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AGENCY FOR INTERNATIONAL DEVELOPMENT

A.I.D. Program and Operations Assessment Report No. 3

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October 1992

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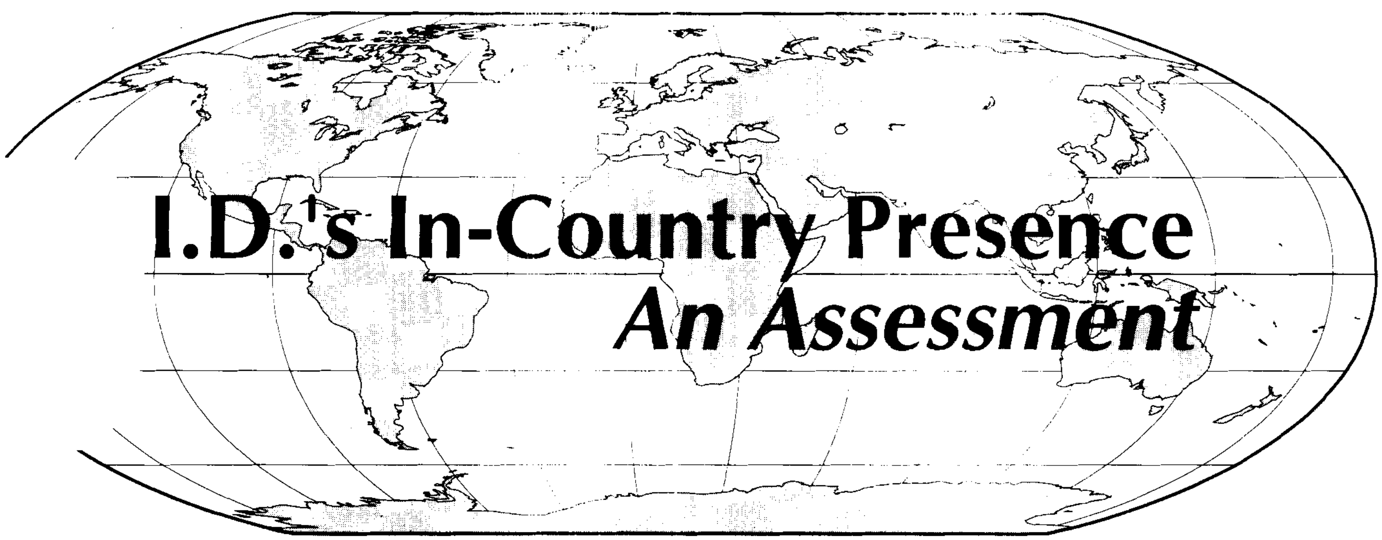

I.D.'s In-Country Presence
An Assessment

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

October 1992

A.I.D. Program and Operations
Assessment Report No. 3

A.I.D.'s In-Country Presence

An Assessment

by

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October 1992

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Foreword

This report examines a feature of A.I.D. that is, in the view of many inside and outside the Agency, its most distinctive and valuable asset: its in-country presence. In-country presence refers to the Missions and offices maintained abroad and staffed by U.S. direct hire development professionals on long-term assignment. But as much as we value this asset, our approach to it requires critical analysis in view of rapidly changing global commitments and continuing budgetary pressures.

The very experienced team that performed this study for the Center for Development Information and Evaluation has provided this analysis through

- Systematic exploration of the basic advantages of A.I.D.'s in-country presence
- Review of the relationship of these advantages to the actual functions performed by U.S. staff overseas
- Formulation of a range of short and longer term options intended to increase the cost-effectiveness of our approach to in-country presence while maintaining the basic advantages

In addition, the team proposed two overarching measures. First, strategies leading to self-reliance should be put in place everywhere. These would entail a planned reduction of A.I.D. staff involvement as recipient countries develop the skills and capacity to manage their own development resources. Second, the Agency should rely more heavily than it now does on its foreign national employees and give them commensurate responsibility.

This report deals with a major aspect of how we do business. It relates closely to the comprehensive management improvement program now under way in the Agency. I trust that its findings and the options it offers will prove useful to those charged with preparing and implementing that program.

The report is the first of a number of assessments being undertaken by the Center for Development Information and Evaluation of the A.I.D. Policy Directorate that will focus on issues in Agencywide operations and management systems.

John R. Eriksson
Associate Assistant Administrator
Center for Development Information
and Evaluation, Directorate for Policy
October 1992

Preface

To undertake an assessment of the Agency for International Development's (A.I.D.) in-country presence in the spring of 1991, the Center for Development Information and Evaluation (CDIE) assembled a team of 11 current U.S. direct hire employees, one retired A.I.D. employee, and one private-sector consultant. With the exception of the field visits, continuity in the work was provided by a core group of three to five persons. The remainder of the team assisted in drafting and reviewing as their primary responsibilities permitted.

The assessment team received excellent cooperation and observed a high degree of interest from senior management interviewed at headquarters, all of the field Missions visited, and, in particular, the management and staff of CDIE, to whom we express our thanks.

The team wishes to emphasize that few, if any, of the ideas in this report are new. They have been discussed for years and, in a few cases, actually tried. What has been missing is a clear statement of Agency policy accompanied by disciplined implementation. Policy and discipline are, therefore, essential if any of the ideas and recommendations in this report are to be successfully pursued. The team hopes the recommendations will be pursued and that they will contribute to an improved workforce allocation system and the best possible use of scarce human and financial resources.

Summary

In spring 1991, Administrator Ronald W. Roskens mandated the Agency's Center for Development Information and Evaluation (CDIE) with undertaking an in-depth assessment of the Agency for International Development's (A.I.D.) in-country presence to (1) determine the advantages of A.I.D.'s in-country presence, (2) ascertain whether the functions performed overseas are those that effectively exploit those advantages, and (3) seek to identify possible alternative configurations that are cost-effective but retain the demonstrated advantages of in-country presence.

To undertake this task, CDIE assembled an in-house team of senior Mission Directors, experienced Foreign Service officers, an Agency personnel specialist, and independent consultants, who performed the Washington and field-based data-gathering, research, analysis, and report preparation over a one-year period from July 1991 to July 1992.

The assessment team deliberately avoided approaching this task as a budget-driven exercise to reduce U.S. direct hire (USDH) staff levels overseas as a management device for operating expense (OE) savings. Rather, the team's approach was to investigate and determine the most rational and cost-efficient system for delivering an effective and high-impact foreign assistance program, consistent with political and developmental realities, in the decade of the nineties and beyond.

Findings

The assessment team found that the in-country presence of A.I.D. Foreign Service officers and their supporting staff is an integral part of the development assistance program, rather than one management mode among others, all more or less equally effective. The costs associated with that presence are thus directly linked to the achievement of the U.S. Government's (USG) development objectives within individual countries. Attempts to lower those costs by substituting a less-expensive management mode without in-country presence would therefore compromise effectiveness. Interviews with A.I.D. staff, host-country officials, and other-donor representatives revealed a common perception that A.I.D.'s form of in-country presence reflects an approach to delivering foreign assistance that is characterized by close collaboration, hands-on involvement, and a preoccupation with accountability and short-term results.

A model of Mission staffing based on program size and composition exists and serves as a guideline at the time of the budget exercise, but there are no hard and fast rules for determining Mission size and configuration. Although regression analysis demonstrated that the variations of several independent variables (budget size, budget source, number of projects, PL 480 program) in fact explained about

90 percent of the variations in the bulk of worldwide USDH staff in FY 1988-1991 (59 Missions), some Missions had actual levels of USDH staff that significantly exceeded or fell below (by 10 percent or more) levels predicted by the regression analysis. Although there may be valid reasons for some of these divergences, others may represent an inefficient allocation of resources.

Factors that have determined individual Mission size include, inter alia, tradition and history, special interests and congressional earmarks, the "visibility" of the program, different management styles and agendas of Mission Directors, personnel and OE ceiling constraints, post amenities and environment, complexity of the program, and perceived compliance and accountability requirements. The assessment team also took note of the Agency's promotion incentive system which considers large program and staff size as positive performance factors, thus discouraging personal initiatives to utilize staff and budget resources more efficiently.

The team found that A.I.D.'s present system of significant in-country presence has two chief advantages for delivering economic and development assistance: influence and program accountability. The personal relationships that A.I.D. Foreign Service officers are able to establish on a daily working basis with host-country counterparts are unique in the donor community. These ongoing working relationships enhance the effectiveness and impact of the U.S. taxpayers' investment in foreign assistance programs through a variety of positive factors, including better understanding of local conditions; political and cultural sensitivity; ready access to host-country officials; sustained, day-to-day involvement in the process of policy reform; keeping development on the USG agenda; and more effective promotion of sensitive issues, such as family planning and environmental protection.

Program accountability benefits from a higher quality of program and project implementation; faster disbursement rates; daily review; improved husbanding of resources; delegated field authorities; prompt decision-making in resolving problems, misunderstandings and miscommunications; and the institutional continuity that A.I.D.'s field Missions provide.

The interviews also revealed disadvantages of a significant in-country presence, including a tendency toward a heavy-handed and paternalistic approach to design and implementation that inhibits "ownership" of activities by the recipient governments and thwarts their maturation and ability to handle their own affairs; an excessive use of American technical experts, even when qualified local experts are available; a diffusion of program activities; isolation of USDH from professional peers; inconsistent interpretation of rules and regulations; physical security; and cost.

Many of the large and medium-sized Missions have become mini-A.I.D./Ws with their own internal bureaucracies. The need for review by, and clearances from, a bevy of procedural specialists tends to constrain the flexibility, quick decision-making, and risk-taking that decentralization was designed to promote. As one field Mission Director stated in an interview: "Staff begets work!" A significant number of overseas staff do not contribute directly to the identified advantages of in-country presence, despite their full-time (and often overtime) occupation with meaningful and necessary work. Many of these staff members are busy with program support tasks such as legal advice, procurement, contracting, project design, and evaluation which could more cost-effectively be provided to the Missions by Foreign Service nationals (FSN) or contract staff, through temporary duty travel (TDY) visits from regional locations or A.I.D./W, or by taking advantage of the high-tech communication facilities now available to increasing numbers of Missions, such as facsimile transmission, E-mail, computer modem, and satellite telephone.

Decentralization has also promoted competition among Missions for scarce program and staff resources. Because each Mission is responsible for proposing and justifying its program portfolio and staff requirements, an advocacy mentality is engendered that operates in tandem with an adversarial approach to A.I.D./W. The extensive documentation that this system requires creates the need for expanded staff—not necessary for the effective implementation of program operations—and brings into question the strict objectivity of country program and staff justifications.

Extensive interviews with resident representatives of the bilateral and multilateral donor community, host-country officials, and private sector representatives revealed, by and large, an admiration and appreciation of A.I.D.'s in-country presence operational mode. There were both criticisms and compliments, but the majority view was favorable. Host-country officials appreciate the day-to-day counterpart relationships they develop with USAID officers and the flexibility in program implementation decision-making which A.I.D.'s presence provides. At the same time, they decry the inflexibility that the bureaucratic nature of present-day Mission structures has caused. As one official stated, "The Americans taught us about flexibility—now *they* have become inflexible."

Other donor representatives often exhibited envy of the human resources that the USAID Missions had available to them. However, their individual countries or institutions do not always seek the same objectives as A.I.D. and have far fewer oversight concerns. For A.I.D. to reduce its overseas presence to a size commensurate with that of the other principal donors would require an unworkable recentralization of authority in A.I.D./W and a dramatic reduction in both the scope of the assistance effort and the audits, controls, and legislative oversight to which the program is presently subjected.

Alternative Approaches

The assessment team has identified a series of options that A.I.D. should consider in developing an improved system for future staffing of overseas Missions and offices. These options, which are not mutually exclusive, are divided into three categories:

1. Those that can be implemented fairly quickly in the short term with minimum restructuring;

2. Those that would require moderate restructuring and could be implemented in the medium term; and

3. One that would employ a strategic management approach to workforce allocation and would require more time to implement significant changes in the way A.I.D. staffs and manages the delivery of foreign assistance.

All three categories are set in the context of strategic management objectives: (1) managing for results, (2) managing for cost-effectiveness and accountability, and (3) managing for recipient country self-reliance.

Short-Term Opportunities

1. Adjust current USDH staffing imbalances from Missions considered overstaffed to Missions considered understaffed.

2. Identify and designate more advanced developing countries (ADCs), such as Costa Rica, India, Thailand, Tunisia, and subject them to appropriate downsizing of in-country presence, while adjusting the assistance program portfolio to one that can be managed by the host country with minimal monitoring by A.I.D.

3. Reduce staffing in some of the more unfavorable development environments where the program has been established for largely political reasons.

4. Reduce documentation and Mission reporting requirements by rigorously following up on present efforts to reform project documentation and reduce the inordinate up-front time now being spent on detailed project design and analysis.

5. Reduce Bureau and Mission competition for scarce staff and budgetary resources by relieving the Missions of the sole responsibility for country program advocacy, relying, instead, on A.I.D./W-Mission teams to establish the objectives, strategy, and rationale for country programs to be implemented by the Missions.

Medium-Term Opportunities

1. As justified by cost-benefit analysis, expand regional and shared services, such as presently exemplified by the two Regional Economic Development Services Offices (REDSOs) in Abidjan and Nairobi; establish a shared-service organization—or even a Regional Mission—for Central America.

