows its significance to total sector and country development plan

A Work Plan Which:

Itemizes requirements for:

Manpower
Training
Contract Services
Supplies and Equipment
Cooperating Country
AID Mission
Others

Itemizes responsibilities of:

Schedules each step or sub-activity

Itemizes the estimated cost of each element

A Copy of
A Completed
Feasibility Analysis
Covering:

Technical aspects

Economic aspects

Financial aspects

Managerial aspects

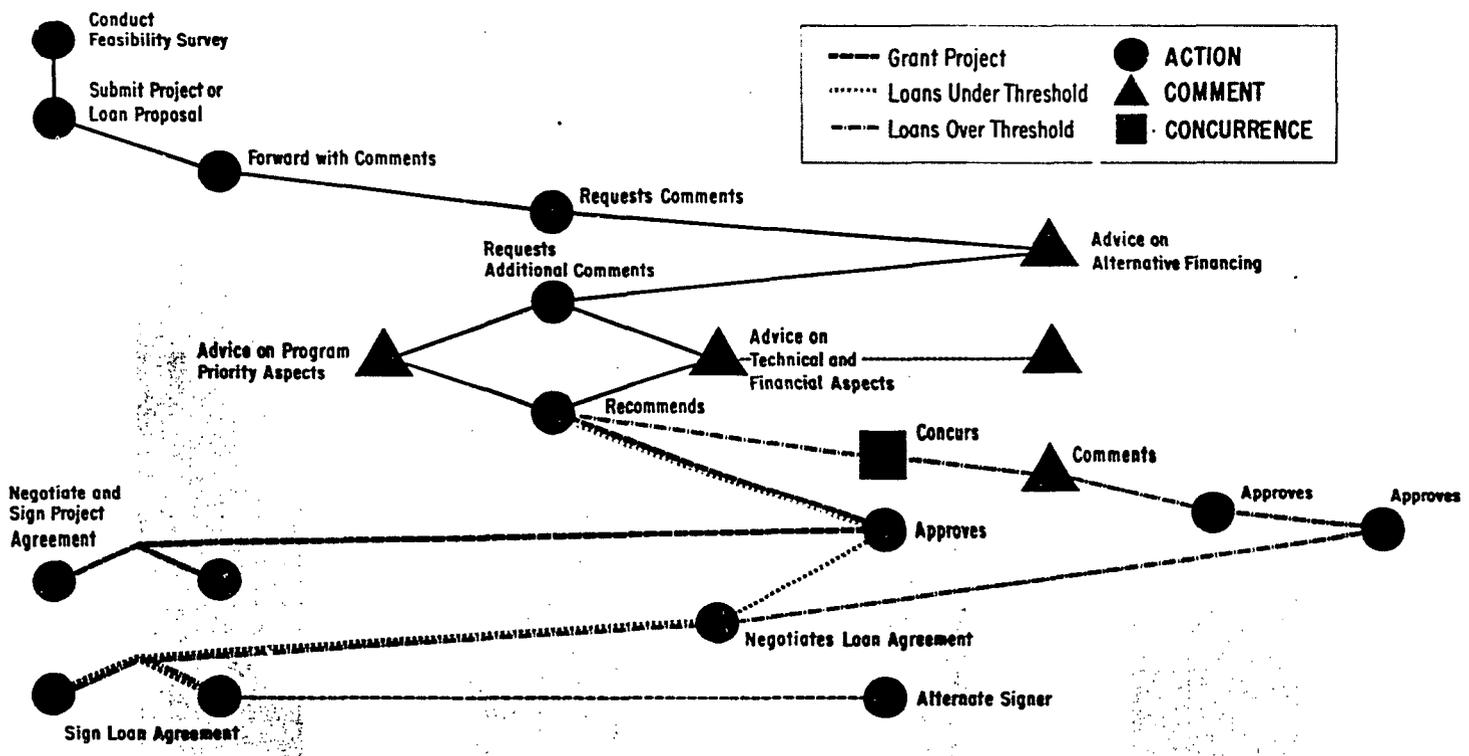
In the Case of Loans, an Additional Statement Indicating the Terms of Repayment
and the Financial Position and Ability of the Borrower to Repay

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GRANT CAPITAL PROJECTS AND ALL DEVELOPMENT LOANS REQUIRE WASHINGTON APPROVAL

COUNTRY AGENCY OR PRIVATE BORROWER	AID MISSION	AID REGIONAL BUREAU				OFFICE OF DEVELOPMENT FINANCING	DEVELOPMENT LOAN COMMITTEE	AID ADMINISTRATOR
		DEVELOPMENT PLANNING DIVISION	GEOGRAPHIC AREA DIVISION	TECHNICAL SUPPORT DIVISION	ASSISTANT ADMINISTRATOR			



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is proposed that the "Procurement Authorization" (PA) form and the "Project Implementation Order/Commodities" (PIO/C) form be combined with attendant administrative advantages. Consistent with the objective of extending increased operational authority to field missions, it is also proposed that, at the option of the Regional Bureaus, selected missions may receive "Commodity Assistance" allotments and may issue obligating commodity authorizations without prior Washington review and approval.

The problem of cash grants is a complex issue with significant program policy and other implications. For this reason, it is believed that the subject warrants separate special study with the objective of developing consistent policies and criteria for the guidance of the Regional Bureaus and missions.

3. Capital Assistance

(a) Proposal and Approval Process

Capital Assistance consists of all dollar loans (whether for capital projects or other purposes) and grant-financed capital projects. All proposals for Capital Assistance will require prior AID headquarters review and approval. For these purposes, the country and/or missions will prepare a "Project or Sector Plan" (PSP) which is essentially a planning document describing the nature of the undertaking, the work schedule where appropriate, the contributions of the country and the U.S., etc. (The PSP also serves a similar purpose in the Technical and Institutional Assistance area as described subsequently.) Approval of a PSP for a loan by AID/Washington will automatically authorize both the allotment of funds and the execution of the subsequent loan agreement. A PSP for a grant capital project may be approved prior to the availability of funds.

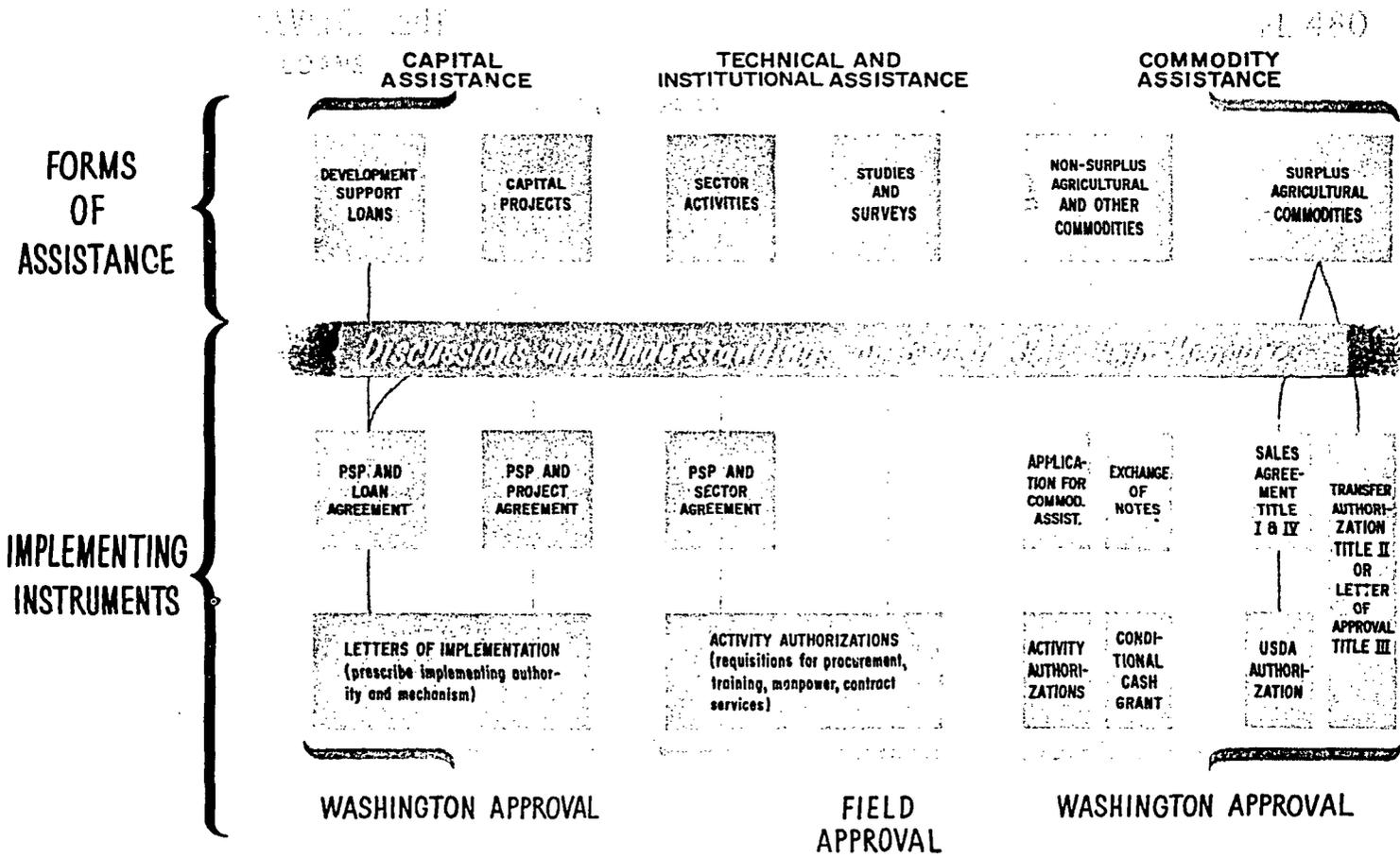
In the case of loans below \$5,000,000, it is proposed that the Regional Bureau Assistant Administrator be authorized to approve and to proceed with negotiation and execution of the resultant loan agreement. Loan proposals exceeding \$5,000,000 must be submitted to the Development Loan Committee for review and approval. Loan agreements may be negotiated and executed either at the Washington or field level and may be signed by the AID Administrator, a Regional Bureau Assistant Administrator, or by an AID Mission Director under delegation from the latter.

Grant capital projects will be processed and reviewed in substantially the same manner as loan proposals except that no review by the Development Loan Committee will be necessary. The Regional Bureau Assistant Administrator will have authority to give final approval to proposals for grant capital projects and to authorize the negotiation and execution of grant project agreements either in Washington or at the field level.

(b) Implementation

With respect to capital projects (loan or grant) and loans made for other purposes, the focus of responsibility for the planning, initiation and conduct of implementation actions will rest with the borrower or the administrative entity responsible for the project. Implementation instructions will be individually tailored by the Regional Bureau to the circumstances of the transaction, and will prescribe the responsibilities of the borrower or administering entity, the mechanisms through which the funds are to be disbursed, documentation and reporting requirements, and other appropriate provisions. These implementation instructions may require the use of standard agency procedural mechanisms (e.g., the use of activity authorizations) or such adaptations of these mechanisms as the Regional Bureau considers necessary in particular situations.