2. Recognizing that other donors now work effectively in many fields, concentrate programs on fewer development problems and on what A.I.D. does best. Reducing the number of management units—perhaps by putting a floor of $5 million under bilateral project size—will lessen the requirement for staff.

3. Create incentives to encourage the most efficient and cost-effective in-country presence for each Mission and office, thus replacing the present system which seems to award program volume and staff size as positive performance factors.

4. Establish Mission antennae in A.I.D./W that would relocate present Mission staff who do not *directly* contribute to the advantages of in-country presence. Such antennae would be physically separate from the geographic bureaus, task-dedicated to their individual Missions, and would report to the Mission Director.

5. Introduce the concept of "limited accountability," presently practiced by some other donors, that would assess the cost of total accountability against the limited protection it provides, the heavy work load it causes, and the large commitment of staff time it requires.

Long-Term Opportunities

Establish the concept of a "core" Mission around several possible variants and applications. Similar to zero-based budgeting, this concept would have a USDH principal officer as the only given, with additional USDH program managers tied to the number and type of strategic objectives for each country program. Increases above this core staff would have to be justified, based on guidelines (to be developed) which would suggest thresholds for increases above the core.

Overarching Concerns

The assessment team identified two areas of concern that cut across the short-, medium-, and long-term recommendations. These relate to the need to develop transitional strategies for countries receiving assistance and the opportunity presented for increased reliance and utilization of Foreign Service nationals (FSN).

Transitional Strategies

A.I.D. Missions presently neither plan for diminishing their level of participation nor work toward the day when A.I.D. can withdraw. The present high degree of oversight slows the rate at which a recipient country develops the skills and capacity to manage its development resources and increases the risk of establishing and perpetuating a dependency—not only on external resources but also on external management of those resources. Although different time frames will apply to different country situations, the gradual transition and transfer of management and accountability responsibilities from the donor to the recipient should be made a major goal and part of most Missions' overall program strategy and implementation plans. Canada, for example, has developed a 15-year transitional program to phase out in Indonesia. The greatest single impact on Mission staffing, over time, could result from the rigorous application of such planning.

Increased FSN Utilization

There is a pervasive underutilization of FSNs at the professional staff level whereas, in many instances, FSNs could replace present USDH personnel. FSN staffing levels are developed separately from the process of determining USDH levels, and the number of professional-level FSN employees is often a function of the number of USDH rather than the other way around. Missions should assess the full capabilities and potential of their present FSN staff and individuals available on the local labor market, receive definitive guidance from A.I.D./W on the upper limits of FSN responsibilities (which should be purposefully broadened), and then use these factors as major determinants of USDH staffing requirements.

Conclusions and Recommendations

A.I.D.'s traditional system of in-country presence provides distinct and unique advantages to the U.S. Government and recipient countries. It gives the United States a competitive edge in the delivery of economic and development assistance. It should be retained as the cornerstone of A.I.D.'s operational mode. Nevertheless, A.I.D. can maintain the benefits of in-country presence and reduce operating expense costs by being more selective about what functions USDH perform overseas, reducing documentation requirements, making clearer distinctions between true development programs and purely political programs, and by making more concerted efforts to lead recipient countries to self-reliance.

Accordingly, the assessment team recommends a series of actions which the Agency should undertake in an effort to further "rationalize" overseas staffing decisions and increase efficiency and cost-effectiveness in the delivery of foreign assistance.

The ***Agency*** should immediately institute country transition strategies as an overarching management approach.

The ***Office of the General Counsel*** should establish clear and liberal guidelines on the authorities and responsibilities that can be invested in FSNs.

The ***Policy Directorate*** should develop guidelines on the identification of "self-reliant" or advanced developing countries which would then be used, in conjunction with the ***Operations Directorate***, to design country programs that are both less staff-intensive and amenable to management by the recipient country.

The ***Policy Directorate*** should identify those countries in which the political agenda for assistance is incompatible with the development environment and, in conjunction with the Operations Directorate, design country programs requiring minimal in-country presence.

The ***Finance and Administration Directorate*** and the ***Operations Directorate*** should study the assessment's regression analysis of present Mission staffing to determine if and where staffing anomalies exist and, dependent upon findings, take appropriate and immediate action to balance out any misallocations.

The ***Policy Directorate*** should rigorously continue present efforts to reform and reduce documentation and reporting requirements and, in conjunction with the ***Operations Directorate***, establish plans for relieving the Missions of sole responsibility for country program rationale, strategy, and justification (the advocacy factor).

The ***Management Improvement Policy Group***, in conjunction with the ***Operations Directorate***, should give immediate attention to the identified alternatives of expanding regional and shared services, the Washington-based Mission antennae concept, the Central American consolidation possibilities, and the "core" Mission concept with its strategic objective approach to staffing.

The ***Policy Directorate*** should develop guidance papers on the concentration of country program portfolios.

The ***Incentives Committee*** should give close consideration to the counterproductive Agency mentality which ascribes large-sized staff and resources to a positive performance factor.

The ***Office of the Administrator***, in conjunction with Congress, should pursue the concept of "limited accountability."

Glossary

ABS	annual budget submission
ADC	advanced developing country
A.I.D.	Agency for International Development, also USAID
A.I.D./W	Washington headquarters of A.I.D.
ASEAN	Association of Southeast Asian Nations
C & R	communications and records
CDIE	Center for Development Information and Evaluation
CDSS	country development strategy statement
CIDA	Canadian International Development Agency
CP	congressional presentation
CPSP	country program strategy plan
DA	development assistance
EDF	European Development Fund
EER	employee evaluation report
ESA	East and Southern Africa
ESF	Economic Support Fund
EXO	executive officer
FAA	Foreign Assistance Act
FNDH	foreign national direct hire
FNPSC	foreign national personal services contractor
FSN	Foreign Service national
FTE	full-time equivalent, about one staff position
FY	fiscal year
GAO	General Accounting Office

IG	Inspector General
LAC	Bureau for Latin America and the Caribbean
LDC	less-developed country
NGO	nongovernmental organization
NIS	newly independent states
NPA	nonproject assistance
OE	operating expense
OMB	Office of Management and Budget
PDO	project development officer
PIO	project implementation order
PIL	project implementation letter
PL 480	Public Law 480 (food assistance legislation)
PSC	personal services contractor
PVO	private voluntary organization
RDO	Regional Development Office
REDSO	Regional Economic Development Services Office
RHUDO	Regional Housing and Urban Development Office
RIG	Regional Inspector General Office
ROCAP	Regional Office for Central American Programs
TCN	third-country national
TDY	temporary duty travel
UNDP	United Nations Development Program
USDH	U.S. direct hire
USG	U.S. Government
USPSC	U.S. personal services contractor

1 Introduction

Background

In 1991, at the request of the Administrator of the Agency for International Development (A.I.D.), the Center for Development Information and Evaluation (CDIE) began an assessment of the rationale for and alternatives to A.I.D.'s in-country presence.

The Administrator's request responded to concerns both internal and external to the Agency. Although the Agency has been attempting to develop a consistent approach to overseas staffing for several years, some in Congress have repeatedly expressed concern about the lack of a systematic rationale and guidelines for staff allocation. Others in Congress and the Office of Management and Budget (OMB), as well as A.I.D. itself, are concerned with the increasingly high cost of an overseas presence and the impact on operating expenses. OMB, in particular, wishes A.I.D. to examine other staffing options, such as regionalization or centralization of certain functions, and to attempt to eliminate some functions in order to reduce expenditures.

In addition, the development requirements, or levels of development, of countries where A.I.D. operates have changed. Whereas, in the past, most recipients were less-developed countries (LDCs) with similar development requirements, today there is a range of diverse situations. The requirements of an advanced developing country (ADC) are quite different from those of an LDC, and different still from those of the emerging democracies in Eastern Europe and the newly independent states (NIS). U.S. Government (USG) objectives are different in a country where the primary interest is other than economic and social development. These differences suggest the need for varieties of approach, staffing configurations, and skill mixes.

Moreover, A.I.D. does not have, and never has had, an official policy on how to staff an overseas Mission. Over time, an approach has evolved (decentralized, fully staffed, technically competent field Missions) and has come to be accepted as a norm. This approach, like any approach, carries certain assumptions on derived benefits and advantages which should justify the approach. Yet, these assumptions have never been tested.

Previous and Related Work

This study builds on previous work the Agency undertook in order to develop a rational overseas workforce allocation system (see Appendix C). The team also benefited from, and took into account, a number of other recent studies and reports:

- Workforce Planning Summary Progress Report

- President's Commission on the Management of A.I.D. Programs Action Plan

- Report of the Task Force on Foreign Assistance to the Committee of Foreign Affairs, U.S. House of Representatives (Hamilton/Gilman report)

- General Accounting Office's general management review of A.I.D.

- Administrator's Management Action Plan

- Work of the OMB-A.I.D. SWAT teams

In July 1989, the House of Representatives Appropriations Subcommittee on Foreign Operations requested A.I.D. to undertake a study of overseas staff allocation because it believed that "A.I.D. had no systematic way of considering program content and size and integrating that information into decisions concerning operating expenses and staff allocation."[1] Thus, in the summer of 1989,

> A.I.D. conducted a preliminary analysis of staffing in relation to program allocations and support costs of its overseas and headquarters operating units.
>
> That analysis revealed some emerging trends and defined the relationship of current staffing to program size. But it also raised additional questions and issues, on which there was incomplete information....
>
> As a result..., in the fall of 1989 the Agency initiated a full-scale study to collect data from its headquarters and field operating units on the full range of the Agency workforce. This study addressed a number of questions about workforce size and functions. It also sought to test several hypotheses about... management demands.
>
> The study was not able to isolate any combination of program variables...which could serve as sufficient basis for workforce allocation decisions.

These efforts led "to the conclusion that the application of even complex models will not be sufficient to determine *precise* staffing levels appropriate to any given mission." A.I.D. decided that a relatively simple model, based on current year funding levels and program configuration, might be used as a guide to appropriate staffing levels and has begun to use this approach during budget reviews.

This model, therefore, was a point of departure for the CDIE assessment and the Agency's continuing efforts to develop a consistent approach to staffing overseas Missions.

Objectives of the Assessment

The major postulate on which this assessment is based is that A.I.D.'s most significant advantage compared with other donors is its in-country presence. It was further hypothesized that those most concerned with A.I.D. staffing issues and interested in the study's outcome do not seriously challenge or question this basic postulate. What is less clear, however, is what has been and what should be the basic, guiding rationale for staffing A.I.D.'s far-flung and diverse in-country presence. Is it possible to develop a basic and workable rationale for allocation of staff, given A.I.D.'s multiplicity of objectives and the extraordinary variation found among the countries in which A.I.D. operates? And, recognizing that the support costs of U.S. direct hire (USDH) employees are the most significant cost of an in-country presence, are there

[1] The quotations in this Section are from Hearings Before a Subcommittee of the Committee on Appropriations, House of Representatives, March 1991, pp. 547-557 (see Appendix C).

more cost-effective means by which A.I.D. can maintain and realize the major benefits of in-country presence? These are the main issues addressed by this study.

Based, therefore, on the concerns of Congress, OMB, and the A.I.D. Administrator, the main objectives of the assessment were to

- Determine the essential rationale for A.I.D.'s in-country presence
- Ascertain whether the functions performed overseas are those needed to support that rationale
- Seek to identify possible alternative configurations that are cost-effective but retain the demonstrated advantages of in-country presence[2]

Methodology

The study used the following approaches:

- Headquarters (A.I.D./W) interviews and workforce analyses
- Development of an extensive questionnaire to survey field Mission staff, and other questionnaires for host-country officials and other-donor representatives
- Field-testing the questionnaire and basic approach in visits to field Missions in Bolivia and Costa Rica
- Subsequent visits to eight additional countries using revised questionnaires (Guinea, Honduras, Indonesia, Kenya, Morocco, Pakistan, Senegal, and Uganda)
- Tabulation and analysis of results
- Regression analyses to identify the relationship between key variables and Mission staffing levels

The entire study process produced an extensive and rich array of information too voluminous to include in the main body of this report or as appendixes. Much of it is, therefore, contained in files and working papers available on request from CDIE. This report is confined to the major findings, analyses, and conclusions deriving from this information base.

Appendix B contains a description of the methodology employed.

[2] See Appendix A for the full scope of work.

2 Findings

Historical Perspective

From the Marshall Plan beginning of the U.S. foreign assistance program up through the present-day Agency for International Development, the operational system for delivering foreign assistance has been through a staff-intensive, hands-on, in-country presence of U.S. Foreign Service development professionals of A.I.D. and its predecessor agencies. The basic pattern for organizing and staffing this in-country presence has evolved over time, as the instruments and programmatic emphasis of U.S. foreign assistance have changed.

The Marshall Plan (1948–1952), which was a reconstruction program as opposed to a development effort, called for massive resource transfers and staff highly skilled in moving money and commodities and with expertise in international trade and finance, economics, and engineering, as well as in emergency relief programs.

Point IV, initiated in 1949 and aimed at the less-developed countries, focused on the transfer and development of technical skills and concentrated for the most part on agriculture, health, education, and, to a much lesser extent, industry. Thus, Missions, as well as Washington, tended to be organized around these principal technical sectors and areas, and many of the senior managers came from these technical fields. In Latin America, much of this assistance was delivered through newly created agriculture, health, and education institutions, called *Servicios*, which were staffed and administered by Americans and host-country nationals jointly.

By the close of the 1950s, there was an increased recognition that development was a long-term proposition and that technical assistance was not enough and needed to be accompanied by capital assistance as well. Food assistance also was added during this period as a new aid tool. In several countries, economic and technical assistance levels were directly associated with Cold War security concerns. Thus, as the scope, role, objectives, and tools of the U.S. foreign assistance program expanded, the U.S. in-country presence became larger and more diverse.

As assistance became increasingly channeled to Third World countries in the late 1950s and early 1960s, in-country presence grew dramatically. A.I.D. professionals performed duties across the board as planners, technical advisers, and project implementors of individual country program portfolios—in many cases filling the void in trained technicians within the recipient countries.

The 1960s brought yet another major shift in program levels and program emphases. The "Decade of Development" witnessed a new emphasis on "policy reform," leveraged primarily by program assistance and large capital projects. Expanded emphasis also was placed on such additional areas of development as public administration, institutional development, physical infrastructure, intermediate financial institutions, and national planning. This expanded emphasis was largely in response to the strong influence of the development theories and foreign policy goals of the time.

Also in the 1960s, a much higher premium began to be placed on policy analysis and policy reform, development planning, capital assistance, and programming skills, and a much lower premium placed on the highly technical and specialized employee. Economists were in, "well drillers" were out, as direct hire employees. This was the beginning of a trend toward depending on contracts, or borrowing from other USG agencies, for many specialized skills.

Planning, programming, strategizing, project development, design, and packaging were raised to art forms, and the economist, capital projects officer, and program officer reigned supreme. At the same time, under new legislation and a new foreign assistance agency, A.I.D., U.S. in-country presence became more structured, hierarchical, and bureaucratic and more closely tied to the State Department under a newly defined "country team" concept issued under a Presidential directive.

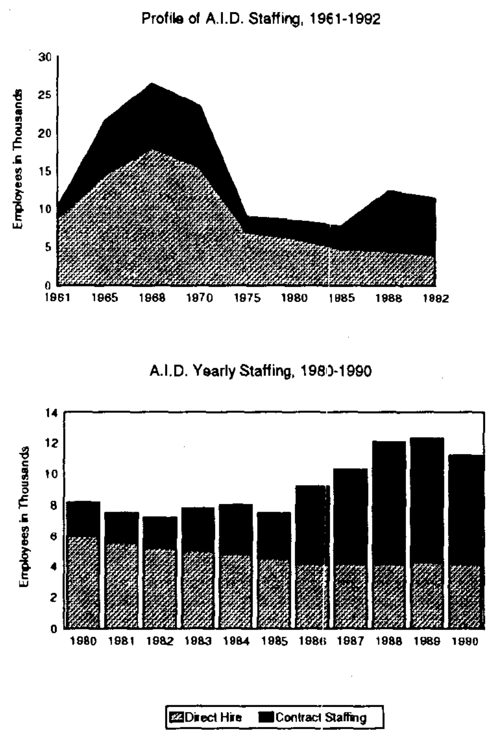
Direct hire staff increased tremendously during the 1960s. Direct hire employees (including Foreign Service nationals) mushroomed to a peak of almost 18,000 in the late 1960s, at the time of the conflict in Southeast Asia.

U.S. foreign assistance objectives and program priorities changed again, and drastically, in the mid-1970s under the "New Directions" legislation. This shift practically eliminated any focus on macroeconomic or even sectoral policy, or large capital projects, and instead generated an almost exclusive focus on the design and implementation of smaller projects targeted on the "poor majority," particularly in the rural areas. Integrated Rural Development became the fashionable strategy for meeting the basic human needs of the rural poor. The Logical Framework, social soundness, economic and institutional analysis, and concerns about Women in Development and environmental issues became part of the process. Project design and packaging became even greater art forms. Capital projects officers became project development officers. Economists were out, anthropologists and sociologists were in.

Program levels declined during this period, and overall Agency direct hire staffing decreased dramatically as a result of the demobilization that followed the end of the Vietnam War. Direct hire levels, including foreign nationals, fell to around 6,000 by 1976. Nevertheless, this focus on microprojects, with its increasingly complex program planning, project design, and approval systems, was in many respects more staff-intensive than before. Thus, Missions increasingly turned to outside contractors to help with the analysis, design, and evaluation of projects.

The 1980s witnessed the need to respond to the development stagnation that had occurred worldwide as a result of the oil shocks of the 1970s, the worldwide recession, and the subsequent debt crisis. There was also a change in administration and in economic philosophy and policies. All of these brought about another set of radical shifts in A.I.D. priorities and programs. Economic growth became the major development objective and engendered a return (from the 1960s) to policy-based assistance strategies and emphasis on "getting the prices right." The private sector was seen as the main engine of growth, accompanied by a redefined and decreasing role for recipient government entities.

The demands on most A.I.D. Missions increased during this period, as the Agency took



on more and more objectives and congressional earmarks and succumbed, on the other hand, to increased demands from OMB to reduce direct hire staffing, accompanied by the battle cry of "more with less." The result was fewer direct hire staff, significantly increased use of contract staff and intermediary institutions for implementation, and increased pressure to reduce operating expenses (OE). Coincident with the dramatic reductions in direct hire personnel staffing the Agency's overseas Missions was a significant increase in operational authorities delegated to the principal Mission officers under the Agency's policy of expanded decentralization. This decentralization required, in most Missions, a sufficient level of USDH presence to provide the skills necessary to exercise delegated authorities and to ensure that legislative strictures were respected and established development policies were followed.

From a high of 18,000 (including 5,000 in Vietnam) in the late 1960s, the number of A.I.D.'s direct hire employees had dropped to 4,505 as of 1991. The number of direct hire employees serving in overseas Missions was reduced to 2,256—including 1,177 U.S. citizen direct hires and 1,037 foreign national direct hires (FNDH), while the number of contract employees has increased from about 2,300 in 1980 to approximately 7,500 in 1992. The Figure shows the pattern of direct hire and contract staffing since 1961.

In the evolution of U.S. foreign assistance from the 1950s through the 1980s, the nature of the Agency's in-country presence has changed a great deal, while the basic configurations of this presence and the systems under which it operates have remained much the same. The role of USDH employees has become one of setting program direction, monitoring contractor and recipient-country performance, ensuring compliance with financial and administrative controls, and conducting policy and program dialogue with host-country officials and technicians.

It seems fair to assume that the 1990s will bring other and perhaps even more dramatic changes in the nature of A.I.D.'s in-country presence. Clearly, A.I.D. must learn to do less with less, and, within that context, it must determine how best to continue to exploit the considerable and undisputed comparative advantage of its in-country presence more effectively. This assessment is aimed at helping the Agency make these determinations.

Current Mission Configuration and Staffing

The assessment team looked at the current Mission staffing patterns and procedures used for making Mission staffing decisions to determine how the Agency has arrived at its existing overseas presence. Regression analyses of staffing data were also performed to determine whether there were any statistically significant correlations between USDH staffing levels and certain budgetary, programmatic, or other variables.

The team concluded that the Agency's very diverse overseas presence has not resulted from any Agency staffing policy, but has been driven by a number of different factors discussed below. Some correlations were found in the regression and other analyses that explain some of the staffing patterns, but, overall, there is currently neither a uniform policy nor an established staffing system.

Present Patterns of In-Country Presence

A.I.D.'s overseas presence includes a total of 108 individual organizational entities in five different categories as follows:

Category I - A.I.D. Bilateral Country Organizations (82)[3]

Category II - Offices for Multicountry Programs (12)

Category III - Offices for Multicountry Services (2)

Category IV - Development Assistance Coordination and Representation Offices (6)

Category V - Regional Inspector General Offices (6)

A.I.D.'s traditional field presence is most strongly represented by its 82 bilateral country organizations (Category I). These organizations are comprised of 48 Missions (headed by Mission Directors), 33 offices (headed by A.I.D. representatives), and one section of Embassy (headed by an A.I.D. affairs officer). In general, A.I.D. Missions are staffed with the full range of skills required to independently execute the delegations of authority from A.I.D./W. A.I.D. offices and sections of Embassy have smaller staffs, with a limited range of professional skills, and can exercise delegated authorities only with the review and concurrence of a regional support office or A.I.D./W.

The structure and size of bilateral country organizations vary in accordance with the size and scope of the program, the nature and mix of the program's funding accounts, the environment for program implementation, and the political "visibility" of the country and its program. Core program support functions within a typical A.I.D. Mission, in addition to executive direction, usually include program analysis, project development, financial management, and Mission administration. Other support functions, which may be performed by personnel physically assigned to the organization or available through regional offices, or from another bilateral organization in the same region, include legal, contracting, and commodity management services.

[3] This number includes 10 USAID offices in Eastern Europe and the Baltics which are subordinate to the Regional Mission for Europe (located in A.I.D./W) and do not report independently to the Assistant Administrator of the Bureau for Europe. The number excludes the three new Missions and one office being opened in the NIS region in the very near future.

The number of distinct technical areas, responsible for project implementation and monitoring, is dependent upon the diversity of the country program. Traditionally the technical areas correspond with the functional accounts of the Foreign Assistance Act (FAA) and include agriculture, rural development, nutrition, health, population, education and human resource development, private enterprise, energy, environment, natural resources, and food aid authorized and appropriated under separate legislation.

Category II organizations (offices for multi-country programs) such as the Regional Development Offices in Fiji (RDO/South Pacific) and Barbados (RDO/Caribbean) are responsible for small bilateral programs in geographically grouped countries with similar objectives, strategies, and programs. The Regional Office for Central American Programs (ROCAP) in Guatemala provides direct project assistance to a variety of regional development institutions throughout Central America. The Office of the Association of Southeast Asian Nations (ASEAN), in Thailand, provides direct project assistance of a regional focus and undertakes liaison with the countries of ASEAN. USAID/Harare, in addition to its bilateral role, coordinates U.S. participation in regional projects for Southern Africa.

The Regional Mission for Europe (located in A.I.D./W) is unique within the USAID structure and does not fit neatly within this category. Its field presence is manifested through the 10 USAID "offices" in Eastern Europe and the Baltics which, themselves, do not fit within the traditional mode.

The Category III organizations are the Regional Economic Development Services Offices (REDSOs) in Nairobi (REDSO/East and Southern Africa) and Abidjan (REDSO/West and Central Africa), which provide multicountry program support services on a regional basis. They are designed to provide specialized services to bilateral Missions where a particular function is not required on a full-time basis or a Mission requires supplemental assistance. Examples include legal, contracting, engineering, project design, information management, and technical skill areas such as environment, natural resource management, health, population, engineering, and agriculture development. Additionally, the REDSOs provide financial management services to the smaller Category I Missions and must concur in their exercise of operational delegations of authority.

Some bilateral Missions include staff with regional support responsibilities, such as regional contracting officers and regional legal advisors. The bilateral Missions in Mbabane and Bangkok are specifically staffed to provide support services to a number of posts in their respective regions. In addition, Regional Housing and Urban Development Offices (RHUDOs) are located in seven countries (Ecuador, Guatemala, Ivory Coast, Jamaica, Kenya, Thailand, and Tunisia) with responsibility for the activities of A.I.D./W's Office of Housing and Urban Programs in their respective regions.

Category IV organizations, responsible for development assistance coordination and representation, support A.I.D. requirements to maintain close liaison with specific international and multidonor organizations. Offices are currently maintained in *New York* for coordination with the United Nations Development Program (UNDP) and other UN offices; *Paris* for the Development Assistance Committee of the Organization for Economic Cooperation and Development; *Rome* for the Food and Agriculture Organization, the World Food Program, and the International Fund for Agricultural Development; *Manila* for the Asian Development Bank; *Geneva*, for the UN specialized agencies located there; and *Tokyo* for liaison with the Japanese foreign assistance program. This category of overseas organizational structure has not been included within the scope of the in-country presence assessment.

The Category V organizations comprise the six Regional Inspector General Offices (RIGs) which have been established to facilitate the field audit and investigation operations of A.I.D.'s Office of the Inspector General (IG).

Use of Regression Analysis

In order to gain a better understanding of the factors associated with past and current staffing levels in the Agency's overseas Missions, the assessment team used regression models with current Agency program and workforce data. Two different Agency bureaus had done previous modeling work which suggested USDH staffing was, in part, a function of program funding levels. In this study, various regression models were constructed using combinations of the following variables to predict existing USDH staffing levels:

- Development assistance (DA) obligations
- Economic Support Fund (ESF) obligations
- PL 480 Title I and III
- PL 480 Title II
- Number of DA projects
- Number of ESF projects
- Total number of Mission projects (includes DA- and ESF-funded activities)
- Gross national product per capita of the host country
- Infant mortality rate of the host country

Agency data sources for fiscal years (FY) 1988 through 1991 were used in the models. Data on total employment in FY 1991—including Foreign Service nationals (FSNs) and personal services contractors (PSCs)—were used to construct the dependent variable, but no statistically significant relationship with explanatory variables was found. Time constraints precluded obtaining FSN and PSC data for FY 1988–1990. Countries showing the existence of program funds but no staff were discarded from the database. Additionally, certain other Missions such as regional support offices or small A.I.D. representative offices with only one USDH were excluded. Fifty-nine Missions were used in the final model. A more thorough explanation of the data and the complete statistical results of the analysis are contained in Appendix F.