THE FORM OF ASSISTANCE DETERMINES THE IMPLEMENTING INSTRUMENT TO BE USED



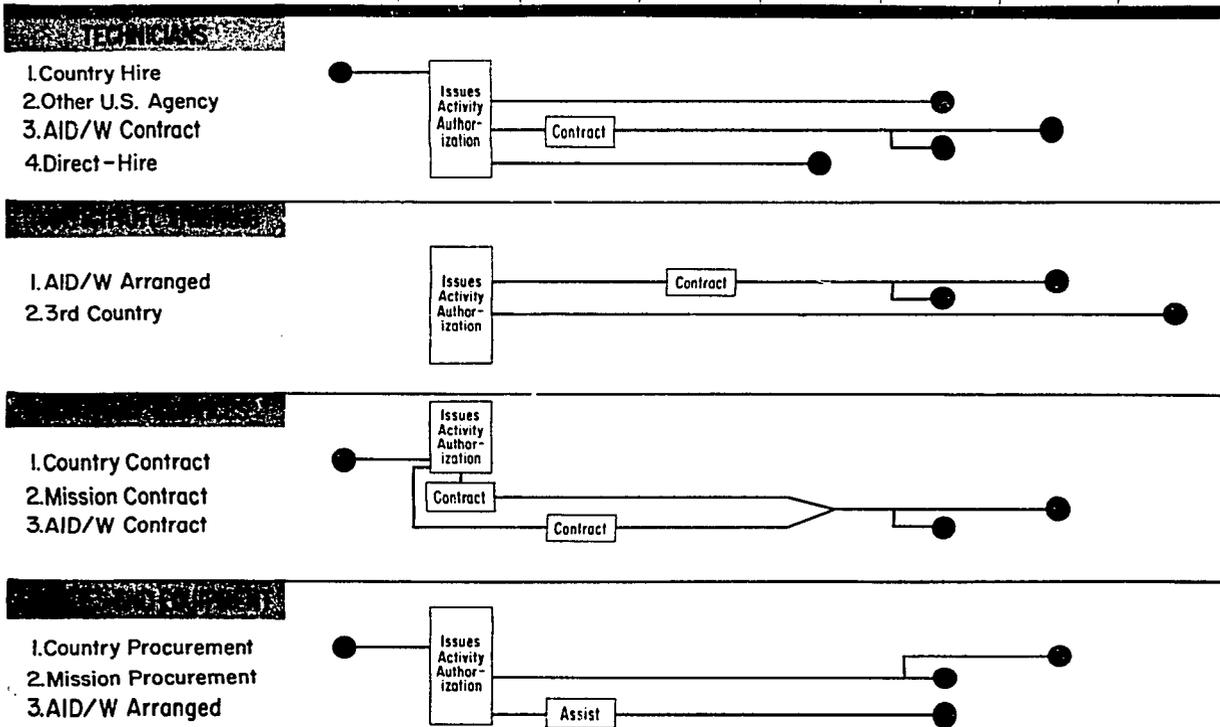
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MISSIONS ARE GIVEN MAXIMUM FLEXIBILITY IN SELECTING CHANNEL OF PROGRAM IMPLEMENTATION

ELEMENTS	COUNTRY	MISSION	AID REGION	AID PROGRAM SUPPORT	AID PERSONNEL	OTHER U.S.AGENCY	PRIVATE ORGANIZATIONS	3rd COUNTRY MISSION
ALTERNATIVES								

ALL ELEMENTS OF U.S. CONTRIBUTION ARE OBLIGATED BY PROJECT OR SECTOR AGREEMENT



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4. Technical and Institutional Assistance

(a) Sector Planning and Agreement

Programs in the Technical and Institutional Assistance category will normally be planned, negotiated, agreed upon, and implemented in terms of broad functional activity fields or "sectors", such as agriculture, industry, education and public health. As in the case of capital projects, the pre-planning of such programs should be as complete and accurate as is possible. The "Project or Sector Plan" (PSP) document described on page 15 also serves as the planning document for "sector" programs in the Technical and Institutional Assistance area. In this respect, the PSP is the basic document used by the AID mission to describe in detail the objectives to be achieved, the respective activities to be undertaken and their time phasing, the estimated number and kinds of technical personnel required, the number of participants to be trained, the relationship of the sector plan to the total country development effort, and other relevant data.

Upon approval, the PSP is converted to a mission/country "sector agreement" by the attachment of such standard or special provisions as may be required and upon signature by the appropriate mission and country representatives. To the extent consistent with the objectives and priorities indicated in the "Profile of Assistance Needs" (PAN), AID missions will be authorized to approve a PSP and to negotiate and enter into sector agreements without prior Washington review and approval.

Missions may obligate funds through the execution of such sector agreements for all components of the contemplated AID contribution, (i.e., technicians to be used solely on activities encompassed by the agreement, related supplies and equipment, contract services, participant training costs, and/or local costs). In exercising this authority,

missions must assure that the specific services and supplies for which the funds are obligated can be covered by the issuance of appropriate Activity Authorizations within twelve months from the date of the signing of the agreement. Sector agreements will be reviewed at least once annually by the mission to assure that funds previously obligated are not immobilized and that implementation actions have been or will be undertaken without undue delay.

(b) Technical and Institutional Assistance Implementation Processes

Supplies and equipment, personnel, contract services and participant training required to implement sector agreements will be ordered through the medium of an "Activity Authorization". This is basically a requisitioning form used by the mission to describe the specifications of the service or action required and to authorize a designated agency to arrange for such service or to proceed with such action. The Activity Authorization will consist of a standard face sheet with differing attachments for contract services, participant training, equipment, and personal services in order to accommodate to the differing specification data required for each of these purposes.

In those instances where the activity to be undertaken is not in itself part of a proposed continuing program of U.S. assistance in a particular functional field, it will neither be necessary nor desirable for the mission to develop a PSP or to enter into a broad sector agreement. Instead, an "Activity Authorization" will be used in such circumstances both to authorize the activity to be undertaken, and to serve as an agreement with the cooperating country upon joint mission/country signature.

To the extent feasible, missions will be permitted to issue Activity Authorizations directly to any approved source for the services or supplies needed. In an effort to expand significantly the sources, governmental and private, from which missions may directly requisition needed services and supplies, it is proposed that AID Washington make appropriate arrangements to facilitate such relationships with selected U.S. agencies, universities, foundations and other organizations. To the maximum extent feasible, the objective in this respect will be to encourage direct negotiation between the mission, as the "customer", and pre-selected sources of services and supply, thus minimizing involvement or intervention on the part of AID Headquarters.

With respect to the procurement of technical services, AID practices and procedures should be revised to encourage and facilitate contracting by cooperating countries in lieu of direct AID contracting. It is expected that the report of the working group on Contracting will advance appropriate recommendations to achieve this objective. Subject to criteria to be determined by the same group, the authority of missions to negotiate and execute contracts should be substantially increased. In addition, to the extent AID/Washington can make the necessary arrangements, missions should be permitted to issue Activity Authorizations for technical services directly to a number of selected U.S. agencies, such as the Corps of Engineers and the Department of Commerce, pursuant to which such agencies would either furnish the required services from their own "in house" capability or contract externally for such services.

Where the services of an individual technician are required under a bilateral sector agreement, the mission will initially determine whether it is appropriate and feasible for such services to be obtained under a contract made by the cooperating country, or whether it is necessary for AID itself to provide the technician. Except for executive,

policy-making, control or "sensitive" positions, the preferred method of employment should be under a country contract. To encourage this approach, the agency should develop as soon as possible appropriate rules and a standard form contract which the countries could use in contracting with individuals under AID financing.

Where the mission determines that U.S. employment of an individual technician under a bilateral sector agreement is necessary or desirable and where the nature of the assignment does not in itself dictate otherwise, the choice as to the method of employment should be as follows in the order of preference: (1) mission contract, (2) AID Headquarters contract, or (3) direct-hire by AID. It is also proposed that AID headquarters endeavor to make arrangements with selected U.S. agencies, universities, foundations and private organizations whereby missions could negotiate and contract directly for the services of individual specialists and technicians for periods up to two years. In such cases, the role of AID headquarters will be to facilitate such direct negotiations by interviewing proposed candidates where necessary, and by arranging for security and other clearances.

In addition to the use of Activity Authorizations for such contract services and technicians as may be required, participant training and supplies and equipment will also be ordered by mission issuance of this document. Activity Authorizations covering the training of country nationals will be issued by missions directly to the proposed centralized Participant Training Division in the Office of Program Support or to other missions for the arrangement of training services in third countries. Supplies and equipment will be obtained by the issuance of an Activity Authorization to the cooperating country, to GSA, or to other approved sources of supply.

CHAPTER II: DefinitionsA. Classification of Assistance

For purposes of program administration, all AID assistance (regardless of appropriation source) can be classified as follows:

1. Capital Assistance
2. Technical & Institutional Assistance
3. Commodity Assistance

The objective has been generally to categorize foreign economic assistance in the light of the responsibilities which AID has in planning, approving, administering, and reporting in respect to each category, so that similar procedures may be employed for similar types of assistance.

These three categories of assistance are defined as follows:

1. Capital Assistance

Capital Assistance is aid made available to a cooperating country either (a) as a dollar loan for capital projects or other development support purposes, or (b) as a grant to finance capital projects.

- a. Loan - any aid furnished to a country in accordance with loan agreements executed pursuant to the Act for International Development, irrespective of the type of resources, facilities, commodities, or services to be financed by the loan proceeds.
- b. Capital Project - any specific, limited undertaking requiring a total AID contribution in excess of \$100,000 which will result in the construction, expansion, alteration, or modernization of a physical facility, plant, or installation (such as a power plant, road, factory, mine, communications system, harbor, or hospital).

Such projects are preceded by a study or survey to determine technical, economic, managerial and financial feasibility. The provisions of Section 611 of the Act for International Development will apply to the engineering, design and construction phases of all capital projects to be financed by AID.

2. Technical & Institutional Assistance

Technical & Institutional Assistance is the transfer of knowledge, skills, and techniques through education, demonstration, training, analysis, and advice in order to strengthen and improve the human resources and institutions of a cooperating country. Such assistance is normally planned, arranged, financed, and administered in terms of major functional fields, such as agriculture, public health, public administration, labor, etc.

By definition, Technical & Institutional Assistance excludes all capital projects, as described earlier, for purposes of program administration and the selection of implementation procedures. For planning and programming purposes, however, in considering the totality of activities within a particular functional field, the relationships between Technical & Institutional activities and capital projects must obviously be taken into account.

Technical & Institutional Assistance includes feasibility studies and surveys whether for social, human resource, economic, or industrial purposes. Thus, a feasibility survey for a dam or power plant would properly be considered as "Technical & Institutional Assistance" if financed in whole or in part by AID.

As a general rule, Technical & Institutional Assistance will be made available in the form of advisors and technical specialists (direct and contract hire) sent to a cooperating country, or through the education and training of country nationals in the U. S. or selected third countries. In addition, related supplies and equipment, or the

construction or improvement of "public sector" physical facilities (such as a school or clinic) to which the total AID contribution does not exceed \$100,000 for any individual facility, are also included under the Technical & Institutional category for purposes of program administration.

3. Commodity Assistance

Commodity Assistance is aid made available to a cooperating country through the transfer of commodities intended for distribution and use within the civilian economy in order (a) to meet essential import needs of the country, and/or (b) to generate local currency needed for mutually agreed activities within the country.

Commodity Assistance will normally be made available to cooperating countries on a sale (PL 480 Titles I and IV) or grant basis.

The major characteristics of Commodity Assistance are:

- a. The commodities required will normally be imported through local governmental or commercial channels.
- b. AID assistance and participation in the transactions is confined to financing and to subsequent selective end-use checking, and
- c. The commodities are not in themselves required for direct use in a capital project or Technical & Institutional activity in which AID is participating.