The model that yielded the most favorable results (i.e., that which appears to best explain Mission staffing) used the first three variables listed above and total number of Mission projects. Instead of single-year data, this model used 4-year annual averages for the variables (FY 1988-1991) to help compensate for year-to-year fluctuations that might be present in the data. This regression equation explains 90 percent of the variation in USDH staffing levels and is statistically significant. The equation shows USDH staffing totals have been a function of:

- 0.26 multiplied by DA in millions
- 0.08 multiplied by ESF in millions
- 0.16 multiplied by PL 480 Title III
- 0.13 multiplied by number of total projects of Mission

In other words, Agency experience in FY 1988-1991 suggests that any one of the following factors was associated with increases or decreases in Mission USDH staff by 1 full-time work year:

- $3.8 million in DA
- $12.5 million in ESF
- $6.3 million in PL 480 Title I and III (Title I excluded beginning January 1991 when the New Farm Act moved Title I administration to the Department of Agriculture)
- Eight projects in the Mission's portfolio

The results seem to suggest that, despite the belief of many that differences in Mission staffing levels reflect variations by region, levels of development and working conditions among countries, or other management concerns, Mission staff allocation has been associated quite closely with the amount of program resources allocated to the particular country. Furthermore, the USDH management intensity of the portfolio seemed to increase as the number of projects managed increased, which suggests that number of projects was acting as rough proxy for management burden. (See Appendix F for further discussion.)

Readers should be cautious in using these results. The modeling results in no way suggest that the past pattern of staffing Missions is the most appropriate method or that the model should be used to predict future staffing levels.

Perhaps the most interesting application of the regression results is to analyze Mission "outliers"—that is, those Missions whose actual USDH levels diverged significantly from those predicted by the regression. As shown in Appendix F, the 10 Missions with the largest positive differences exceeded the regression-predicted USDH levels by a total of 85 full-time equivalent (FTE) positions, or more than 9 percent of the 923 total FTEs accounted for by all 59 Missions over this 4-year period. Each of the four top-ranked Missions—Jordan, Honduras, Indonesia, and Senegal—exceeded their predicted levels by more than 10 FTEs.

Appendix F also shows that the Missions with the largest negative differences had actual USDH levels that fell below predicted values by a total of 67 FTEs, or more than 7 percent of the 59-Mission total. The "top" four—El Salvador, Nigeria, Panama, and Nicaragua—each fell below their predicted levels by more than 7 FTEs (more than 10 in the case of El Salvador). Although newness of program and security conditions could well explain some differences on the negative side, other programmatic and management factors likely also come into play, for example, effective use of FSN, PSC, and TDY staff.

Staffing Rationale

Even though USDH staffing levels turn out, with hindsight, to be closely associated with program levels and numbers of projects, there is no single major or general rationale to explain how Agency managers actually went about deciding on staffing levels, staffing mix, or configurations of USAID Missions. Factors that appear to have had a significant influence include

- Tradition, history, and momentum of individual country programs
- Special interests and congressional requirements and earmarks
- Level of development complexities of recipient countries
- Persuasive powers, skills, and standing of certain Mission Directors
- Different management styles and agendas of Mission Directors
- Program levels
- Availability of a local labor pool, and perceptions of what FSNs can and cannot do
- Compliance and accountability requirements
- Personnel and OE ceilings and constraints
- Program content
- Number and size of individual projects
- Need for security and support services
- Presence as the major benefit to the United States

The following factors seem to shape the reality of the present situation:

- Until recently, no criteria or established procedures existed to ensure a consistent approach to overseas staffing.
- The Agency now applies a model, based on program size and composition, to es-

tablish a "range of reasonableness" for proposed staffing levels.

- Although regional bureaus use the model to provide a target USDH level to Missions for annual budget submission (ABS) purposes, differences between the bureau and the Mission cannot be resolved by the application of standardized criteria, so judgments necessarily must continue to be made.
- Aside from the model, there is no basis for comparison among Missions and, thus, for judging the validity of variations.
- Despite the use of the model and the application of judgment, staffing decisions continue to reflect such nonprogrammatic considerations as the availability of staff with requisite skills and the level of operating expense budget.
- OE-funded USDH staff have been augmented through a variety of contractual and funding mechanisms (PSC, trust fund, program-funded, other USG agencies, and institutional contractors), which also have no overall pattern or consistent guidance other than legal rules and funding availability constraints.
- The incentive system seems to award program size and volume and staff size as positive performance factors, thus thwarting Agency efforts to manage human and financial resources.
- A complex system for allocating staff resources would be almost as bad as none at all because it would be vulnerable to manipulation and pressure from special interests.
- There is no incentive structure at the Mission level to reduce staff levels and expenditures.

These factors militate against the most efficient and cost-effective use of human and financial resources. Most of them should be addressed, and this assessment has attempted to deal with some of them.

Major Advantages and Disadvantages of A.I.D.'s In-Country Presence

Principal Observations

The operational mode A.I.D. uses for the delivery of the bulk of its foreign assistance programs relies on a staff-intensive, hands-on, in-country presence, led by U.S. Foreign Service development professionals, with significant delegations of authority and responsibility. Almost all A.I.D. respondents voiced complete satisfaction with that mode. Indeed, the assessment found that A.I.D. Missions neither plan for diminishing their level of participation nor work toward the day when A.I.D. can withdraw, having done all it can to prepare the recipient country for taking responsibility for its own development. The Missions visited displayed a high and intensive level of management involvement and control, certainly as compared with that of other donors. In some cases, the extent to which recipient countries accepted and even depended on that involvement was striking.

Evidence gathered during interviews indicates that A.I.D. tends to perpetuate rather than to work to phase down U.S. presence and the role of USDH employees. Fewer than one-third of the respondents felt that their countries were at or near a point where a different assistance relationship could be considered. Nobody speaks of countries "graduating" any more. In large part, this tendency arises directly from A.I.D.'s complex and rigid financial accountability requirements. Missions are constantly reminded by A.I.D./W, and especially the IG, that they are vulnerable and will be held accountable for the recipients' inadequate controls and insufficient ability to manage financial resources. It is thus hardly surprising that they adopt the risk-averse posture of keeping as much control as possible in their own hands and thus delay indefinitely any steps to overcome dependency and to encourage self-reliance.

This is not to say that all the countries visited were found to be overdue for a change to a less-dependent status, nor that all countries could proceed along that course at the same pace. An intensive assistance relationship will be needed in many countries for some time and will continue to require some kind of in-country presence. So long as assistance with development is needed, the assessment team found that the present system has two unique advantages: the ability to influence and the capability to account for the effects of what is done. There are, to be sure, other advantages, but these may be realized, at least partially, within other modes that do not necessarily require USDH staff to be based in-country.

Influence. The ability to influence is to be found at more than one level. There is the ability to shape the country program to best enhance development prospects and to ensure that overarching U.S. policy objectives are realized; to convince the recipient government to make the policy changes necessary to overcome obstacles to its country's development; to build consensus among donors in identifying the country's obstacles to development and the appropriate measures to be taken to deal with them; and to persuade Washington decision-makers to accept and support policy objectives specific to and appropriate for each country assisted.

Accountability. The opportunity to be accountable likewise operates at various levels. There is the personal and specific accountability of A.I.D. officers for actions and decisions taken under their delegated authorities and assigned responsibilities. There is also the accountability of A.I.D. officers for the effectiveness of whatever it is that they are spending A.I.D.'s financial resources to accomplish.

It cannot be said that A.I.D. fully benefits from these two advantages in all places at all times. Many factors can diminish their effects, such as the abilities and personalities of individual officers; the shortness of tours of assignment relative to the length of time necessary to accomplish objectives; the sense of responsibility and the receptiveness of recipient governments; and the degree to which U.S. purposes in providing assistance are, or are perceived to be, politically motivated and thus not susceptible to considerations of influence and effectiveness through the development assistance process. Nevertheless, these advantages are realized much of the time, and *that potential is the fundamental justification of in-country presence.*

To the extent that A.I.D. is staffed overseas with those skills and qualifications that contribute directly to the realization of the two unique advantages, A.I.D.'s in-country presence is rational. To the extent that in-country staff perform those functions that, while contributing to the advantages, might also be performed elsewhere, then maintaining such staff may be defensible, but only if it is cost-effective. To the extent, however, that individuals are assigned or functions performed in-country that, however necessary, do not contribute directly to realizing the principal advantages of in-country presence, there is a presumption of lack of cost-effectiveness.

Advantages

Influence Advantage. In the course of the 436 interviews conducted by the assessment team, respondents were given the opportunity to comment on their views of the advantages of in-country presence. The observations led directly to the identification of influence and accountability as the two principal advantages.

Many respondents noted that in much of the developing world, in contrast to Western industrialized societies, preexisting personal relationships are indispensable for the creation of a framework of trust and acceptance. The stranger is treated with courtesy and respect, but knowledge and insight which could expose vulnerabilities are withheld until enough rapport has been built so that there is confidence that advice is not self-serving and proposals are sincerely intended to be helpful.

The USAID, as a permanent presence encompassing A.I.D. officers and (usually) their families, provides an institutionalized mechanism for building these personal relationships. Host-country nationals appreciate that the Americans who come to their country within this framework are planning to live there for a while and are predisposed to be working with them. They understand that these foreigners have made a commitment to learning as much as possible about how their country works, understanding its culture, and using its language.

The mere presence of the USAID thus opens the psychological doors to accelerate the relationship-building process which, in turn, is the key to the ability to influence. And it is this ability to influence that appears to be of far greater impact than the transfer of U.S. resources and technology. Those interviewed, including non-American staff, expressed these thoughts in a variety of ways:

- ***Understanding of local conditions,*** which permits (1) better identification of obstacles to development for improved framing of project and program objectives, (2) sharply focused and productive policy dialogue, and (3) clear exposition to Washington decision-makers of relevant policy objectives and constraints to their accomplishment, in order to deflect possible attempts to replicate an inappropriate model.

- ***Having political and cultural sensitivity,*** which facilitates knowledge of the pressure points and awareness of who the real decision-makers are and what they think.

- ***Enjoying ready access to host-country officials,*** without long delays or excessive protocol, to engage in the substantive discussions which, over time, constitute the policy dialogue; a corollary of this is the ready availability of USAID staff so that host-country officials and other donors can solicit opinions and advice, which gives prominence to A.I.D.'s views.

- ***Maintaining sustained, day-to-day involvement,*** which, while considered "pushy" and intrusive by some, strengthens the hand of those favoring necessary policy reform, overcomes the resistance of those with a stake in the status quo, and provides an acceptable "cover" for politicians who do not wish to favor change openly.

- ***Setting a good example*** for the host country, by running the USAID with probity and demonstrating how it is possible to require honesty from employees and others and to maintain accurate financial accounts.

- ***Keeping development on the U.S. Government (USG) agenda,*** as part of the U.S. foreign policy goals of supporting economic development and democratic societies, alongside the embassies' other foreign policy objectives.

- ***Promoting sensitive issues,*** such as family planning, which can be successful only by sustained effort over an extended period of time and on a regular, almost daily, basis.

Accountability Advantage. Accountability for actions and effectiveness, as distinguished from financial accountability, was rarely asserted as an explicit advantage of in-country presence. The advantage was implied, however, by many of the respondents' comments, which pointed to the value of having direct access to on-the-ground information on the performance of programs, in combination with delegated implementation authorities. This combination of accurate, complete, and timely information and the authority to act on it in making implementation decisions not only improves implementation performance but also permits responsibility for program results to be clearly assumed. This triad of related factors—information, authority, responsibility—can be considered as program accountability, the advantage of which was expressed by respondents as follows:

- ***The quality of program and project implementation*** improves when staff members are constantly monitoring activities to ensure that they are implemented according to the approved project or program documentation.

- ***Regular review*** allows for rolling design, which permits A.I.D. to accommodate the portfolio to shifts in priorities and circumstances.

- ***Husbandry of resources*** is made possible by the capacity to change, and thus to avoid the wasteful pursuit of lower priority objectives, or objectives which become of lower priority through changes in recipient country policies.

- ***Delegated authorities*** permit midcourse corrections or even redesign to be undertaken as soon as inappropriate project design factors or faulty assumptions are discovered during the implementation process or when the environment changes.

- ***Awareness of reality*** by in-country U.S. staff makes it very difficult for aid recipients to conceal such performance weaknesses as the failure to assign required counterparts, the failure to provide agreed funding, or the failure to undertake necessary administrative or policy changes.

- ***Prompt decisions*** by A.I.D. encourages host-country officials to work on implementation issues.

- ***Resolution of misunderstandings and miscommunications*** as they occur and before they have a chance to fester keeps efforts targeted on assistance objectives and not on personal frictions.

- ***Institutional continuity*** of the Mission, even when there is no personal continuity, provides a locus for responsibility to see the programs and projects through to successful conclusions.

The assessment team believed that full-time presence of those USDH directly responsible for realizing the advantages of influence and program accountability was necessary and fully justified. These advantages cannot be realized without the continuous participation of those people.

Other Advantages. Other advantages were evoked by USAID employees, officials from recipient governments and other donors, and other respondents. Many of these advantages are related to the two principal ones discussed above, but they are treated separately because the assessment team did not believe that they necessarily required a specific USDH in-country presence. In many cases, they could be realized by TDY visits or were ancillary benefits that could be realized incidentally by resident USDH, but did not, of themselves, justify the assignment of additional U.S. staff. The team felt that, at least, the marginal benefit should be weighed against cost to determine whether expenditures were justified to keep USDH assigned in specific countries for these purposes.

- ***Better resource accountability*** was welcomed by many local officials and believed by USAID staff members and other-donor representatives to require the layers of controls and cross-checks executed by the in-country staff. The use of local auditing firms, spot checks, and modern telecommunication can, however, reduce the need for resident USDH.

- ***Technical expertise of in-country staff*** is prized by host-country officials and other donor staff, who find it provides skills and experience not always available locally. Unless the Mission is very heavily concentrated in a particular technological area, this advantage may be realized by TDY visits from on-call, nearby expertise.

- ***Facilitation of communication and contact*** allows greater university-to-university exchange, enhances private voluntary organization (PVO) relationships, and opens investment and trade opportunities, as noted by private sector respondents. Although mentioned by many private sector respondents, this advantage would be realized by even the smallest in-country presence, without assigning specific staff for this purpose.

- ***Faster disbursement rates*** and shorter pipelines than those of other donors, particularly as compared with the World Bank, result from close monitoring and direct action in the procurement of goods and services and from the ability to prod lethargic administrations to take required actions at critical moments. Except in programs with extraordinary levels of commodity imports, these advantages can be secured without the in-country presence of procurement specialists, who could support remaining staff by periodic visits and the use of modern telecommunications.

- ***Ability to overcome host-country deficiencies,*** described as serving as a proprietary consulting firm, provides a stabilizing force to help weak governments function and counters a culture of outright corruption. In the context of the 1990s, these deficiencies argue for less presence, not greater.

- ***Resolution of problems for technical assistance advisors*** who maybe stymied by issues, especially with the recipient government, was cited. Fortunately, these problems are not frequent and can be resolved by TDY visitors or resident USDH already present for the realization of the principal advantages.

It should be noted, however, that although many respondents mentioned the advantages described in this section, very few were able to demonstrate by concrete example any benefit the USG actually realizes. The team took note that the Agency seems to have a pervasive inability to find and display examples of its successes. Perhaps this reflects an organizational culture that relentlessly looks for problems but is diffident about describing accomplishments.

Disadvantages

Although A.I.D. interview respondents in the field did not identify many disadvantages to in-country presence, A.I.D./W, recipient-government, and other-donor respondents were more forthcoming. The principal disadvantages mentioned included the following:

- ***Heavy-handedness,*** noted by all types of respondents, was related to project direction and financial accountability and was sometimes perceived as interference in the internal affairs of a sovereign country; similarly, A.I.D. sometimes substitutes its objectives and priorities for those of the recipient country, leading to activities that are peripheral to the country's primary development goals.

- ***Excessive use of American technical expertise*** even when qualified experts, often trained by A.I.D. or other donors, are available locally.

- ***Diffusion of effort*** was seen as driven by (1) the personal skills and interests of individuals present in the Mission, (2) the desire of Mission Directors (and Ambassadors) to maintain funding levels, which leads to the creation of new sectors of activity in order to gain access to congressionally earmarked funds or those available in underutilized functional accounts, and (3) irresistible pressures brought directly on the Missions by A.I.D.'s various constituencies to include their preferred programs.

- ***Isolation from professional peers*** led to the atrophy of technical skills and the failure to follow major new trends in development thinking.
- ***Inconsistent interpretation of complicated rules*** occurred, particularly in the legal, contracting, procurement, financial management, and administrative management areas, by inexperienced officers working alone.
- ***Physical security*** concerned several A.I.D. field respondents, who felt that the Mission presents a target for spontaneous demonstrations or planned acts of violence, although, as a practical matter, the USAID is less often a target than is the United States Information Service or the Embassy.
- ***Cost*** was cited by many A.I.D. field staff, who nevertheless feared that the search for cost-effectiveness would lead to changes that would be both less costly *and* less effective, and by other-donor staff, who clearly wished they could afford enough in-country staff to ensure good program selection, effective implementation, and better controls.

Functions Performed by In-Country Staff

The assessment team also attempted to look at what A.I.D. staffs actually do overseas. The objective of the exercise was to determine to what degree the activities pursued contributed directly to the achievement of the advantages of in-country presence.

Mission Staff

At the outset, it should be noted that the assessment team found that A.I.D. staff overseas are very busy and stretched very thin. Staff must identify, design, monitor and evaluate programs and projects, prepare complex implementation documentation, request and evaluate proposals, and supervise technical assistance advisers. They are also required to analyze and report on what they are doing and how; to engage local officials in policy dialogue at various levels; to meet with and escort visitors; to hold negotiations with controllers, legal advisors, contracting officers, and executive officers to find ways under the laws, regulations, and procedures that govern A.I.D. to accomplish what needs to be done in their areas of responsibility; to recruit, train, and supervise staff; and to provide the many services that bureaucracies increasingly require as they grow larger.

Changes in Mission size occur incrementally. When existing staff are not able to handle a new area of activity, Mission management begins to appeal for additional positions. This process, even if successful, can easily take 2 years. Meanwhile, the load grows heavier. Increases, moreover, are approved as though each member were available full time, whereas USDH presence at post is far short of full time, thanks to leave, medical evacuations, TDYs, and training. Staff reductions, on the other hand, are spread among Missions by Washington fiat, in response to Agencywide personnel management needs, and not as a result of any sort of analysis of a particular Mission's workload. Mission management may decide which positions are to be cut, so long as the required numbers of cuts are made.

The constant, intense pressures on the Mission, the delays in meeting staffing needs, and the arbitrariness of cuts in Mission staff size have led Mission managers to seek innovative solutions to their staffing needs. Foreign Service nationals (FSNs)—direct hire employees who are citizens of the host country—and third-country nationals (TCNs)—direct hire employees who are citizens of other, typically developing, countries—have long been standard features of Missions. Over time, many FSNs have moved from clerical and blue collar positions into professional roles. As host-country skills improved, fewer TCNs were needed.

Arbitrary limits imposed by OMB on the numbers of direct hire employees the Agency was permitted to employ (which did not take into account that FSNs and even TCNs cost a fraction of the cost of USDHs) have led the Missions to make extensive use of personal service contractors (PSCs). This category encompasses U.S. personal services contractors (USPSCs) brought from the United States specifically for a position, those who are already in-country, perhaps as retiring Peace Corps volunteers, or dependent spouses. It also includes foreign national personal service contractors (FNPSCs), principally, but not necessarily, citizens of the host country.

This small army of professionals, paraprofessionals, clericals, and blue-collar workers usually dwarfs the USDH presence. Although there are some rules about what authorities and responsibilities these people may be given, there is very little authoritative guidance. Moreover, in practice, their mode of employment tends to become irrelevant and they are used wherever needed. In many cases, their functions are indistinguishable, in any meaningful way, from those of USDH, and they have formally replaced USDH in some places as project officers and engineers and almost everywhere as training officers and communications and records supervisors.

The discussion that follows nevertheless concentrates on the functions performed by USDH for two principal reasons. First, USDHs account for most of the cost of A.I.D.'s in-country presence, despite their relatively low numbers. Their salaries are much higher than those prevailing on the local economies and retirement contributions must be made on their behalf. More important, they incur significant additional costs when stationed overseas, including cost-of-living allowances, post differentials, children's education allowances, various travel allowances, shipment of effects, and housing.[4] Accordingly, any study of cost-effectiveness should concentrate on the major costs if any significant savings are to be achieved. [N.B. PSCs brought in from abroad cost A.I.D. almost as much as USDH employees, because they may benefit from most of the same overhead factors.]

Second, the need for and the use of non-USDH staff depend, to a considerable degree, on what USDH are expected to do, but the relationship is difficult to predict. For example, if some functions are no longer performed by USDH in a given country, there may be no need for any non-USDH staff in that functional area either. In other cases, however, the need may be for more non-USDH staff to substitute

[4] There is an extraordinary variation from employee to employee, from Mission to Mission, and from region to region in the amount of additional personnel-related costs, depending on such factors as family size and composition, airline fare structures, availability of American schools, conditions in the local housing market, the presence of factors affecting qualification for post differential and danger pay, and currency exchange rates. For example, average additional costs in FY 91 in the LAC region were about $46,000 per USDH, about $55,000 in the Near East, about $57,000 in Asia, and about $79,000 in Africa. Within Africa alone, such average costs varied from about $38,000 in Lesotho to more than $120,000 in Cameroon, and similar variations exist among Missions in the other regions.

for the USDH. Either way, the cost implications of more or fewer non-USDH will be slight, because the overhead factors mentioned above generally do not apply, unless, of course, PSCs brought from abroad are used to substitute for USDH.

Functions and Presence

The team found that some functions were so intimately linked to the two unique advantages of influence and accountability for effectiveness that they could be performed effectively only by USDH assigned in-country. Other functions contributed to realizing the advantages of in-country presence and could be performed only in-country, but not necessarily by resident USDH. Some functions that did not directly contribute to realizing the advantages of in-country presence needed full-time USDH in-country presence nevertheless, while other such functions could get along without it.

No functions could be identified which, by their nature, should *not* be performed in-country. Self-sufficiency is wonderfully convenient. To the extent that personnel are in place to deal with all of a Mission's substantive and procedural requirements, with concomitant relief from the need to rely on others, the entire assistance process should proceed more rapidly and smoothly. This was, after all, the rationale for A.I.D.'s decentralization and the delegations of authority to Missions in the first place. Staff time is used more efficiently because issues can be resolved as they arise and because a panoply of support services is in place to minimize the time needed for administrative matters. A unity of purpose can be shared by all who work on a program.

This is not to say that every function is of equal priority or that every function that needs to be performed in-country requires an individual to be stationed there full time to perform it. There is even an argument to be made that having staff skilled in all elements of A.I.D.'s procedures and processes in place encourages the imposition of ever more complex and rigid rules, regulations, and practices. Without all that staff, there are some things that it simply would no longer be possible to do. Put another way, if, in a time of limited U.S. aid budgets, A.I.D.'s advantage is more its presence than its resources, assignment of USDH who primarily enhance the benefits of the presence should have priority over those there primarily to administer and monitor the resources.

In the course of field interviews, respondents were asked to provide a breakdown of the functions they performed, the percentage of time they devoted to each function, and their assessment of the possibility and desirability of these functions being performed by other than resident USDH staff. Respondents were also asked to propose alternative staffing configurations that would be less costly but still maximize the benefits of in-country presence.

Project monitoring and implementation was cited most frequently by USDH staff. Almost everybody feels an involvement in this function, not only the technical and project development officers (PDO) one might expect, but also controllers, legal advisors, contracting officers, and others. Those who are occupied in regular oversight of project and program activities, either to ensure that implementation is being carried out according to plan or to change the design to accommodate changed circumstances or priorities, are clearly needed for accountability for effectiveness. They cannot do their jobs on any less than a full-time basis, and so must be present in-country. It may not be necessary, however, to rely exclusively on USDH for this function. Indeed, properly trained foreign national employees may be just as valuable.

However necessary for the delivery of A.I.D.'s programs, those project monitoring and implementation activities which are essentially process-oriented desk work, such as drafting project implementation orders (PIO) and project implementation letters (PIL), preparing requests for proposals and progress reports, and drafting evaluations and responses to audit recommendations, do not inherently need to be performed by USDH stationed in-country. They could be performed either by USDH stationed elsewhere or by non-USDH. No particular advantage is gained by assigning an American to a country in order to remain within Mission walls, as a recent Workforce Planning Study field mission discovered is all too often the case.

Similarly, the kind of involvement in monitoring and implementation—largely the review and clearance of project-related documents and approval of proposed actions, which controllers, contracting officers, and legal advisors cite, does not, of itself, appear to require their in-country presence.

Project design and analysis was cited next most frequently, in part a reflection of the complexity of A.I.D.'s design process, which requires inputs of all kinds and the participation of almost the entire range of Mission staff to ensure conformity with A.I.D.'s rules and regulations. High ranking of project design and analysis is also a reflection of the staff-intensiveness of the committee approach so frequently used in the Missions. This approach, in turn, evolved from the Agency's institutional emphasis on design (in contrast to implementation), which turns the design process into an internal, almost narcissistic, A.I.D. function. Yet the actual design and analysis is usually entrusted to outsiders—consultants or university experts—working within an elaborate scope of work which, in its turn, went through many iterations and carried an impressive load of clearances. Sadly, the designers' work is often rehashed within the Mission in a futile attempt at design perfection.

The design and analysis functions are, nevertheless, a significant part of the process of exerting influence, but only at the time when the project or program activity is first identified and later when the design details, especially the agreements, are reviewed, and perhaps negotiated at the policy level, with the recipient government. For both of these critical events, the participation of well-informed USDH, knowledgeable about the country and having access to and credibility with the host government, is indispensable. None of the other steps in the process, however, necessarily requires the participation of USDH assigned in-country.

The design and related analyses must, of course, be realized on the spot, where the information is to be found, but they can be, and are already, largely done by short-term actors. The work of design teams is facilitated by the continuing presence of a knowledgeable, well-connected USDH who understands the context in which the new program or project is to work. Ensuring conformity to A.I.D. policies and regulations can easily be left to legal, contracting, financial management, and other experts in those matters on a TDY basis; they need no particular in-country expertise.

Strategy formulation and policy dialogue, two somewhat related functions, were also very high on the list that USDH staff claimed to perform. The emphasis placed on these functions by the Agency, as some sort of a "higher calling" within the hierarchy of development assistance functions, perhaps accounts for the wish of many to be identified with them. It is also likely that in striving to formulate good strategies and engage vigorously in the policy dialogue, Mission management actively solicits input and assistance from all levels of the staff.