Commodity imports financed on a loan basis will be treated as "Capital Assistance" (as defined above) for purposes of administration and choice of procedures.

Included in Commodity Assistance are certain directly related service costs, such as ocean transportation and inspection fees. Commodity transfers may be arranged and financed under PL 480; through the commodity authorization/letter of commitment mechanisms; or through "conditional" cash grants made available under terms which limit the use of such grants to the financing of commodity imports.

B. Profile of Assistance Needs (PAN)

The Profile of Assistance Needs (PAN) is a relatively long-range assessment (ideally five years or longer) of the extent to which, and specific ways in which, U.S. economic assistance can and should be used to further the attainment of U.S. objectives in each cooperating country.

It is a unilateral U.S. document which provides the background for evaluation of the specific needs and priorities in each country to facilitate determination of both the "mix" and magnitude of U.S. resources likely to be required. The PAN also includes an appraisal of the impediments to the country's economic and social progress, its preparedness to undertake the basic self-help measures needed to create the internal conditions conducive to such progress, its economic development plan (if any), and the resources actually or potentially available from external non-U.S. sources to help the country meet its national aspirations or goals.

When approved, therefore, the PAN constitutes the basic statement of the U.S. "strategy" for economic assistance to each country. As such, it will be the primary vehicle for coordinated, long-range planning of all forms of U.S. assistance considered appropriate for the country.

C. The Annual Budget Submission (ABS)

The Annual Budget Submission consists of two separate parts as follows:

1. The Executive Budget phase (ABS-EB) which culminates in the submission to AID/Washington of minimal tabular and narrative data in the fall of each year. This preliminary field submission will provide the basis for developing the Executive Branch budget figure for the President's budgetary submission to the Congress in January of each year.
2. The Congressional Presentation phase (ABS-CP) which culminates in the submission to AID/Washington of such supplementary tabular and narrative data as are required to develop the annual Congressional presentation. These submissions will be required of the missions in January of each year in such form as to facilitate conversion by AID/Headquarters into the annual Congressional submission and subsequent approval of operational programs.

Instructions regarding the format and content of these submissions will be issued to missions by AID/Washington as part of the annual "budget call" process.

D. Project or Sector Plan

The "Project or Sector Plan" (PSP) is a multi-purpose planning document used to describe in appropriate multi-year detail (a) all proposed capital projects in excess of \$100,000 (loan or grant), (b) proposed loans for purposes other than capital projects, and (c) all proposed Technical & Institutional activities within a single functional field such as agriculture, industry, or education. The PSP thus serves as the basic planning document for all Capital Assistance, and for those Technical & Institutional (T & I) activities which it is logical to group, negotiate, agree upon and carry out within the framework of a broad agreement with the cooperating country.

As used herein, the term "sector" is synonymous with the terms "functional field" or "major field of activity." For programming and economic analysis purposes, a "sector" properly includes both capital projects and activities (or "non-capital projects") of a Technical & Institutional nature. For purposes of detailed planning and implementation, however, separate PSPs will be used to describe each proposed capital project. In the case of Technical & Institutional activities, the PSP will include all or a group of activities of a Technical & Institutional nature within a functional or major field of activity which both the mission and the country are prepared to undertake within the prescribed period.

The PSP, therefore, is the document which describes the nature and scope of the project or activities to be undertaken; the specific results to be achieved; the relationship of the project or activities to the development needs of the country; the work plan; the requirements for technicians, supplies and equipment, and other services; the respective contributions of the U.S. and the cooperating country; detailed cost estimates; and other data establishing the technical, economic, financial and management feasibility of the proposal. In the case of loan proposals, the PSP will also include data relating to the financial status of the borrower, the loan terms desired, and other appropriate data relating to the loan aspects of the transaction.

The PSP must be used as the formal planning document for all capital project proposals, and for all Technical & Institutional activities to be conducted within the framework of a general "sector" agreement. At the option of the mission, the use of the PSP for development support loans may be waived where circumstances warrant but in such cases the PSP will serve as a useful checklist to indicate to prospective borrowers the data normally required by AID in considering such proposals.

E. Agreements

Approval by AID of a "Capital Assistance" PSP will result in the negotiation and execution of either a loan agreement or a grant capital project agreement. Approval of a "Technical & Institutional Assistance" PSP will result in the execution of a "sector" agreement.

These agreements constitute mutual AID/country (or borrower) understandings and record the commitments of both AID and the country (or borrower) with respect to the objectives, duration, costs, responsibilities and other aspects of the undertaking.

In the case of grant capital projects, the PSP upon approval can be converted to a project agreement by the attachment of such standard or special provisions as may be required and upon signature by the appropriate mission and country representatives.

Because of their nature, loan agreements will normally be "custom-tailored" in the light of the negotiations with the borrower which precede the execution of the agreement.

Upon approval, a PSP covering Technical & Institutional activities can be converted to a "sector" agreement by the attachment of such standard or special provisions as may be required and upon signature by the appropriate mission and country representatives.

A "sector" agreement may cover some or all activities of a Technical & Institutional nature within a single functional field. An "activity" for these purposes is any specific, logically self-contained, and readily measurable undertaking of limited duration which will result in the transfer of required knowledge, skills, and techniques, and which can be planned and carried out as a major sub-division of the total joint U.S./country effort proposed within the functional field involved.

The following are examples of "activities" within the health and education "sectors" of a country program:

Public Health Sector

1. Endemic Disease Control
2. Village Sanitation and Water Supply
3. Medical and Para-Medical Education
4. Improvement of Hospital Facilities and Administration

Education Sector

1. Elementary School Curriculum Development
2. Vocational Education Facilities and Teacher Training
3. Extension Training Program for Secondary School Teachers
4. Education Consultative Services to Ministry of Education
5. Establishment of Elementary Teacher Training Institute

In those instances where the activity to be undertaken is not in itself part of a proposed continuing program of U.S. assistance in a particular functional field, it will neither be necessary nor desirable for the mission to develop a PSP or to enter into a broad sector agreement. Instead, an "Activity Authorization" (described in para.F) will be used in such circumstances both to authorize the activity to be undertaken, and to serve as an agreement with the cooperating country upon joint mission/country signature.

F. Activity Authorization

The Activity Authorization is a requisitioning form issued by field missions to obtain services and supplies needed to carry out approved projects and activities. It describes in appropriate detail the supplies or services required, the time within which such supplies or services are to be made available, the channel of procurement, the method of financing, and such other relevant specifications as are necessary to proceed with the action prescribed. The Activity Authorization thus serves as authority to the designated implementation agency to proceed and furnishes all data and specifications essential to the execution of the transaction.

The Activity Authorization consists of a standard face sheet with differing attachments to provide for the varying data needed in ordering contract services, participant training, supplies and equipment, or personal services.

CHAPTER III: The Profile of Assistance Needs (PAN)

A. Description and Purpose

The Profile of Assistance Needs (PAN) is a relatively long-range assessment (ideally five years or longer) of the extent to which, and the specific ways in which, U.S. economic assistance can and should be used to further the attainment of U.S. objectives in each cooperating country. It is a unilateral U.S. document which provides the background for evaluation of the specific needs and priorities in each country to facilitate determination of both the "mix" and magnitude of U.S. resources likely to be required during the projected period.

This assessment is based on an appraisal of the country's economic, social and political problems, its willingness and capability to undertake the basic self-help measures required to effect the changes necessary to resolve or minimize these problems, its development plans (if any), its resource deficiencies, and assistance actually or potentially available from external non-U.S. sources to help the country meet its national aspirations or goals.

The PAN, when approved, establishes the basic U.S. strategy for economic assistance to the country and thus becomes the primary vehicle for coordinated long-range planning of all forms of U.S. assistance considered appropriate for the country. The section dealing with proposed AID financing will provide sufficient substantive detail to permit (1) bilateral planning of multi-year project and sector plans (PSPs), (2) substantial streamlining of the annual budget submission (ABS), and (3) increased delegation of authority to the field which should result in more rapid program implementation.

B. Basic Principles and General Procedures

1. The PAN will be formulated initially by the AID mission under the direction of the Ambassador, pursuant to guidance from Washington. The schedule for preparation of a PAN will be determined by the AID Assistant Administrator for the region, on a country-by-country basis, and submissions from individual missions will be

staggered so as to allow adequate time for careful development of the PAN in the field and intensive review in Washington. The AID Regional Bureau will also provide to each mission, for an appropriate period, the services of a senior staff officer to help interpret Washington guidance and instructions, and to participate actively in development of the PAN. When completed, the PAN will be signed by the Ambassador and other members of the country team. In the event of disagreement, supplementary comments will be attached explaining dissenting views.

2. The Development Planning Division of the appropriate AID Regional Bureau will initiate the review process in Washington, with a view toward identifying major policy and program issues raised by the PAN. The mission will be advised of these issues and, shortly thereafter, senior field representatives will join the Washington contingent involved in the intra-AID and interagency reviews. Mutually agreed revisions of the PAN, if relatively few, will be made in Washington. If major substantive revisions are required, the initial submission will be revised in the field and returned to AID/W, with the Ambassador's and Mission Director's concurrence, within a prescribed period. When approved by the Assistant Administrator for the region, the AID Administrator, and the Secretary of State, the revised PAN will be issued in Washington and will remain operative until amended or a new submission is requested. (The Washington review and approval process is more fully discussed in Section E. below.)
3. In most cases, it is expected that a PAN will remain substantially valid, as a basic planning document, for periods of up to three years following its approval and issuance. Substantive amendments or revisions during this period may be initiated by either the AID/Mission or AID/W, and issued when mutual agreement has been reached. Resubmission of a PAN within less than three years will generally be required only if political, military, or economic changes of such magnitude occur as to alter significantly the assumptions and proposed uses of AID resources set forth in the previously approved PAN.

4. Although the PAN will be unilaterally developed for U.S. use, some elements -- particularly those relating to self-help measures to be undertaken by the country and the assessment of problems and priorities -- ideally should be based on an exchange of views between the Mission and the cooperating country. Informal discussion of these issues will help (a) to validate the self-help assumptions set forth in the PAN and to narrow the area of potential disagreement on program priorities, thus reducing the need for time-consuming negotiations at some later stage; and (b) to develop an operable partnership arrangement which will provide the leverage needed to persuade or induce the cooperating country to establish realistic goals for its long-range development, and to accept and fulfill its own responsibilities for attainment of these goals.

C. The PAN Request and Guidance (PRG)

The request for preparation of a PAN for a specific country will be issued by the AID Regional Assistant Administrator about four months before the target date for receipt of the submission, and will solicit views and suggestions from the field regarding areas in which explicit guidance is required. Approximately 30 days thereafter, the AID Regional Bureau will transmit comprehensive guidance, assembled from various Washington sources, providing the substantive framework necessary for development of the PAN.

The Development Planning Division of the appropriate Regional Bureau will be responsible for the formulation of certain portions of the guidance and for the assembly, review and integration, within a single document, of sections developed by other AID units or other agencies. The Geographic Area Division of the Regional Bureau will participate, to the maximum extent feasible, in this initial phase of the PAN development process.

The substantive guidance required for development of a PAN falls into two broad categories -- policy and program planning:

1. Policy guidance on political, military, economic, social, cultural, and other facets of U.S. concern in a specific country will be requested either directly from other interested U.S. agencies or through the Regional Bureau of the Department of State. To assure a greater degree of specificity in policy guidance than has prevailed in the past and the broader coverage required for PAN development purposes, agreement should be reached in advance between the AID Regional Bureau and other agencies with respect to the precise types of guidance required for particular countries.

2. Program planning guidance will be developed by the Regional Development Planning Division, in consultation with the Geographic Area Division, other appropriate AID offices, certain areas in the Department of State and, in cases where military budget support is significant, directly with the Department of Defense. Illustratively, such guidance might include suggestions with respect to:
(a) courses of action that would help to reflect more fully the new concepts, emphases and criteria for AID assistance in future planning for that country; (b) changes in sectoral priorities or greater concentration in a limited number of high priority areas; (c) specific activities, begun in earlier years, which appear to have reached the point of diminishing returns; (d) new fields of activity that might be explored via intensive studies or surveys; (e) changes in the attribution of AID resources to certain elements of the country's budget; (f) regional considerations that should be taken into account; etc.

In addition to the above policy and program guidance, the Regional Development Planning Division will assemble for transmittal to the Missions additional reference material which it considers necessary or helpful in preparing the PAN, such as significant books, pamphlets, reports and other documents dealing with the country or with appropriate planning techniques at varying stages of development.

D. Structure and Content of the PAN

While policy and program planning guidance must be oriented to the situation in each country, the procedures and methodology for developing a PAN should be reasonably uniform. These aspects of the planning process can best be handled by the preparation of detailed instructions dealing with the structure and content of a PAN, which are sufficiently flexible to permit agency-wide application. It is recommended that the preparation of such instructions, geared to the new concepts and appropriation structure, be undertaken as soon as possible in order that scheduling for the submission of individual country PAN's may begin early in 1962.

The process of basic analysis envisaged for development of a PAN is indicated by the content illustratively outlined below. It is not intended to set an arbitrary mold for the PAN's for all countries, but merely to indicate the wide range of considerations involved in establishing an appropriate framework for long-range U.S. assistance.

1. The Country Setting

This section is intended to provide the framework for determining how, if at all, and through what forms of assistance, the U.S. can help to bring about those changes in a country's situation which are necessary to accelerate its evolutionary process and to further the attainment of U.S. foreign policy objectives.

- a. The political, military, economic and social environment -- e.g., the locus of political power, strength of opposition groups, attitude toward the U.S., extent of Communist influence, and potential trends; internal security situation, size and kind of military contributions (if any) to Free World defense or other security arrangements with the U.S., and extent of U.S. budgetary support; economic structure and present stage of development, production trends, principal exports and imports, over-all balance of payments, and internal budgetary position; social structure and progress toward improved health, educational, and housing conditions; cultural patterns that condition the receptivity to change.

- b. Economic, social and political problems -- e.g., limited export potential because of paucity or inadequate exploitation of natural resources, excessive dependence on imports to meet food requirements, inadequacy of basic facilities (communications, transport, power and water) essential to the development of natural resources and the modernization of agriculture and industry; inability to maintain military or para-military forces required for internal security without adverse effects on consumption, economic development, or political stability; unsatisfactory land tenure conditions, lack of farm credit on reasonable terms, inadequacy of medical, educational, and other institutional facilities; political apathy toward, or inability to undertake, essential reforms without external assistance; etc.

- c. Country planning to alleviate problems -- if a national development plan exists, it should be evaluated in terms of (1) areas selected for development, (2) logical sequence of priorities, (3) anticipated results, (4) feasibility of achieving projected goals, (5) fiscal, monetary, or other reforms and policy changes planned to increase the country's financial capabilities, improve social conditions, and promote economic growth. If deficiencies exist, they should be identified and measures proposed for improving the plan. If national planning has not yet begun, the PAN should indicate whether a comprehensive plan is essential or whether plans for certain critical sectors would suffice. If the country lacks the institutional capability for either type of planning, should the U.S. assist and if so, how and when?

2. U.S. Objectives

- a. Degree of compatibility with country goals, as set forth in its development plan, if any; or country's expectations or aspirations, if specific goals are lacking; special objectives to further important U.S. interests.

- b. Identification of priority needs to help resolve or minimize specific country problems which are critical to the attainment of U.S. objectives.
 - c. Resources required from domestic and external sources to meet these needs -- e.g., capital for the construction, improvement, or modernization of essential physical facilities; skilled manpower to help bring about essential institutional and other changes needed to improve economic and social conditions; foods, fibers, other raw materials, and finished goods required to meet essential civilian requirements, and/or to generate local currency for mutually agreed purposes, etc.
 - d. Country resources potentially available to meet these requirements -- taking into account the physical, human, institutional, and other deficiencies which are likely to limit the country's capability to mobilize and effectively manage its financial resources.
 - e. Self-help actions needed to increase the country's resource potential -- e.g., fiscal, monetary and land reforms, improved allocation of its internal and foreign exchange availabilities, changes in policies with respect to private investment (both domestic and foreign), improved management of government-owned enterprises, elimination of unethical practices, etc.
 - f. Anticipated assistance from Sino-Soviet Bloc -- extent, nature, effectiveness, and impact of such assistance to date; and assessment of problems posed for the country and for the attainment of U.S. objectives therein by continued assistance from this source.
3. Assistance Required from U.S. and Other Free World Sources
- a. Forms and potential magnitude of requirements -- Capital, technical and institutional, commodity imports, and cash transfers.

- b. Potential sources of such assistance -- Other Free World: Developed countries, multilateral organizations, international lending agencies (IBRD, IDA, IADB), private investment, etc.; U.S.: Private investment, voluntary organizations, and private foundations; Ex-Im Bank, Peace Corps, P.L. 480 and AID.
4. Identification of Potential P.L. 480 and AID Requirements
- a. P.L. 480 Proposals
 - (1) Title I -- estimated requirements and expected uses of local currency sales proceeds (e.g., military support; development grants and/or loans by activity field).
 - (2) Titles II, III, and IV -- approximate magnitude and proposed uses for Title II; estimated value and sources for Title III; approximate value and repayment terms for Title IV, if any.
 - b. Proposals for AID Financing
 - (1) Development loans -- potential order of magnitude, priority needs, specific projects and/or development support loans, if known; relation to national plan (if any); and general commentary on country's debt repayment capacity.
 - (2) Development Grants -- recommended priorities among functional fields and compatibility with country plan (if any); capital projects, continuing or new, and approximate total dollar cost; technical and institutional activities (e.g., teacher training, community development), continuing or new, estimated duration and approximate total cost, projected sector targets; special techniques, such as joint funds, contemplated for implementation of proposed activities; commodity assistance, if any, and purpose.

(3) Supporting Assistance -- estimated requirements during projected period; composition, i.e., commodity assistance or project aid; if commodity assistance, basis for requirement (i.e., balance of payments or local currency needs), and contemplated arrangement for use of sales proceeds (i.e., will mission approval be required, or not?); if project aid, reason for inclusion in this category of aid; if cash transfers, state reason.

5. U.S. Strategy for Economic Assistance to the Country

6. Tabular Appendices

- a. Summary of proposed magnitude of P.L. 480 (Title I) and AID assistance, by appropriation category, for period covered by the PAN, preferably on an annual basis if feasible.
- b. Summary of assumptions with respect to assistance from other U.S. and Free World sources.
- c. Selected economic projections and social statistics -- e.g., GNP, agricultural and industrial production, prices (wholesale and cost-of-living), gold and foreign exchange reserves, central government finances, balance of payments; and social indicators such as rate of population growth, number of doctors, and number of children in school -- both in relation to total population; etc.

E. Review and Approval of the PAN

1. AID Regional Bureau Review

Immediately following its receipt and reproduction, the PAN will be reviewed by the Geographic Area Division and the technical specialists and economists in the Regional Bureau Technical Support and Development Planning Divisions. Within a prescribed period thereafter a series of review sessions, restricted to regional personnel and conducted by the Development Planning Division, will be held to determine the major issues raised by the PAN, to be grouped as follows:

- a. Major U.S. policy decisions required;
- b. Principal areas in which the PAN appears to fall short of an appropriate U.S. policy or program for the cooperating country.

Following discussion with the Regional Assistant Administrator, reproduced copies will be forwarded, together with copies of the PAN, to other offices in AID, the Department of State, and other agencies directly involved in the review process.

2. Intra-AID and Inter-Agency Review

Review of the PAN at this level will be conducted by the Assistant Administrator for the region, or his designee. Each section of the PAN will be discussed, in seriatim, with the representatives of other AID offices and agencies most directly concerned with that element of the total submission. The field representatives will be available to answer questions and to clarify additional issues which might arise. The decisions reached during these sessions probably will necessitate some revision of the PAN.

Issues on which agreement cannot be reached will be consolidated in a memorandum, outlining each issue and a proposed solution, and will be sent for clearance to the Regional Bureau in State, other AID offices, and other agencies whose concurrence is required. If concurrence is still withheld, the Assistant Administrator for the region may refer the issue to the AID Administrator for resolution; and, depending upon the nature and significance of the issue, the latter may request a decision by the Secretary of State.

3. Approval of the Revised PAN

When all outstanding issues have been received, a team consisting of one member of the Development Planning Staff, one from the Geographic Area Division, and the field representatives will revise the PAN, if possible in Washington, to avoid delay in approval by the Regional Assistant Administrator, the AID

Administrator, and the Secretary of State. If substantial revision is required, the PAN may have to be redrafted in the field, and approval will be withheld until it is returned to AID/W. When approved, the revised PAN will be issued in Washington and copies will be distributed to all AID offices and other government agencies, and sent to the AID mission abroad.

The approved PAN serves as the basic planning document for all forms of U.S. economic assistance and, in the case of AID assistance, constitutes the basis for bilateral planning of program content and for the delegation of certain authorities to the field. As an economic strategy document approved by the Secretary of State, the PAN provides guidance and direction not only to Executive Branch Departments and agencies, but also to U.S. representatives on multilateral and international bodies, such as the U.N., IBRD, IADB, and DAG. It thus assures consistency of U.S. economic policy with regard to each country.

F. Mission Authority Under the Approved PAN

Until amended or revised, or unless otherwise qualified, the approved PAN will authorize the AID Mission Director, or his designee, to take the following actions without referral to AID/Washington:

1. To approve any "Project or Sector Plan" (PSP) covering Technical and Institutional activities, provided the PSP is consistent with the approved PAN.
2. To negotiate and enter into obligating "sector" agreements covering Technical and Institutional activities, provided such agreements (a) are consistent with the approved PAN, (b) do not involve physical facilities construction costing more than \$100,000, and (c) can be funded from available mission allotments.
3. To undertake, or authorize the country to undertake, any study or survey considered essential whether or not specifically included in the PAN, provided (a) funds are available within the mission allotment and (b) no such study or survey exceeds \$500,000 in total cost.

4. To issue obligating commodity authorizations against any grant Commodity Assistance funds allotted to the mission, subject only to such general standards and criteria as AID/Washington may prescribe for such purposes.
5. To transfer grant funds within and among the three forms of assistance (capital, technical and institutional, and commodity assistance) in any single appropriation category, provided the amount transferred does not exceed 20% or \$5 million, whichever is less, of the funds made available for that category of assistance. Within this aggregate limitation, missions may adjust in any way deemed necessary, to the extent consistent with the approved PAN, the planned obligations for grant capital projects and technical and institutional activities as shown in the annual Congressional Presentation.
6. To re-obligate de-obligated funds within the same appropriation category for any purposes consistent with objectives and priorities indicated in an approved PAN.
7. To allocate, in any way deemed desirable, AID-generated local currencies (or counterpart funds) over which the U.S. has approval authority, among the various projects and activities undertaken within the framework of the approved PAN, and to transfer such funds between economic and military uses within limits approved by the Ambassador.
8. To exercise the same authority with respect to U.S.-owned local currencies available for AID program uses, as for counterpart funds (item 7 above), to the extent not inconsistent with the provisions of the related P.L. 480, Title I sales agreement.