Although the assessment team found that both of these functions are directly tied to realizing the advantage of influence, it also found that most of those who claimed involvement explained their role as contributory rather than direct. Those directly involved in working out the strategy with the recipient government and carrying on the policy dialogue at the decision-making level cannot be effective if they are not part of the in-country presence. Those who assist in the process, by providing inputs to the strategy-making or ongoing dialogue at the working level as opposed to the decision-making level, may or may not, depending on the degree of technical knowledge needed on a continuing basis or the sensitivity of the issues in question, need to be stationed in-country.

Personnel supervision/administration was the function cited fourth most frequently by USDH staff in the field. On the one hand, this is what one would expect from the typical structure of an overseas Mission, where there is a superstructure of USDH providing oversight, training, guidance, and performance evaluation for a large number of non-USDH personnel. On the other hand, however, it also reflects the demands that the American Foreign Service personnel system makes on all its members. The employee evaluation report (EER) process is the heaviest burden. At one extreme, the Deputy Mission Director typically devotes an inordinate amount of time (some have cited 6 to 10 weeks a year) to it exclusively, depending on the number of division heads to be rated and the number of EERs to be reviewed. Less onerous, but still time-consuming, is participation in the Mission Review Panel, whose members also usually have some sort of EER writing tasks themselves. Orchestrating one's next assignment is another major task.

It cannot be argued that this function contributes directly in any way to the realization of the advantages of in-country presence. But it must be done in any USAID installation and is an example of the bureaucratic requirements that decentralization cannot avoid. Only a very few USDH do it full time, but many do a lot of it. Smaller staffs, or at least fewer USDH, would reduce the amount of time and effort that must be devoted to the task, thus freeing the USDH to spend more of their time on what they were sent to accomplish.

Contracting, evaluation, program budgeting, accounting and voucher examination, financial and economic analysis, and legal counseling are functions performed in-country by a significant proportion of the resident USDH staff. Although none of these functions need be performed by in-country USDH staff for the realization of the principal advantages of influence and accountability for effectiveness, they all have a part, to a greater or lesser degree, in the advantages of in-country presence. They also affect, however, several of the disadvantages of in-country presence noted earlier.

It would therefore be rare that a convincing case for the cost-effectiveness of stationing USDH in-country for these functions could be made. Moreover, except for accounting and voucher examination, these tasks are usually needed only at certain times and do not require continuous performance. Even accounting and voucher examination, with modern telecommunications, may be functions that could be concentrated in a few, well-chosen, centralized locations.

Executive Officer (EXO) functions, necessary to support whatever staff is present in a Mission, cannot be performed elsewhere, although they do not directly relate to the advantages of in-country presence. The role is essentially supervisory, although the EXO is directly involved in OE budgeting and procurement. The scope of the EXO operation in a country, which may have an impact on whether a resident USDH is needed, depends largely on the size of the Mission and conditions at the post.

There is a wide disparity among Missions in the numbers of people used for these activities, from a single USDH EXO to a staff of several hundred, almost all non-USDH. The interviews and responses to a worldwide cable sent by the assessment team revealed that, in many countries, the local economy could supply many of these services. This suggests, at the least, that more Missions could contract for these services than do so at present, reducing dramatically their personnel administration burden in the process.

Alternatives to USDH

Respondents were asked about the possibility and desirability of their functions being performed by other than resident USDH staff. Clearly there was little confidence in the abilities of the host governments, since almost nobody believed that tasks other than evaluation and participant training could be handled well by them.

TDY assistance was somewhat more positively viewed. But while most respondents felt that most functions could be performed on a TDY basis, very few thought that to be a good idea. The respondents thought that their own presence was necessary. This was very consistent with overseas staff's view that A.I.D./W is an unreliable supplier of TDY assistance, but inconsistent with the generally favorable view of the REDSOs held by most African Missions.

In part, the responses concerning TDY reflect an overall complacency that the assessment team noted in the attitudes of the overseas staff about their roles, Mission structure, and Mission staffing, and in part they may reflect a distaste for making frequent TDY trips. But the viewpoint may also be a natural reaction to a question that staff perceived as threatening to their future assignment opportunities. The assessment team, comprised mostly of veteran Foreign Service officers, thought somewhat better of using TDY services for many functions than did the Mission staff interviewed.

So did senior Washington-based respondents. Some of them felt that a highly skilled person on regular TDY with good FSN support can enjoy easy and high-level access to host-country officials. They noted, with some frequency, that legal, contracting, project development, and design were services that could be supplied when needed to permit Missions to exercise their delegations of authority. Economic analysis and financial management were also considered suitable for TDY.

The use of FSNs and PSCs was viewed more favorably still, although rare were the functions that the majority of respondents thought it desirable for these staff to perform. Although the actual use of FSNs varied greatly from Mission to Mission, in general, those functions cited most frequently by USDH as important activities for themselves, such as project design and monitoring, strategy formulation and policy dialogue, were the ones found least suitable for performance by FSNs and PSCs. However, many functions now being performed to a great extent by non-USDH, such as participant training and voucher examination, were cited as unperformable by FSNs and PSCs according to many USDH respondents.

The views of USDH respondents about FSNs and PSCs were not consistent with information provided by other donors, nongovernmental organizations (NGOs), and the private sector, who usually thought much better of the talent available and who used it in more responsible roles than did many Missions. The FSNs themselves also stressed their ability and willingness to assume greater responsibilities than they had been given, although such sentiments may have been self-serving.

Nevertheless, there appears to be something of a bias against the use of FSNs and PSCs that goes even beyond considerations of ability to do the job. Self-interest may have colored the views expressed. Perhaps there may also be a belief that USDH were reluctant to express but that some host-country and other-donor representatives evoked without hesitation: there is always a risk that personal, family, or political motives may take precedence over A.I.D.'s institutional objectives. Nevertheless, and based on the successful experiences of some USAIDs in entrusting responsibility to non-USDH, the assessment team found considerable room for rethinking the role of FSNs and PSCs.

Other Donors and In-Country Presence

In the majority of countries where A.I.D. maintains Missions, its corporate size is typically, or at least apparently, much larger than that of other donors. Although critics of A.I.D. may recognize the advantages of in-country presence for exerting influence and for the effective delivery of development assistance, they wonder how other donors manage their operations with far less staff and suggest that those approaches could provide models of cost-effectiveness for A.I.D.'s emulation.

To evaluate the relevance of these other approaches for A.I.D., the assessment team tried to ascertain whether other donors seek the same benefits A.I.D. does, and, if so, how they accomplish their objectives with less staff-intensiveness overseas. Accordingly, the experience of a representative selection of other donors, both bilateral and multinational, is reviewed in Appendix D. To assess the accuracy of the information in documentary sources and to gain perspective on the A.I.D. presence, interviews were conducted with donor field representatives in 10 countries. Appendix E includes a summary of those interviews. The following conclusions emerge.

Most donors require some kind of in-country presence.

Although no significant donor believes it can get along without some kind of in-country presence, none expects in-country staff to have much of a role in preparing development strategies, designing projects, procuring goods and services, conducting a policy dialogue, supervising project or program performance, or performing financial management, accounting, or evaluation. Few authorities, if any, are vested in the field, and issues are routinely decided at headquarters.

Thus it is not surprising that other-donor overseas staffs are not large. But to count only the personnel who sit in a bilateral donor's aid office can be deceptive; they are, often, merely the tip of the iceberg of their country's in-country aid presence.

Of the donors surveyed for this assessment, the thinnest overseas presence is Germany's, with only about 20 officers seconded to the Foreign Ministry and assigned to the largest among the 120 German aid recipient countries. This sparsity is somewhat compensated by Germany's reliance on parastatal institutions and contract staff to help the recipient country implement its capital and technical assistance programs.

Japan is thinly staffed overseas as well. In Indonesia, for example, a staff of five oversees an annual program budget of well over $1 billion. For reasons of economy, some countries, including Canada, the Netherlands, and Sweden, limit the number of recipient countries where aid staffs—of 2 to 10 officers each—are assigned. Only those countries with aid staffs in place to handle the work load are eligible to receive the full panoply of these donors' development assistance. Assistance is provided through embassies to many other countries, but using modes which require no professional staff presence. Some donors, notably the Scandinavians, reach a broader group of recipient countries by channeling a proportionally higher level of resources through multilateral organizations such as UNDP, using, in effect, the staff capacity of those organizations as a substitute for their inability or unwillingness to provide their own.

Both Britain and France maintain assistance relationships with many countries but concentrate on former colonies, where they have aid staffs of 5 to 15 officers attached to their diplomatic Missions.

Although the British in-country aid presence is limited to only the most important recipients, five regional Development Divisions located within broad geographic regions (the Caribbean, the Pacific, Southeast Asia, Southern Africa, and East Africa) reinforce British diplomatic Missions in their aid responsibilities. These regional offices are an alternative to in-country presence in many places and a compromise between the need for technical expertise in each recipient country and the expense of maintaining field staff in Britain's more than 120 recipient countries. The British also enjoy the support of other official bodies, such as the Crown Agents, the Commonwealth Development Corporation, and the British Council, which do not, on the surface, appear to be part of the British aid structure, but which take direct responsibility for parts of the aid activity.

More significant for the French and the British, however, are their networks of thousands of expatriate technical experts assigned within the operational institutions of recipient governments. These citizens of the donor country technically function as civil servants of the various host-country ministries to which they are assigned. However, in many ways, they act as extensions of the donor's official aid presence by providing constant administrative support, planning, and monitoring for bilateral projects being implemented.

In addition to their contributions to the World Bank, the specialized agencies of the United Nations, and the regional development banks worldwide, all European donors also make substantial contributions to the European Development Fund (EDF), which manages large multilateral assistance programs in the Africa, Caribbean, and Pacific regions. In 1990, the European countries channeled more than $3 billion in development and economic assistance through the EDF, which typically maintains an in-country presence of 5 to 12 career officers, with heavy reliance on visiting teams of TDY specialists, and is, in many ways, a surrogate for European bilateral aid.

Some major bilateral donors that have tried to get along with only limited presence have found they need more.

Although most donors have followed their overseas staffing styles for many years, there have been some recent changes of note. The Japanese, in particular, have found themselves increasingly unable to program and disburse the greatly increasing amounts of aid they are now providing. They are now urgently pursuing expansion of their in-country presence in recipient countries.

The Canadians, having concluded that their system needed to be made more responsive and timely, embarked on a decentralization effort in 1988 which included considerably greater in-country presence, based on what they term the "USAID model". In order to increase the authority, prestige, and influence of its in-country staff, Canada has elevated its principal CIDA (Canadian International Development Agency) officers to Consul status in those countries where there is not a resident Ambassador.

Indeed, interviews revealed that many donors feel that they need more people working for them, whether hired locally or sent from their headquarters, but not as many as A.I.D. Even the World Bank has expanded its in-country presence since 1985, adding substantial numbers of technically qualified specialists.

In their relations with recipient governments, other bilateral donors do not seek the same objectives as A.I.D.

In many cases, the advantages A.I.D. seeks to realize through in-country presence are less relevant to other donors. Development performance, for example, is of far less institutional concern to most bilateral donors than it is to A.I.D., although it is of great personal interest to their officials in the field. Although donors recognize that without extensive in-country staffs they are unable to monitor closely the implementation of their activities, they have either rationalized that effective implementation is the responsibility of the recipient or were satisfied that development assistance was meeting the commercial objectives they had set for it.

Illustrative of this is the emphasis that different donors put on their individual program portfolios. For example, during the 1988–1989 period a significant percentage of other-donor resource flows to bilateral recipients was for economic infrastructure projects (e.g., transportation and energy) which are normally turnkey operations implemented by their own contractors. During this period the percentage of program budgets devoted to this sector by various donors was as follows: Japan (36.4%), World Bank (35.8%), Germany (28.6%), United Kingdom (23.4%), France (20.8%), Netherlands (19.4%), and Canada (14.7%). By contrast, the equivalent percentage for A.I.D. was 3.7 percent.[5]

Bilateral donors also typically do not become deeply involved in influencing macroeconomic adjustment or policy reform, except at the political level through their embassies. Indeed, interview comments suggested that A.I.D. Missions are viewed by some of the other donors as intrusive, insensitive, and paternalistic.

On the multilateral side, the World Bank does care both about the quality of project implementation and about policy change. It recognizes, however, that it has been less successful than it wished on both counts. It is currently undertaking a study of why so many of its projects are so far behind schedule and remain so far from accomplishing their objectives. Interviews in the field regularly highlighted that the visiting teams the Bank sends for these purposes are "managed" by the host country during their brief visits and are, thus, unable to assess the true state of affairs.

No donor accepts the idea of diversion of project funds with equanimity or likes the idea of waste and mismanagement. The approach of most other donors, however, seems to be one of accepting some degree of resource erosion as a smaller price to pay than the cost of extensive controls. Routine audits, and the corollary requirement to respond to audit recommendations, are unheard of. Scandal, of course, gives rise to corrective action when it surfaces and sometimes leads to the withdrawal of all development assistance from a recipient country. But the donors interviewed uniformly believed that A.I.D.'s requirements for fund accountability were, in Third World environments, unachievable, excessive, and counterproductive.

Other donors are subject to far less oversight.