CHAPTER IV: The Annual Budget Submission (ABS)A. Description and Purpose

The Annual Budget Submission (ABS) will focus principally upon the requirements for new obligational authority in a given year, for a specific country (1) to meet urgent U.S. national security and foreign policy needs, and/or (2) to achieve systematic progress toward economic and social development goals set forth in the most recently approved PAN. Except for certain compelling political requirements, this assessment of new obligational authority needed for the budget year will take into account potential availabilities from non-AID sources, both U.S. and other, and the maximum feasible contribution from the country's own resources.

Departing from precedent, it is proposed that the ABS for each country be prepared in two stages, time-phased to serve the two major purposes for which these annual requirements budgets are needed:

1. The first submission, due in September, will include such minimal tabular and narrative material as AID/W needs (a) to develop the Agency's annual requirements submission for the Bureau of the Budget and (b) to support its position in subsequent Executive Branch discussions, culminating in the establishment of the so-called "one-line estimates" to be included in the President's budget message to Congress.
2. The second submission, due in January, will be geared to potential availabilities within the established fiscal ceilings, and will include the more detailed tabular and narrative material required for development of the annual Congressional Presentation. The format for this submission will be so designed as to minimize the need for conversion of the field data in Washington.

The two phases will be known, respectively, as: (1) "The Annual Budget Submission - Executive Budget" (ABS - EB) and (2) "The Annual Budget Submission - Congressional Presentation" (ABS - CP). The rationale for the proposed departure from past procedure, and the numerous advantages inherent in the recommended two-phase annual budget submission, are discussed in Section B following. The illustrative content of each of the two submissions is outlined in Section D. below.

Rationale for Proposed Changes in the ABS Process

1. Past Procedure

During the past few years, annual program submissions, combining budget year and long-range requirements and encompassing a mass of detail, were called forward before firm decisions could be reached on either fund availability or program content for the operational year. In numerous instances, especially among the larger programs, assumptions regarding operational year availabilities and projected requirements based thereon were unrealistic by the time the Washington review process began. Before the process ended, levels of assistance for the budget year changed several times and program content had to be continually adjusted to accommodate the successive fiscal feasibility estimates.

When the Executive Budget ceiling was established by the President, most of the programs had to be recast -- usually in Washington on the basis of supplementary information from the field -- into a new format for the Congressional Presentation. Congressional action on requested appropriations almost invariably necessitated some further adjustment in aid levels for most countries and redevelopment of the programs -- this time in the field in collaboration with the participating countries. Even then, the programs were not considered "operational" until ICA/W and the Coordinator's Office in State had reviewed and approved the component elements, on a piecemeal or total basis, prior to the obligation of funds.

Thus, within a period of approximately 12 to 15 months, the budget year submissions had to be substantially revised or recast at least twice, and changed in one respect or another innumerable times, before the programs were considered sufficiently firm for the obligation of appropriated funds. This repetitive program formulation, review, revision and approval

process, which imposed an excessive burden on both headquarters and field staffs and seriously curtailed the time available for careful evaluation and execution of the country programs, clearly points to the need for a more rational and less onerous method of coping with the year-round activity which characterizes the annual budgetary process.

2. Advantages of the Proposed New Procedure

The circumstances which, to a large extent, gave rise to the complexity of the annual budget process in previous years no longer exist. The need for long-range planning to reflect the essentially long-term nature of U.S. foreign policy objectives is now explicitly recognized by the Executive Branch, and presumably, approved in principle by the Congress. It is no longer necessary or advisable, therefore, to combine long and short-term requirements in a single submission.

The kind of long-range planning now envisaged can be more effectively done by introducing a new technique such as the proposed "Profile of Assistance Need", or PAN. With the principal focus of the annual submissions then on the budget year, the content can be considerably streamlined and the timing changed, as proposed, to meet the specific requirements of the two main phases of the annual U.S. budgetary cycle. As presently envisaged, the September and January submissions, together, will require less detail and supporting data than was required for the single premature submission in the past.

The advantages of the proposed segmented annual budget submission are manifold. The abbreviated form of the September submission will provide an opportunity for critical appraisal in the field of (a) program progress during the preceding year, (b) changes in priorities or previously planned annual phasing of requirements, because of actual or imminent problems in certain areas, (c) new approaches that might be taken to help resolve or minimize these problems, and (d) the country's performance with respect to agreed self-help actions.

This intensive evaluation of factors determining the rate at which additional funds can be effectively used should provide AID/W with a more realistic assessment, than was available in the past, of new obligational requirements on which to formulate the Agency's annual budget request. It should also help to simplify the process of allocating among regions and countries the resources potentially available within the ceilings established by the President for the Executive Budget. The more detailed second submission will thus be based on a more valid assumption with respect to potential fund availability for the budget year than was possible in the past.

Deferral of the second submission to January will have the following additional advantages:

- a. It will enable the Mission (1) to reflect more accurately the funding and implementation status of the program for the operational year, and (2) to make such adjustments in the preliminary September submission as intervening changes in the country situation may require, thus reducing the need, as in previous years, for a continuing flow of supplementary data from the field.
- b. It will provide AID/W with program and other data in a form closely approximating that required for the Congressional Presentation, thus easing the workload previously involved in the conversion of field data to the required format in Washington.
- c. It will result in more effective coordination of field and Washington effort associated with the annual budgetary process, and should help to produce a more realistic and persuasive case in support of the Agency's request for new obligational authority.
- d. It will permit a more rational division of time, both in the field and Washington, between operations and annual budget planning, which will help to expedite program implementation.

C. The Annual Budget Call (ABC)

The Annual Budget Call will be issued not later than August 1, simultaneously with the policy and program guidance needed to establish the setting for the forward planning process. As in the case of the PAN, the guidance will be primarily country-oriented, but will include such global and regional considerations as are considered applicable to the individual countries.

The global elements will be culled from guidelines developed by the Program Review and Coordination Staff (S/PRC), and approved by the AID Administrator, for general guidance in developing the annual budget submissions. The regional guidance will be formulated by the Development Planning Division, in consultation with other appropriate AID units and offices in the Department of State. The country guidance will be developed by the responsible Geographic Area Division, in consultation with other AID units, its counterpart in the State Regional Bureau, and other agencies as appropriate.

The global and regional elements will be integrated with the country guidance and, when approved by the Assistant Administrator for the region, will be transmitted to the Country Team. The guidance accompanying the initial budget call will be confined in general to substantive considerations. Except as circumstances warrant, no reference will be made to monetary targets or ceilings for the Phase I budget submission, for which a September 15-20 due date is proposed.

As previously indicated, the Phase II submission, for which a January 15-20 due date is presently envisaged, will be based on tentative allocations within the total amounts approved by the President for inclusion in the Executive Budget request to be submitted to the Congress. It is assumed, however, that country ceilings will be imposed only for Supporting Assistance and Development Grants and, in the case of the latter category of assistance, perhaps only for estimated continuing costs in the budget year of capital projects and sector activities expected to be underway before the end of the operational year.

D. Content of the Annual Budget Submission

Assuming acceptance of the proposed two-phase submission of the annual requirements budget, the tabular and narrative requirements for each segment illustratively would be as follows:

1. Phase I Submission (ABS - EB)

The submission for Phase I would adequately serve the purpose for which it is intended -- preparation of the Executive Budget -- if it included uniformly for all countries:

- a. A summary table, such as that opposite page 9 of this report, indicating -- by appropriation category -- actual and projected obligations for capital projects, sector activities, surveys, and commodity assistance to the country in the years shown; and, in addition, (1) administrative and program support costs, (2) assumptions with respect to P.L. 480 sales and grants, and (3) assumptions with respect to assistance from other sources which, in the event of a shortfall, would necessitate an increase in AID assistance. The projections for the three years following the budget year are requested for conformance to an anticipated Budget Bureau requirement for estimates covering a five-year period, inclusive of the operational year.
- b. A brief narrative statement, including (1) comments on significant changes -- actual or impending -- in the country's economic, social, political, and internal security situation; (2) an appraisal of the adequacy of the country's self-help efforts to date; and (3) a justification of the budget year requirement for each line item in the aforementioned summary table.

2. Phase II Submission (ABS - CP)

Considerably more detail will be required for the Phase II submission. In addition to a narrative statement, presumably similar to that in the FY 1962 Congressional Presentation, and a revised version of the summary table included in the Phase I submission, at least the following types of data will be required for internal review purposes, the Congressional Presentation, or for brief-case material during the hearings.

- a. Tables or listings similar to those provided in previous years for (1) Central Government Finances, (2) Balance of Payments, (3) Non-surplus agricultural and other commodities to be financed with AID funds, (4) proposed uses of AID-generated local currency and of P.L. 480, Title I sales proceeds available for country use, and (5) AID/IES Coordinated Plans.
- b. A listing, in tabular form, showing by appropriation category (i.e., development loans, grants, and supporting assistance) and field of activity, the dollar costs in the various years indicated in the summary table for all continuing and new capital projects and sector activities foreseen when the January submission is being prepared.
- c. A similar listing for surveys.
- d. A tabular summary for the budget year, by activity field of (1) the proposed number of direct-hire personnel, (2) the number of participants to be called forward, and (3) the proposed number and type of contracts, i.e., engineering, university and others.

Ideally, the program content of the Phase II submission should be developed on the basis of at least an informal exchange of views between the mission and the cooperating country. Such consultation is particularly desirable, if not essential, during the period of transition from the old to the new procedures for program development, when important decisions will have to be made with respect to problems, priorities, relatively long-range goals, and the enlarged responsibility of the country with respect to self-help actions needed to make effective use of U.S. assistance and expedite progress toward attainment of the country's goals.

Consultation with the government at this stage would also help to ease the transition from the Congressional to the operational phase of the budgetary cycle, by delimiting the area of potential

change in the program that might be necessary because of Congressional cuts in the Executive Branch request for funds. These discussions could make clear, if it is not already understood, that joint consultation in planning does not imply any commitments with respect to fund availability for the operational year until the U.S. Congress has acted on appropriations and agency decisions have been made on the availability of funds.

E. Review and Approval of the Annual Budget Submission

1. Phase I Submission (ABS - EB)

a. Regional Bureau Review

As in the case of the PAN, the Development Planning Division of the appropriate AID Regional Bureau will initiate the review process in Washington of the Phase I submissions from the various country missions. Within a week after their receipt, intra-regional meetings will be held with the individual Geographic Area Divisions and the technical support specialists (1) to evaluate the new obligational requirements proposed for the budget year, and (2) to determine significant policy and substantive program issues requiring consultation with other interested offices or agencies. On the basis of this exchange of views, the important issues relating to each country submission will be incorporated in a memorandum for distribution to other AID units, certain offices in State and, if military support issues are involved, to the Department of Defense.