It is fair to say that no other donor, bilateral or multilateral, responds to oversight requirements as deep or complex as A.I.D.'s. In parliamentary systems, the role of the legislature in the aid program is very limited. Some donors, such as Japan and France, have no aid policy legislation at all. Legislatures in other donor countries, while establishing general policies, review the programs only at very general levels and appropriate funds in a single

5 On the other hand, program assistance during that period, more closely related to development performance, presents a different picture. The percentage of program budgets devoted to this mode was as follows: Japan (17.8%), World Bank (9.9%), Germany (4.9%), United Kingdom (14.7%), France (4.9%), Netherlands (14.4%), Canada (4.8%), and A.I.D. (24.6%).

line item, leaving the country allocations and project selection entirely to the responsible executive entities. Thus, no overseas staff ever needs to prepare documentation for submission to its legislature or to supply information in response to legislative inquiries. Policies and procedures, too, are vastly simpler and applied with more uniformity and thus do not require the battalions of legal advisors, contract specialists, controllers, and project development and program officers to interpret changing objectives and complex requirements, or to monitor conformance with rules and regulations.

The multilateral donors, while responsible to governing boards, control their own decisions largely through their own bureaucracies. There are no other bureaucracies, legislative bodies, or constituencies to be satisfied.

Relevance of the experience of other donors.

Comparison of A.I.D.'s overseas staffing with that of other donors does, indeed, demonstrate that their overseas staffs are much smaller and, thus, less costly than A.I.D.'s. Even when large numbers of contractors or technical experts are relied on for some of the functions A.I.D. officers typically perform, there is no added cost for these services as the individuals are already assigned in-country for other purposes. For A.I.D. to reduce its overseas presence to a size commensurate with that of the other principal donors would require an unworkable recentralization of authority in A.I.D./W and a dramatic reduction in both the scope of the assistance effort and the audits, controls, and legislative oversight to which the program is subjected.

3 Alternatives To Present In-Country Presence Patterns and Practices

Management of A.I.D.'s In-Country Presence

Benefits from an in-country presence center on two factors: a significant ability to influence the development process and the ability to adequately account for results.

The findings also suggest that some functions need not be performed by in-country USDH staff, but could instead be performed more cost-effectively by non-USDH staff or by staff located elsewhere.

Section 3 draws on these principal findings and describes some of the implications and opportunities flowing from them for overseas staffing in order to make the best possible use of human and financial resources. These "opportunities," or options, are divided into three categories:

1. Those that can be implemented fairly quickly in the short term with minimum restructuring

2. Those that would require moderate restructuring and could be implemented in the medium term

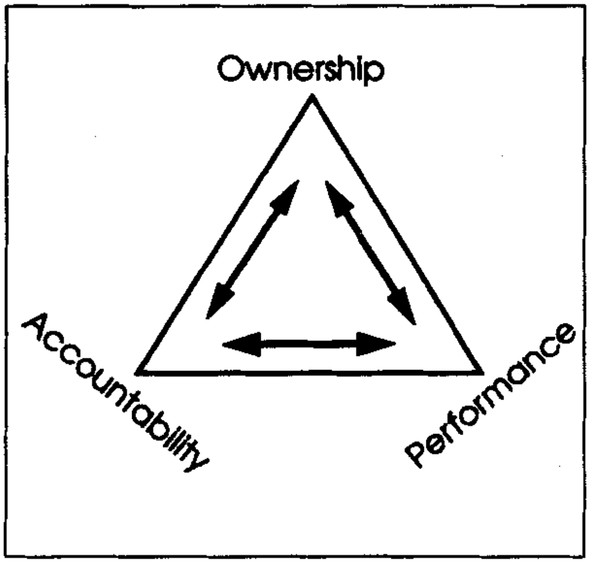
3. Those that would employ a strategic management approach to workforce allocation and require more time to implement significant changes in the way A.I.D. could staff and manage the delivery of foreign assistance

All three categories of opportunities are set and described in the context of the following strategic management objectives: (1) managing for results, (2) managing for cost-effectiveness and accountability, and (3) managing for recipient country self-reliance.

Today's manager of A.I.D.'s in-country presence is constantly faced with three important management challenges that relate to these overall objectives. They are (1) managing in a way that *performance and results* are achieved and can be demonstrated, (2) managing in a way that the Agency's financial *accountability responsibilities* are fulfilled, and (3) managing in a way that *ownership* of development policies, programs, and projects is established or transferred to the recipient country.

The triangle illustrates that these management challenges can be both incompatible and complementary. The ultimate challenge for the manager, therefore, becomes how to balance these three important elements; and, within that context, how to accomplish the balance with the most cost-efficient use of human and financial resources.

In terms of the objectives of the assessment, balance means retaining the essential advantages of an A.I.D presence with the least num-



ber of USDH employees, consistent with prudent management and achievement of results; and, at the same time, increasing the recipient country's reliance on its own management capacity as rapidly as possible over time. The assessment team believes that the following offer opportunities and possibilities for meeting the challenge and achieving these objectives.

Need for Transition Strategies

As a result of its finding that A.I.D. Missions neither plan for diminishing their level of participation nor work toward the day when A.I.D. can withdraw, the assessment team concluded that the single greatest impact on Mission staffing, over time, would result from the requirement that such planning occur.

The development impact would also be substantial. After all, fostering self-reliance should be the very purpose of A.I.D.'s business. However understandable the reasons that induce Missions to provide a high degree of oversight, this tends to slow the rate at which the recipient country develops the skills and capacity to manage its development resources and increases the risk of establishing and perpetuating a dependency, not only on external resources but also on external management of those resources.

Although this absence of transition strategies is not unnoticed by most Mission managers, there seem to be insufficient incentives to focus more intently on this issue. The gradual transition and transfer of management and accountability responsibilities from the donor to the recipient countries should be made a major goal and part of the Missions' overall program strategies and implementation plans, with follow-through at the project level by making this an explicit part of project purpose, design, and implementation. Succeeding phases of strategy and program formulation and follow-on projects should begin at ever-increasing levels of recipient-country management and responsibility for achieving results and decreasing A.I.D. management and control (see also Appendix G).

The team strongly believes that every Mission should be working to ensure that the recipient country is moving toward self-reliance in its development efforts. If Missions organized their development strategies under this objective, then management for results, accountability, and sustainability would naturally follow.

The development of transition management strategies should be a major part of bureau goals and guidance and part of country and program performance criteria. Over time, this will decrease host-country dependence, develop a more mature assistance relationship, add an important variable to Mission development strategies, and decrease the level of USDH staffing needed to achieve major program goals. Every other opportunity identified below is either part of or facilitated by the presence of a transition strategy. Without it, little will be accomplished; with it, more rational, cost-effective in-country presence structures could be put in place in many countries.

FSN Utilization

The pervasive underutilization of professional FSN employees also impacts directly on the ability of the Agency to implement the opportunities identified. The team came to the following general conclusions with respect to FSN staffing and its relationship to USDH needs:

1. Many professional FSNs are underutilized and could assume more and higher levels of responsibilities with their current professional capabilities or with additional training.

2. FSNs could replace the need for any USDH responsibility for certain functions.

3. FSN staffing levels are often developed separately from the process of determining USDH staffing needs, and the number of FSN employees is often a function of the number of USDH, rather than the inverse.

4. There is a definite limit, however, on how much additional responsibility can be assumed by FSNs, due principally to the need to have a USDH between FSNs and recipient-country officials when major policy issues are involved, as well as to the current confusion as to what FSNs can and cannot do on behalf of A.I.D. The team found a wide variety of applications, ranging from FSNs having practically no signing authority to FSNs acting in the full capacity of project manager, and, in at least one case, acting as project officer, a function almost always performed by USDH.

The FSN utilization issue is not peculiar to the assessment's findings. It has surfaced in almost every recent study involving Agency practices and the personnel system. It keeps coming back because it is never addressed. It is time for Missions to assess the full capabilities and potential of their present FSN employees and those they could hire, for the Office of the General Counsel to provide definitive guidance about the upper limits of FSN responsibilities (which should purposively be broadened), and then for the Agency to use these factors as major determinants of USDH staffing requirements.

Short-Term Opportunities

Based on the team's findings and observations, there is a series of measures the Agency could implement almost immediately, which would involve a minimum of restructuring and disruption and which would facilitate the implementation of many of the ongoing and planned management reforms to reduce work load, paper, reporting requirements, and the like. The measures would also reduce pressures and requirements for USDH in many country situations.

Adjust Current USDH Staffing Imbalances

The assessment team observed anomalous staffing levels at a variety of Missions in relation to program resources, program mix, project portfolio, and other independent variables. Similar divergences were suggested by the regression analysis models developed by two regional bureaus and by the one developed for this exercise. If, following case-by-case analysis, such problems were confirmed, A.I.D. could rationalize field Mission staffing somewhat by reallocating existing overseas USDH levels worldwide from Missions that may have more staff than they really need to Missions that may have too few (see Appendix F).

This proposal would be the least disruptive of all measures considered. It would redistribute a part of the existing USDH overseas workforce to ensure that staffing costs are incurred where they are most needed and economized where program shifts indicate that fewer staff are required.

Identify and Designate Other Advanced Developing Countries

Six countries presently receiving assistance from A.I.D. (Brazil, Chile, Colombia, Mexico, Paraguay, and Uruguay) are classified as advanced developing countries (ADCs). These countries might be categorized as "self-reliant," having an adequate institutional capability and human resources base to manage their own development strategies with minimal A.I.D. in-country presence. Programs in these countries are typically staffed with one USDH and a small support staff of FSNs and USPSCs. Assistance is provided through a regional fund controlled by the Latin America Bureau in A.I.D./W.

Using the model of these countries as a starting point, A.I.D. could rigorously attempt to identify other countries that may now be considered self-reliant (e.g., Costa Rica, India, Thailand, Tunisia) and subject to appropriate downsizing of A.I.D.'s in-country presence. Self-reliant status should imply readiness for dissolution of the current Mission structure, elimination and relocation of needed technical and administrative support staff, greater utilization of FSN staff in responsible positions, and, perhaps, relocation of the A.I.D. office into the U.S. Embassy. Recognition of more self-reliant status would not necessarily require a concomitant reduction in program budget levels or channeling of assistance through regional funds, as in the Latin America Bureau. Assistance could be provided through a continued bilateral program with nonproject assistance for specifically designated activities relevant to the recipient country's and A.I.D.'s priority areas of interest.

Designating other ADCs would be consistent with the precept discussed earlier of transferring ownership and of managing for increased self-reliance.

Reduce Staffing in Some of the More Unfavorable Development Environments

Sometimes a significant aid level is provided to a country for largely political reasons. In these situations, a fully staffed Mission will, as provided in the FAA, usually attempt to deliver a development assistance program. Where the environment is characterized by political instability, a poor policy environment, corruption, and an uncooperative government, however, prospects are poor for achieving development impact. In these countries, A.I.D. could restrict itself to resource transfers requiring low staff intensity, such as participant training to develop a cadre of people who will be more receptive to American ideas and free market policies, and to humanitarian or social service programs through PVOs.

The advantages are twofold. First, where these conditions exist, staff could be reduced dramatically. Second, the United States would not find itself in the embarrassing position of trying to elicit a particular performance, or enforcing project and policy conditionality, in a context where the recipient knows it will receive its level of assistance whatever it does—and even if it does nothing. As a trade-off, the opportunity to leverage assistance and influence behavior through in-country presence and an active program would be lessened.

This approach that considers the realities of the environment is consistent with and supportive of the precepts of managing for results and for accountability, and gives important signals in terms of self-reliance objectives.

Reduce Documentation and Mission Reporting Requirements

A.I.D. should rigorously follow up its current efforts to reform project documentation and reduce the inordinate time now being spent on detailed project analysis and design. A flexible, moving design process should be melded into implementation. Enough studies of the present process have been conducted to suggest that all the required documentation and analysis do not ensure a successful project. Documentation often becomes irrelevant in the face of the reality of implementation in an unpredictable setting which does not mesh with well-intentioned analysis based on inadequate or nonexistent data.

Additional documentation streamlining could include

- Combine the annual budget submission (ABS) and congressional presentation (CP) exercise into one document (and refrain from revising the instructions every year)
- Simplify local currency monitoring requirements
- Reduce the paper flow required for participant trainees
- Authorize multiyear contracts for personal service contractors
- Simplify employee evaluation reports
- Simplify internal vulnerability assessments
- Require action plans or other program performance only on a biannual basis (see Appendix G)

The major advantages of implementing these measures are obvious. They would have a downward impact on staffing requirements and would also help to place more emphasis on "managing for results." The team perceives no disadvantages.

Reduce Bureau and Mission Competition for Scarce Staff and Budgetary Resources

The present system of decentralization of all planning functions along with all design and implementation responsibility breeds a destructive inter-Mission, and even interbureau, competition which detracts from the management objective of increased operational efficiency and optimal use of scarce human and financial resources. This competition manifests itself through excessive program justification processes, such as the country development strategy statement (CDSS), country program strategy plan (CPSP), action plan, CP, and ABS, many of which must be prepared by the Missions and defended in artificial and frequently superficial review sessions in Washington. Produced as advocacy pieces within an A.I.D./W versus field adversarial stance, these documentation efforts suffer from a loss in objectivity as each Mission attempts to portray its client country in the most favorable light in order to maintain or increase its program funding levels, its OE levels, and its staffing levels in what is perceived to be a zero-sum game.

USDH staff spend an inordinate amount of time in bureaucratic strategizing and in planning, preparing, and defending this documentation, time which could more productively be spent on the management of program implementation and increased contact with host-country counterparts. The competition-advocacy-adversarial approach engendered by the present program and project documentation system thus drives overseas presence to higher levels than needed for the sole requirements of sound program management.