Shortly thereafter, the Development Planning Division will conduct a regional hearing attended by all of the interested parties. Unresolved issues will be discussed with the Assistant Administrator for the region and, when resolved, the Development Planning Division will prepare a

memorandum, incorporating the Regional Bureau's recommendation with respect to the requirements for each country and a brief supporting justification. When approved by the Regional Assistant Administrator, the Bureau's recommendations will be forwarded to the Program Review and Coordination Staff.

b. Intra-AID and Inter-Agency Review

Following its appraisal of all the regional submissions and non-regional requirements for the budget year, the Program Review and Coordination Staff will conduct a series of hearings on all regional and non-regional recommendations, on the basis of which it will prepare a total AID budget for review by the AID Administrator. Following his approval and the Secretary of State's concurrence in the recommendations, the agency's estimate of funding requirements for the budget year will be forwarded to the Bureau of the Budget. Differences of view between the Bureau of the Budget and AID will be adjudicated by the President when he determines the figure to be included in the Executive Budget to be submitted to Congress.

Should the final figure be lower than the agency's request, the Program Review and Coordination Staff will distribute the short-fall among the various components of the total AID budget. If the adjustments affect the initial recommendations of one or more of the Regional Bureaus, concurrence of the responsible Assistant Administrators will be requested before the agency's revised requirements budget is forwarded to the AID Administrator for approval. If approved, the various Regional Bureaus will notify the individual missions of the figures to be used in preparing the Phase II submissions.

2. Phase II Submission (ABS - EB)

Review of the Phase II submissions for substance, adequacy, and internal consistency will be the responsibility of the respective Regional Bureaus. Wherever necessary, however, advice or assistance will be sought from other AID offices and other interested agencies. Since the validity of the requirements reflected in the Phase II submissions will have been established during the Phase I hearings, in which all interested AID offices and other agency representatives participated, there would appear to be no need for more extensive review of the second submission than is now proposed. The elimination of further formal reviews at this stage will ease the pressures involved in developing the Congressional Presentation within the brief period available after receipt of the Phase II submissions.

The division of responsibility for preparation, review and coordination of the various component elements of the presentation will be as follows: Within each Regional Bureau, the Geographic Area Divisions will prepare the individual country sections; and the Development Planning Division will review all country sections and develop the regional portion of the presentation. The Program Review and Coordination Staff will review and coordinate all regional submissions and non-regional elements of the total presentation and will prepare the global section.

F. The Congressional Presentation

One of the major objectives of the two-phased annual budget submission is to establish the soundest possible basis for a realistic presentation to the Congress, which will provide a persuasive case in support of the agency's request for additional funds. The changes in technique and timing necessary to achieve this objective suggest that April 1 is probably the earliest feasible date for the annual Congressional Presentation. An earlier date would not appear to be practicable without reversion to premature submissions from the field, which, to a large extent, created the problems that the proposed new procedures are intended to resolve.

Past experience would hardly indicate that an early presentation helped to expedite Congressional action on requested appropriations. Other factors have had, and probably will continue to have, a more determining influence than the date of submission on completion of the annual Congressional review. Considering the numerous advantages of the proposed change in annual budget procedures, it is recommended that the Executive Branch endeavor to secure firm Congressional acceptance of an April 1 submission date.

G. Post-Congressional Review and Allotment of Funds

Under the proposed new system of program formulation, which encompasses the PAN, the two-phased annual budget submission, and bilaterally developed PSPs ("Project or Sector Plans", discussed in Chapter V), the post-Congressional review and allotment process will be considerably simplified. Even in cases where a PAN is not yet available, informal discussion of program content with the country prior to completion of the Phase II submission, and compression of the time gap between this submission and Congressional action on appropriations would make unnecessary the re-submission of an "operational program" for Washington review and approval prior to allotment of funds.

Within the proposed new framework, it is contemplated that immediately after final Congressional action, the Program Review and Coordination Staff -- in consultation with the Regional Bureau Assistant Administrators and the Directors of other AID offices to which funds are to be allotted -- could quickly and readily develop a funding plan for approval by the AID Administrator. Adjustments to Congressional cuts in requested appropriations, for the most part, probably could be accommodated through this consultative process. Under this procedure, it would be feasible to arrange almost immediate allotment of sufficient grant funds to put the missions in an operational posture.

The size of these initial allotments will vary with the category of assistance and the content of the program. Since supporting assistance is provided largely to finance commodity imports needed to meet essential requirements, generous allotments should be made early in the year to facilitate field issuance of procurement authorizations, subject to certain standards and criteria established by Washington. For development grants, initial allotments should be adequate (1) to cover all firm requirements for approved capital projects and technical and institutional activities, and (2) to provide some leeway for exercise of the authority proposed for delegation to the field, with respect to surveys and the approval and obligation of funds for new technical and institutional activities (see Chapter III, Section F).

In determining country allotments within the approved total allocation of grant funds for the region, consideration should be given to the potential size of a reserve needed to meet requirements for (1) new capital projects which may be approved in Washington, and (2) technical and institutional activities which may be approved in the field. The amount to be reserved will be left to the discretion of the Regional Assistant Administrator.

With respect to loan funds, it is contemplated that a reasonable amount will be tentatively earmarked for each region at the beginning of the year to facilitate Regional Bureau loan approvals ranging, individually, up to \$5 million. This initial regional earmarking of loan funds should be reviewed periodically and adjustments made to assure an equitable distribution of availabilities among the regions.

Recommended Agency Action on the ABS Proposal

Because of the apparent advantages of introducing the proposed new technique for budget formulation and operational approvals as early as FY 1963, it is recommended that the Agency consider organizing a group, as soon as possible, to prepare the instructions, forms, and guidelines necessary to effect the change. Since the second phase submission provides the basis for the Congressional Presentation, at least the format and content for this portion of the proposed segmented annual budget submission would have to be fully developed by about November 1 of this year if the shift to the new approach is to be effected in FY 1963.

CHAPTER V: Project or Sector Plan (PSP)A. Description and Purpose

The dimensions and extent of U.S. and free-world economic assistance to a specific country are outlined in the PAN for that country. The PAN further identifies the priority activities on which AID programs will be focused. The next step in the continuance of program formulation, after approval of the PAN, is the development of detailed loan proposals (for capital projects or other purposes), grant capital project proposals, or functional field (sector) plans in the Technical and Institutional area which will provide the basis for approval, funding, implementation and evaluation of such plans. These Project or Sector Plans (PSPs) are prepared prior to, and provide the basis for approval by either the mission or by AID headquarters.

The PSP is a multi-purpose document used to describe in appropriate detail on a multi-year basis, covering the duration of the proposed undertaking, (a) all capital projects (loan or grant), (b) proposed loans for purposes other than capital projects, and (c) proposed Technical and Institutional activities within a single functional field or sector such as agriculture, industry, or education.

In the case of capital projects, the PSP will provide a detailed description and basically the same data whether the project is to be financed on a loan or grant basis. When used for proposing loans for purposes other than capital projects, completion of a PSP serves essentially as a checklist to assure that the submission by the borrower contains adequate data to permit Washington appraisal of the loan proposal. In the case of Technical and Institutional activities, the PSP serves as the basic planning document to describe the specific activities to be undertaken within a sector in sufficient detail to permit evaluation, approval and agreement.

B. Preparation and Content

PSPs may be prepared independently or jointly by the country, the AID mission, or, in the case of loans, by a private entity. PSPs in the Technical and Institutional Assistance area will be prepared jointly by the AID mission

and the appropriate country agency or ministry. In the case of loans (for capital projects or other purposes), the prospective borrower, either the government or a private party, generally will prepare the PSP. When PSPs are prepared without mission participation, the mission will assure that the PSP is complete and in the required form prior to approving or forwarding it to Washington.

Regardless of the origin of the plan and the nature of the proposed financing, all PSPs will include the following basic information:

1. A description of the nature and scope of the proposal, indicating specific end results to be achieved and showing how these results relate to the long-term development needs of the country. The description should indicate what, if any, alternative solutions were considered and why they were rejected.
2. A multi-year work plan indicating (a) the locus of responsibility for various actions: The country government, the private entity (if any), and/or the mission; (b) the requirements for manpower, training, contract services, and supplies and equipment; and (c) the estimated cost and time phasing for each action or element of the proposal.
3. Analyses of technical, economic, financial and managerial feasibility, including where required by law (Sec. 611) a cost-benefit analysis.
4. A detailed statement (in the case of loans only) of the financial situation of the borrower, his repayment capacity, and a description of the proposed terms of the loan.

In many cases, much of the data under item 3 above will have been included in a feasibility study or survey report. Where such a report has been prepared, it will be attached to the PSP or at least incorporated by reference.

C. Review and Approval

All PSPs for development support loans and all PSPs for capital projects, whether proposed for loan or grant financing, will require AID headquarters approval. To the extent consistent with the objectives and priority needs warranting U.S. assistance as indicated in the approved PAN, Mission Directors may approve Technical and Institutional sector PSPs without referral to Washington.

For PSPs requiring headquarters approval, the mission will prepare comments indicating how the proposal relates to the PAN and the country development plan, if any; whether the proposed local participation is realistic and adequate; and whether the proposed financing (loan or grant) is appropriate. These comments, approved by the Mission Director, will be forwarded to AID headquarters with the PSP.

The appropriate Geographic Area Division of the AID Regional Bureau will be responsible for conducting the initial headquarters review of all PSPs forwarded to Washington for approval.

In all cases, both loan and grant, advice as to the possibilities of alternative sources of funding (IBRD, Ex-Im, private, etc.) will be secured from the Office of Development Financing (ODF). Comments will be obtained from the Development Planning Division regarding conformance to program objectives and priorities, and from the Technical Support Division concerning the technical and financial soundness of the proposal. Comments of other AID units will be obtained as required.

Following receipt of the foregoing comments, the Geographic Area Division will recommend approval or disapproval by (1) the Assistant Administrator for loans up to \$5 million or (2) by the Development Loan Committee and the Administrator for loans over \$5 million.

When a loan has been approved, the loan officer in the Regional Bureau will assume responsibility for drafting the loan agreement and for conducting the necessary negotiations with the borrower, in consultation with the Geographic Area Division and the Mission. The formal loan agreement may be signed either in the field or in Washington, as determined by the Regional Bureau Assistant Administrator.

Headquarters review of grant-financed PSPs will also be conducted by the Geographic Area Division in much the same manner as that described for loan proposals, except that the Regional Bureau Assistant Administrator will approve or disapprove the PSP unless in his judgment the AID Administrator's approval is required.

To the extent consistent with the approved PAN, sector PSPs may be approved directly by the Mission Director. After such PSPs are approved, copies will be distributed within AID and to other interested agencies.

Approval of a PSP, in the field or Washington, will constitute authority to negotiate and sign either a loan agreement, a grant capital project agreement, or a sector agreement.

In the case of grant capital projects and sector activities, the PSP, upon approval, can be converted to an agreement by the attachment thereto of preprinted standard provisions and the inclusion therein of such special provisions as may be required.

Because of their nature, loan agreements will normally be "custom-tailored" in the light of the negotiations with the borrower prior to the drafting of the agreement.

CHAPTER VI: Implementation ProcessesA. Assumptions

Implementation of AID programs, projects and activities should be characterized by the delegation of maximum operational authority and flexibility to mission directors. The implementation policies and procedures ultimately developed in the form of operational instructions should permit at least the following specific authorities for field missions:

1. To approve any "Project or Sector Plan" (PSP) covering Technical and Institutional activities provided the PSP is consistent with the approved PAN.
2. To negotiate and enter into obligating "sector" agreements covering Technical & Institutional activities, provided such agreements (a) are consistent with the approved PAN, (b) do not involve physical facilities construction costing more than \$100,000, and (c) can be funded from available mission allotments.
3. To undertake, or authorize the country to undertake, any study or survey considered essential whether or not specifically included in the PAN, provided (a) funds are available within the mission allotment and (b) no such study or survey exceeds \$500,000 in total cost.
4. To determine the commodity composition of, and to issue obligating commodity authorizations against any grant Commodity Assistance funds allotted to the mission, subject only to such general standards and criteria as AID/Washington may prescribe for such purposes.
5. To transfer grant funds within and among the three forms of assistance (Capital, Technical & Institutional, and Commodity Assistance) in any single appropriation category, provided the amount transferred does not exceed 20% or \$5 million, whichever is less, of the funds made available for that category of assistance.

6. To re-obligate de-obligated funds within the same appropriation category for any purposes consistent with the objectives and priorities indicated in an approved PAN.
7. To allocate, in any way deemed desirable, AID-generated local currencies (or counterpart funds) over which the U.S. has approval authority, among the various projects and activities undertaken within the framework of the approved PAN, and to transfer such funds between economic and military uses within limits approved by the Ambassador.
8. To exercise the authority described in paragraph 7 above with respect to U.S.-owned local currencies available for AID program uses, to the extent not inconsistent with the provisions of the related PL 480, Title I sales agreement.
9. For Technical & Institutional Assistance programs and for approved grant capital projects, missions may issue "activity authorizations" directly to any approved implementing agency for such manpower, contract services, equipment and participant training as are needed to carry out such programs and projects.
10. Mission authority to execute technical services contracts, and to authorize and approve country contracts for AID financing, should be increased to at least \$100,000.

B. Implementation Processes

As described earlier, the distinction among the procedures and documentation to be used in arranging for the extension of AID assistance will depend primarily upon the form of the resource being transferred to the cooperating country. This section of the report describes briefly the implementation processes and documentation proposed for each category of assistance previously defined, viz., Commodity Assistance, Capital Assistance, and Technical & Institutional Assistance.

1. Commodity Assistance

a. Commodities Other Than Surplus Agricultural Commodities

Commodities (other than surplus agricultural commodities) to be made available to cooperating countries will continue to be authorized through one of two basic mechanisms: (i) an adaptation of the existing ICA "procurement authorization" system, and (ii) in exceptional cases, through the use of "conditional" cash grants.

At the option of the appropriate Regional Bureau Assistant Administrator, the allotment/authorization processes applicable to grant Commodity Assistance (excluding surplus agricultural commodities) may be administered on a decentralized basis. Specifically, allotments for such purposes may be made to all or selected AID missions and authority extended to such missions to issue obligational commodity authorizations without prior Washington review and approval. Standards and criteria governing the mission's operations in this respect will be developed by AID headquarters (the Office of Commodity Assistance) to permit such decentralization.

To the extent such decentralization is not permitted, AID headquarters will continue as heretofore to issue commodity authorizations (through the Office of Commodity Assistance) pursuant to applications developed by the cooperating countries and submitted through the field missions concerned.

In view of the objectives normally sought by the agency in extending this form of assistance, and in order to provide maximum flexibility to cooperating countries, it is proposed that significantly expanded use of "multi-code" commodity authorizations be permitted in the future. There appears to be no insurmountable obstacle to the issuance of a single commodity authorization to a cooperating country which would permit procurement to be undertaken against most or all of the funds allotted for such purposes. Such authorizations would be subject to the provisions of Regulation 1 and would embody such other terms and conditions as would be essential to protect U.S. interests. Blanket authorizations of this kind would have a number of advantages, including acceleration of the agency's rate of obligation, minimization of paper work, increased procurement flexibility for cooperating countries, and avoidance of many of the "de-obligation/re-obligation" difficulties encountered by the agency in the past.

In those instances where for compelling reasons it is necessary for procurement to be arranged through a U.S. Government agency, essentially the same procedures as currently apply in ICA will be followed. The AID mission concerned will submit to AID headquarters (the Office of Commodity Assistance) the details of the proposed procurement in the form of an application for a commodity authorization. AID headquarters will then authorize the procurement by issuance of a requisition to the designated U.S. agency which will proceed with purchase and shipment in accordance with the prescribed specifications.

Under existing procedures, several types of authorization instruments are employed to authorize the procurement of commodities, supplies and equipment. For so-called "non-project" assistance, a Procurement Authorization (PA) is used where the procurement is to

be undertaken by cooperating country agencies or importers; for non-project procurement to be undertaken by a U.S. agency, a "Procurement Authorization-Purchase Requisition" (PA-PR) is employed; and for the purchase of supplies and equipment for projects, a "Project Implementation Order-Commodities" (PIO/C) is used regardless of the agency authorized to proceed with the transaction. Inasmuch as these instruments serve essentially the same basic objectives, i.e., to authorize the purchase of commodities for program purposes, it is proposed that a single authorization document be developed and introduced to meet all of these needs irrespective of the channel of procurement, method of financing, or source of funds involved. Distinctions relating to the category of assistance, appropriation source, or other relevant information can be readily accommodated by the use of appropriate code symbols.

In limited instances, Commodity Assistance may be made available through the use of "conditional" cash grants, usually under circumstances where a normal commodity import pipeline cannot be developed to generate needed local currencies. Where this is the case, it is believed that an appropriate exchange of notes with the country concerned should be executed with the requirement that the funds may be used only for the purchase of commodities under conditions prescribed by the agency relating to source, types of commodities, documentation, pricing, and reporting.

Although provision has been made in this report for the use of cash grants as a form of Commodity Assistance, it is recognized that this is an issue with significant program policy implications. As such, it warrants separate and special treatment and study with the objective of developing an acceptable modus operandi to assure some consistency in the use of this device as well as in the conditions to be imposed upon the countries receiving assistance in this manner.

b. Surplus Agricultural Commodities

The Office of Commodity Assistance will carry out AID's responsibility with respect to the sale or grant of surplus agricultural commodities to cooperating countries under the provisions of PL 480.

Generally speaking, the procedural mechanisms and methods of financing heretofore employed to effect the transfer of surplus agricultural commodity resources to cooperating countries appear to be reasonably effective and efficient. Accordingly, no substantive changes in these mechanisms are proposed. It is also assumed that the Office of Commodity Assistance will shortly undertake a comprehensive review of all facets of PL 480 policies and procedures and will recommend such changes as it considers appropriate in the light of AID responsibilities and objectives.

c. Summary

In summary, no basic changes are contemplated in the procedural mechanisms and documents used in PL 480 transactions to arrange for the procurement and shipment of surplus agricultural commodities.

With respect to non-surplus agricultural and other commodities, it is proposed that the following modifications to present procedures be introduced:

- (1) Commodity Assistance allotment/authorization processes will be decentralized to selected missions at the option of Regional Bureau Assistant Administrators.
- (2) Maximum use of "multi-code" or blanket commodity authorizations will be permitted, and
- (3) A single document will be developed and used by the agency in authorizing the procurement of commodities (including supplies and equipment) to be financed by AID.

2. Capital Assistance

a. Plans and Agreements

Capital Assistance, as a form of aid, and "capital project" as used herein, have been defined in detail in Chapter II of this report. Particularly significant is the proposed use of the term "project" only in the context of Capital Assistance and only for major undertakings which will result in the creation, expansion, or alteration of a physical facility, plant, or installation.

All proposals, whether on a loan or grant basis for Capital Assistance and whether developed by a cooperating country, an AID mission, or other entity, should be submitted in a prescribed form to AID/Washington for review and approval. For these purposes, a "Project or Sector Plan" (PSP) will be completed in required detail and transmitted by the AID mission together with its comments, where appropriate, to AID/headquarters.

The PSP is essentially a planning document which describes the nature and scope of the proposal, the results to be achieved, the relationship of the proposal to the development needs of the country, the work plan, the requirements for personnel services and supplies and equipment, and other data demonstrating the financial, technical, economic, and management feasibility of the proposal. The PSP serves, therefore, as the basic planning document covering all loan proposals (for capital projects or other purposes) and all capital projects to be financed on a grant basis.

The PSP for Capital Assistance will be submitted by the mission to the appropriate Geographic Area Division in the Regional Bureau concerned. The Geographic Area Division will immediately solicit the advice of the Office of Development Financing on alternative financing possibilities, if any. It will then request comments from both the Development Planning Division and the Technical Support Division of the Regional Bureau on the economic, technical, and financial aspects of the proposal and its desirability on a priority basis in the light of total fund availabilities. After taking these comments into account, the Geographic Area Division will then prepare a recommendation for consideration by the Assistant Administrator of the Regional Bureau concerned.

In the case of loans below \$5,000,000, the Assistant Administrator is authorized to approve and to proceed with the negotiation and execution of the required loan agreement.

Loan proposals over \$5,000,000 must be submitted to the Development Loan Committee for review, concurrence, and approval by the AID Administrator. Loan agreements may be negotiated and executed either at the Washington or mission level and may be signed by the AID Administrator, the Regional Bureau Assistant Administrator, or, under delegation, by the AID Mission Director.

Grant capital projects will be processed and reviewed in the same manner but no review by the Development Loan Committee will be necessary. Except in those instances where it is felt necessary to secure the approval of the AID Administrator, the Regional Bureau Assistant Administrator will give final approval to proposals for grant capital projects. Agreements relating to grant capital projects will normally be executed at the field level by the AID Mission Director.

b. Letters of Implementation Under Capital Assistance Agreements

With respect to both capital projects (loans or grants) and loans made for other purposes, it is envisaged that in most instances the focus of responsibility for the planning, initiation, and conduct of implementation actions will be placed upon the borrower or the administrative entity responsible for the project or operations involved. Loan agreements and related implementation processes will be individually tailored to the circumstances and will prescribe the responsibilities of the borrower, the manner and purposes for which the funds are to be disbursed, documentation and reporting requirements, and other conditions with which the borrower must comply. Similar requirements will be embodied in grant capital project agreements.

Development of the implementation instructions will be the responsibility of the Regional Bureau (the Loan Officer in the case of loans and the Geographic Area Division in the case of grant capital projects). Thus, maximum flexibility is given to the Regional Bureau to determine how and through what procedural mechanisms Capital Assistance will be made available following approval of the loan proposal or grant capital project proposal described in the PSP. Loan and capital project agreements may, for purposes of implementation, prescribe the use of the procedures designed for Commodity or Technical & Institutional Assistance (e.g., the use of Activity Authorizations) or such adaptations of these mechanisms as may be considered necessary.

3. Technical & Institutional Assistance

a. Sector Plans and Agreements

Because of their interdependent nature, activities in the Technical & Institutional Assistance area will normally be planned, negotiated, agreed upon, and implemented in terms of broad fields of activities or "sectors" such as agriculture, education, and public health. As in the case of Capital Assistance, the preplanning of such activities must be as thorough and accurate, prior to the commitment of U.S. funds, as it is possible to achieve. It is therefore proposed that the Project or Sector Plan (PSP) will also serve as the basic planning document to be used by the mission to describe in detail the objectives to be achieved by the total "sector" plan, the respective contributions of the U.S. and the cooperating country, the specific Technical & Institutional activities to be undertaken, the time-phasing of such activities, the estimated number of technical personnel required, the number of participants to be trained and in which specific fields, the relationship of the sector plan to the PAN, and similar data. Conceptually, the PSP, as used in the Technical & Institutional Assistance area, constitutes the specific operational plan for activities to which the U.S. is to contribute directly and which are to be undertaken within a single sector during a prescribed period of time.

Ideally, the sector plan will be prepared jointly by the Mission and the country, although it is recognized that in many instances it will be necessary for the mission to take primary responsibility for the completion of the document. The PSP will be so designed as to permit conversion, upon approval, to an operational "sector agreement" by the counter signatures of the appropriate mission and country representatives and by the attachment thereto of such standard or special provisions as may be required.

To the extent consistent with the objectives and priorities set forth in the PAN, AID missions will be authorized to plan, negotiate, and enter into sector agreements without prior Washington review and approval. Mission funds may be obligated through the execution of such agreements for all components of the proposed AID contribution (i.e. technicians, supplies and equipment, contract services, participant training costs and/or local costs, if any). To the extent the services of direct-hire U.S. technicians are required and where the mission desires, the estimated costs of such technicians may be obligated as part of the total U.S. contribution, provided such technicians are to be used solely on activities covered by the agreement and further provided that the mission is reasonably certain that such technicians can be obtained without undue recruitment difficulties. In this respect, the comments of the Senate Foreign Relations Committee in Report No. 612 (Section 625(f), page 39) on the Foreign Assistance Act of 1961 are relevant. Missions will not obligate for the services of direct hire U.S. technicians in instances where AID/headquarters has advised them that recruitment difficulties or personnel scarcities exist.

It will be left to the option of the mission, in the planning and use of its allotted resources, to determine the precise amount of funds to be obligated through execution of such sector agreements. In all cases, however, the mission will assure that (a) funds are available within the mission allotment, and (b) that the specific services and supplies for which the funds are obligated can be covered by the issuance of appropriate Activity Authorizations within twelve months from the date of the signing of the agreement.

Sector agreements will be reviewed at least once annually by the AID mission, with particular emphasis placed upon the actual utilization of funds during the preceding period. Additional funding of such agreements will normally be achieved by amendment of the agreement, but such funding will be contingent upon the extent to which previous obligations have been either "sub-obligated" by the issuance of activity authorizations for goods and services or actually expended for goods delivered or services rendered.

b. Use of the Activity Authorization as an Agreement

In those instances where a specific activity to be undertaken is either so limited in scope or is not in itself part of a program of continuing U.S. assistance (e.g. a study or survey) in a particular sector, it will not be necessary for the mission to develop a PSP. Instead, the "Activity Authorization" document described in detail below will be used. In such cases the Activity Authorization, upon signature by both the country and mission, will serve both as an agreement and as the requisitioning device to procure the services or supplies and equipment specified.

c. Activity Authorizations Under Sector Agreements

Supplies and equipment, technical personnel, contractual services, and participant training required in the execution of sector agreements will be authorized by the mission through the use of an "Activity Authorization". The Activity Authorization is the document issued by the mission to describe the goods or services required, the time period by which the goods or services are to be delivered or rendered, the implementing agent, the method of financing, and such other relevant specifications as are necessary. It is in effect a requisitioning instrument which serves as authority to the designated implementing agency to proceed with the actions described and which furnishes all data and specifications essential to execution of the transaction.

The Activity Authorization will consist of a standard face-sheet with differing attachments to provide for the varying data needed for contract services, participant training, supplies and equipment, and personal services. Appropriate coding on the face-sheet of the Activity Authorization will permit ready identification of the agreement (if any) to which it relates, the appropriation and allotment sources, the functional field, and the nature of the action authorized (whether for contract services, participant training, or other purposes).

As previously noted, this document will also be used (1) to authorize commodity imports under "Commodity Assistance", and (2) for implementation of Capital Assistance when so specified in the related letters of implementation.

Within limitations to be established by AID headquarters, missions will be permitted to issue Activity Authorizations directly to any approved source for the services or supplies needed. In an effort to expand significantly the sources, governmental and private, from which missions may directly requisition needed services and supplies, it is proposed that AID Washington make appropriate arrangements to facilitate such relationships with other U.S. agencies, and with selected universities, foundations and other organizations. To the maximum extent feasible, the objective in this respect will be to encourage direct negotiation between the mission, as the "customer", and pre-selected sources of services and supply, thus minimizing involvement or intervention on the part of AID headquarters.

With respect to the procurement of technical services, AID practices and procedures should be revised to encourage and facilitate contracting by cooperating countries in lieu of direct AID contracting. It is expected that the report of the Working Group on Contracting will advance appropriate recommendations to achieve this objective. Subject to

criteria to be determined by the same group, the authority of missions to negotiate and execute contracts should be substantially increased. In addition, where AID headquarters can so arrange, missions should be permitted to issue Activity Authorizations for technical services directly to a number of selected U.S. agencies, such as the Corps of Engineers and the Department of Commerce, pursuant to which such agencies would either furnish the required services from their own "in house" capability or contract externally for such services.

Where the services of an individual technician are required under a bilateral sector agreement, the mission will initially determine whether it is appropriate and feasible for such services to be obtained under a contract made by the cooperating country, or whether it is necessary for AID itself to provide the technician. Except for executive, policy-making, control or "sensitive" positions, the preferred method of employment should be under a country contract. To encourage this approach, the agency should develop as soon as possible appropriate rules and a standard form contract which the countries could use in contracting with individuals under AID financing.

Where the mission determines that U.S. employment of an individual technician under a bilateral sector agreement is necessary or desirable and where the nature of the assignment does not in itself dictate otherwise, the choice as to the method of employment should be as follows in the order of preference: (1) mission contract, (2) AID headquarters contract, or (3) direct-hire by AID. It is also proposed that to the extent practicable AID headquarters make arrangements with selected U.S. agencies, universities, foundations and private organizations whereby missions could negotiate and contract directly with such agencies and organizations for the services of individual specialists and technicians for periods up to two years. In such cases, the role of AID Headquarters will be

to facilitate such direct negotiations by interviewing proposed candidates where necessary, and by arranging for security and other clearances.

In addition to the use of Activity Authorizations for such contract services and technicians as may be required, participant training and supplies and equipment will also be ordered by mission issuance of this document. Activity Authorizations covering the training of country nationals will be issued by missions directly to the proposed centralized Participant Training Division in the Office of Program Support or to other missions for the arrangement of training services in third countries. Supplies and equipment will be obtained by the issuance of an Activity Authorization to the cooperating country, to GSA, or to other approved sources of supply.

TERMS OF REFERENCE

Program Formulation and Implementation Systems Work Party
Organization and Administration Group

The task confronting the new AID agency in planning, drafting, clearing and issuing instructions setting forth new program methods and implementation processes is both challenging and formidable. In its total scope, this effort can logically be divided into two discrete phases.

The first phase, and the immediate objective of this working group, will terminate with the completion of a summary description of the basic concepts and systems whereby the new agency will develop, review, approve and execute economic and social development programs and projects. These systems include the interrelated budget formulation and reporting processes essential to the efficient administration of the agency's total resources. It is planned to complete this phase on or about July 31, 1961.

The second phase of the project will be devoted to the translation of these principles and processes into detailed operating instructions and forms for headquarters and field guidance. Completion of this phase will depend upon a number of factors, such as the availability of appropriate staff; the depth of detail required in the numerous operating instructions which will be necessary; and the time required for the development, clearance, printing, and distribution of new programming and implementation forms.

In developing proposed program formulation and execution systems, the first phase working group will be guided by the new programming concepts and operating principles embodied in the agency's FY 1962 Congressional presentation. Particular emphasis will be given to the following objectives:

- a. Long-range planning as the basis for the development of U.S. assistance programs
- b. Extension to the missions of maximum feasible authority to formulate and revise U.S. assistance programs, to initiate new projects and activities, and to adjust funds within the total approved by headquarters
- c. Reduction in the content of field program submissions
- d. Acceleration of headquarters' program approval and allotment processes

- e. Simplification and acceleration of all implementation processes
- f. Greater reliance upon countries, AID missions and other U.S. agencies for the assumption of operational responsibilities such as contracting and the employment of technicians
- g. Maximum utilization of the agency's EDP resources
- h. Development of an integrated budget-accounting-reporting (fiscal and physical) system keyed to field program submissions and the Congressional presentation

Tentatively, the major segments of the first phase which appear to require exploration and treatment are as follows:

1. Washington Guide-Lines for Program Development
 - a. Scope
 - b. How developed
 - c. Participants
 - d. Timing
2. Field Submission of Proposed U.S. Assistance Programs
 - a. Content of submission
 - b. Periodicity of submissions (including feasibility of breaking the submission into differently time-phased presentations)
 - c. Format of submission
 - d. Short-range and long-range aspects of submission
 - e. Feasibility of applying "performance budget" concepts to AID program processes
 - f. Adaptability of submission to EDP
 - g. Country team role in program formulation

3. AID Headquarters Review
 - a. Purposes of review
 - b. Major participants
 - c. Timing
 - d. Intra-agency points of decision
4. Review by Other U.S. Agencies
 - a. Purpose of review
 - b. Major participants
 - c. Timing
 - d. How and by which AID office coordinated
5. Congressional Presentation
 - a. Content
 - b. Timing
 - c. Role, if any, of missions
 - d. Role of Regional Bureau Assistant Administrator
 - e. Role of Program Review and Coordination Staff
 - f. Role of Controller
 - g. How and by which AID office coordinated
6. Post-Congressional Program Review
 - a. Major intra-agency participants
 - b. Inter-agency participants
 - c. Points of decision
 - d. Timing and scope of program approvals and allotments

7. Program Implementation

- a. Direct-hire personnel (technicians and administrative categories)
- b. Participant training (U.S. or 3rd country)
- c. Contracts for technical services (country, mission, AID, or U.S. agency contracts with individuals, firms, universities and other non-profit institutions)
- d. Procurement (by country, AID mission, or by other U.S. participating agencies)
- e. Local currency utilization processes
- f. Loan administration and implementation.

The end-product of the first phase, as currently envisaged, will be a report to the Chairman of the Working Group on Organization and Administration consisting essentially of the following:

- (i) A general statement in narrative form treating each of the processes identified earlier, in sufficient detail to make clear the role and responsibility of the principal participants, the nature and extent of the data required, the timing and purpose of the process, and other relevant factors;
- (ii) such flow charts as are considered essential to an understanding of each process; and
- (iii) such other analyses and supporting data as are appropriate in support of the stated or implicit conclusions underlying the processes proposed for adoption by the new agency.

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DEVELOPMENT LOAN FUND

Distribution of Commitments by Amount as of June 30, 1961

	<u>Number</u>	<u>Per Cent of Total</u>	<u>Amount (in millions)</u>	<u>Per Cent of Total</u>
Less than \$1.0 million	27	12.7%	\$13.0	0.6%
\$ 1.0 million to \$2.0 million	24	11.3	35.3	1.8
\$ 2.0 million to \$5.0 million	42	19.8	123.0	6.1
\$ 5.0 million to \$10.0 million	52	24.5	304.8	15.2
\$10.0 million and above	67	31.7	1,533.0	76.3
<u>Total</u>	212	100.0	2,009.1	100.0

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Project Statistics For FY 1960

<u>Size of Project (in thousands)</u>	<u>Number of Projects</u>	<u>Per Cent of Total Number</u>	<u>Total Value (in millions)</u>	<u>Per Cent of Total Value</u>
0-20	399	24%	\$4	1
20-50	345	21	11	3
50-100	314	19	22	6
100-200	258	16	36	10
200-500	197	12	61	18
500 plus	133	8	219	62
<u>Total</u>	1646	100	353	100