One solution to this problem would be to relieve the Missions of the responsibility for country program advocacy. Under such a system, country analyses would be prepared by combined A.I.D./W-Mission teams, with participation from other agencies as appropriate, which would assess needs and provide the developmental objectives, strategy, and political rationale for individual bilateral country programs which would not be further reviewed. The Missions would then be charged with design and implementation. Country programs would reflect clearly defined USG objectives rather than individually crafted Mission agendas, which must be continuously justified, protected, and defended. Recentralizing country policy, objectives, and strategy (with field Mission participation to ensure that the particularities of each recipient country are not forgotten) and maintaining decentralization for program operations and management would result in considerably reduced requirements for USDH overseas staff.

Other advantages of this approach, especially in terms of strategic management objectives, are that it would tend to build closer collaboration and ownership between A.I.D./W and the field, and it might also create an important middle ground in the current debate on decentralized versus centralized programming.

Medium-Term Opportunities

The medium-term opportunities tend to involve more extensive policy changes, restructuring, or both in the way A.I.D. does business and, therefore, would require time to further staff out and to implement. Alternatives for the medium term also follow from the basic findings of the assessment and are presented in the context of the strategic management objectives previously cited.

Expand Regional and Shared Services

The REDSOs in Abidjan and Nairobi present models for regionalization of technical and support services (see Appendix G), models that could be explored for wider utilization and for promoting managing for recipient country self-reliance. In the Bureau for Latin America and the Caribbean (LAC), certain individuals with regional responsibilities are stationed at bilateral Missions. USAID/Bangkok is now being reconfigured to provide services, including budgeting, project design, contracting, legal, financial management, and executive officer support to A.I.D. affairs offices being opened in the region. The assessment team also heard suggestions that no USDH technical specialists were needed in individual countries, provided highly qualified ones were available and on call from nearby locations.

Meanwhile, there is strong countervailing pressure from some Missions, particularly in Africa, to station all necessary support personnel at all Missions to avoid the need to rely on any regional support. The Africa Bureau and REDSO/East and Southern Africa (ESA) in recent years appear to have shifted from a policy of staffing regionally to permit smaller Missions to rely on regional expertise to a practice of supplying REDSO/ESA staff as reinforcement to existing staffs in fully staffed Missions.

If several Missions can share the services of staff, fewer USDH will have to be stationed overseas. Although travel costs may rise, these will be much smaller than the savings from fewer assignments. Some officers, however, will probably object to the strains of frequent travel. Moreover, A.I.D. programs of any size and complexity find reliance on any but in-house staff difficult to accept, and there is a pervasive feeling that somehow one is not getting one's fair share of regional services. In addition, there is a profound distrust of A.I.D./W's willingness and ability to share centrally based staff equitably, suggesting that any attempt to provide regular services to Missions from Washington would encounter significant opposition from the field.

Nevertheless, the assessment team felt that there was considerable potential for supplying services of various kinds on a regional basis and for reversing the trend in some areas for greater dispersal of support staff. Of course, a detailed cost-benefit analysis would have to be undertaken to assess the full range of opportunities. But with increased training for FSNs and with modern communications, such as FAX and E-mail, it should be possible for legal advisors, contracting officers, controllers, and even executive officers to service more than one field post. Although such support personnel are all necessary for the effective functioning of the U.S. foreign assistance program as it is now designed, the accessibility to recipient governments and the proximity to project sites that justify in-country presence are not as relevant for these support personnel.

Opportunities to develop more regional offices and shared services should be explored for reasons other than cost savings. Interviews in REDSO/ESA convinced the team that there were significant advantages in clustering technical and support personnel at regional locations where they can keep each other abreast of developments within their respective professions, share regional experiences, and reinforce one another. Indeed, it is probable that Missions would, in many cases, be better served by personnel clustered at regional sites than by Mission-based personnel working in isolation, especially where such individuals lack experience. New Delhi appears to merit consideration as the location for another such regional office.

Central America presents a unique opportunity to apply these ideas. Given the proximity of the countries, a "shared service" organization could perform accounting, contracting, legal, project design, economic analysis, and management services for other Missions in the region. Moreover, in light of the anticipated reductions in country program levels and, thus, in staff, the concept could be taken one step further with the establishment of a Regional Mission, in Costa Rica for example, with a much reduced number of USDH in the neighboring countries. This would be similar to the system under which Canada (CIDA) is presently operating in most of Central America.

Concentrate Programs on Fewer Development Problems and on What A.I.D. Does Best

There are now more donors with greater levels of resources than when A.I.D. began to work in the LDCs. These donors cover a wide range of activities and have developed world-class expertise in some development specialties. Over the years, and especially since 1980, A.I.D. has identified new sectors of activity, without, however, abandoning its traditional areas in most countries. The assessment team found that overseas staffs often lacked awareness of the activities of other donors, even in the sectors where the Missions operate. Yet the team also found a general belief that if Missions focused their portfolios they would achieve a greater impact. The Administrator's admonition that Missions should select only two or three strategic objectives thus makes sense.

Limiting objectives would permit A.I.D. to concentrate on what it does best, or, at least, what it most wants to accomplish, and to leave other development problems to the comparative advantages of other donors. Considerably more coordination among donors, on a global as well as country basis, might well be required. But donor coordination should be more feasible in a post-Cold War world, where short-term political objectives ought to be less of an obstacle to the coordination required for this approach.

In addition, however, the fieldwork disclosed that Missions continue implementing large numbers of project activities, even while arguing that the number of their sectors is appropriately limited. Many interviews and the regression analysis performed as a part of this assessment suggest a relationship between numbers of projects and Mission size, so limiting the number of activities should reduce somewhat the need for staff. Although it might not be appropriate to try to fix the absolute number of project activities each Mission could have, perhaps setting a floor under bilateral project size—$5 million—would accomplish the same purpose while retaining Mission flexibility.

Some Missions would regret no longer being able to respond to targets of opportunity. That may not be a bad thing. Others, especially those with low program levels, may find that the minimum project size is set too high.

Perhaps that would suggest that where program levels are low, a program that does not require much staff is in order, for example, one that funds buy-ins from centrally funded projects and that channels funds through intermediaries such as PVOs.

On the other hand, the assessment team concluded that a shift from project assistance to nonproject assistance (NPA) did not necessarily reduce the need for staff. Most NPA carries with it elaborate conditionality. Many countries need help in building the institutions or making the policy changes called for, and this entails a great deal of high-level Mission participation. In some cases, technical assistance must also be provided and supported. Finally, progress must be assessed and determinations made about successive tranches of funding. Of course, nonconditional cash transfers or a less active role in assisting a country to meet its policy undertakings would reduce the staff-intensiveness of this form of assistance.

Create Incentives To Encourage Efficient, Cost-Effective In-Country Presence

All of the aforementioned short-term opportunities require a top-down system of edicts. All are subject to some degree of manipulation by bureau and field managers. Many of the short-term opportunities would come about more naturally if the Agency established effective incentives to encourage A.I.D.'s Mission managers to run the leanest operation possible, consistent with the management objectives of performance, accountability, and ownership, represented by the triangle discussed earlier.

It is the team's conclusion that quite the opposite system of incentives has existed for some time, one which seems to award program size and volume and staff size as positive performance factors, thus giving signals that run counter to Agency efforts to manage human and financial resources as cost-effectively as possible (see Appendix G).

Adjusting the Agency's incentive system to encourage tightly run field posts would be fully consistent with the strategic management objectives outlined earlier. This issue should receive strong consideration and action by the Incentives Committee and Management Reforms Council.

Concept of Mission Antennae in Washington

This concept would relocate to A.I.D./W those Mission and regional personnel whose functions are not related to the requirements of day-to-day project monitoring or dialogue with recipient-country officials. The personnel assigned to such antennae in Washington would be responsible to the Mission Director under the direct supervision of one of the group who would be designated "Assistant Director for Washington-Based Operations" in addition to his or her other professional functions. The group would be physically separated from its respective geographic bureau (in Rosslyn, VA, for example) to emphasize its detachment from the A.I.D./W chain of command and its primary responsibility to the Mission Director.

In addition to the performance of its specialized staff functions, the group would be a repository of Mission-specific information and be responsible for fielding and preparing responses to all requests for information and the preparation of routine and special reports. The performance of this reporting function alone would relieve the field-based personnel of a considerable work load and allow a greater concentration of time and effort on the more important functions of program implementation and policy dialogue.

Only recently has such a concept become possible through the advent of FAX and E-mail. It would still require frequent field visits to ensure that the A.I.D./W-based personnel remained abreast of Mission developments and latest thinking. Administrative support costs for the A.I.D./W-based personnel would be charged to the individual Mission's OE account in order to emphasize and maintain complete association with the overseas Mission.

While maintaining the same Mission functions being performed today, this alternative would move some of the people performing them to Washington. Trade-offs with the reduction in overseas support costs would be in the form of increased communication and travel costs as well as possible morale problems stemming from the necessity for frequent travel and consequent family separation.

Such a concept would work best for the Missions presently staffed at a level of 15 or more USDH personnel. Small Missions in Africa would continue to rely on the regional support services provided at present by the REDSOs.

Concept of "Limited Accountability"

Much of the justification for USDH staff is based on A.I.D./W and Mission concern for financial accountability and a pervasive fear of audits rather than on the more practical requirements of basic program management (see Appendix G). Complaints from field staff reflect perceptions rather than specifics. The weight of the perceptions, nevertheless, demonstrates an abiding concern with protecting against any and all audit recommendations, at all costs. A.I.D.'s institutional culture, abetted by adverse publicity, has become so obsessed with tracking every penny that the costs frequently outweigh the benefits. As one respondent commented: "We spend dollars to save dimes." This apprehension has exerted an upward influence on USDH staff levels or prevented reductions in cases where Mission Directors conceded that less staff would be needed but for the "operational intimidation" factor of excessive financial accountability and audit concerns.

A.I.D., in cooperation with Congress and the Inspector General, should investigate the concept of "limited accountability" for overseas operations in the developing countries as practiced by other donors and explained by their representatives to the assessment team during interviews in the field. This approach assesses the cost of total accountability in cultures with different ethical values from ours against the limited protection against fraud and mismanagement which it provides and the inordinate work load and staff time that it involves.

Longer-Term Opportunity: The Concept of a "Core" Mission

There is a good deal of interest inside and outside the assessment team in the concept of a basic or core Mission, and the extent to which such a concept can be effectively and realistically applied to overseas staffing. Many of the team's findings and subsequent analysis indicate that this general concept may be applicable and merits inclusion as a principal alternative for cost-effective allocation of overseas staffing. It became apparent, however, that there could be several variants and different applications of the concept. For example, a core staff could be based on

- Program levels, or
- Units of management, or
- Disciplines deemed essential to the retention of benefits from an in-country presence, with additions and subtractions made according to prescribed criteria, such as accessibility to shared services, or
- The human resource base and the relative ability of the host country to structure, manage, and account for A.I.D. resource transfer, or
- Strategic objectives

Strategic Objectives Approach

This section discusses the strategic objective variant within a strategic management context and relates the concept to several other major elements of the team's findings, as well as to management initiatives ongoing within the Agency.

Major assumptions underlying this approach include

- A.I.D.'s basic role will change substantially in the 1990s, but an in-country presence will be essential to fulfilling that role
- Operational expense and FTE constraints will not diminish but rather are likely to increase
- Agency leadership is genuinely interested in improving A.I.D.'s effectiveness
- FSNs can be given more responsibility than they now have, and clear guidelines to that effect will be issued
- "Limited accountability" can be negotiated

The strategic objective approach to workforce allocation is similar to zero-based budgeting, with a USDH principal officer as the only given and additional USDH program managers essentially tied to the number and type of strategic objectives and the availability of qualified local staff. Each program manager would be responsible for managing the process and activities for one strategic objective. Having two or more strategic objectives would imply that the Mission had two or more program managers.[6]

A program manager would be responsible for all phases of activities under his or her strategic objective. This would imply bringing in project design expertise if needed, as well as independent consultants, for example, to participate in a midproject evaluation. A main responsibility of the program manager would be to manage the implementation process under the strategic objective. The program manager would need to decide how to do that—with the assistance of FSNs and contractors, as appropriate. The program manager should know A.I.D. processes very well, as well as have technical grounding in the major field included within the strategic objective.

All other functions would be performed by FSN or contract staff, supplemented by USDH through telecommunications links and TDYs from Washington—or from a regional support office or Mission. The principal officer would have to feel confident that these functions would be available when needed.

Increases above this core would have to be justified, based on guidelines which would have to be developed. Presumably, as the num-

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[6] A strategic objective is an area of emphasis in a country program. It should reflect a development requirement of the country and also be an agreed priority of both the recipient country and the USG. A specific definition of a strategic objective has now been formulated by the Agency in the context of Mission and A.I.D./W-level strategic planning and program performance/measurement. These are the basic elements in "PRISM," the new Agencywide "Program Performance Information System for Strategic Management." The definition is as follows: "The highest level development result that a Mission or other operating unit believes is within its overall manageable interest; i.e., that it can materially affect and for which it is willing to be held accountable. Missions would typically pursue a relatively small number of strategic objectives (one to five), commensurate with the financial and human resources available for implementing effective strategies." Examples of strategic objectives include increased food production and productivity, reduction of fertility, economic stabilization/structural adjustment, and increased off-farm employment.

ber of strategic objectives increased or the program level per strategic objective went up, or a strategic objective was added that is new to A.I.D. or is very staff-intensive, the guidelines would suggest thresholds for an increase of USDH. At some point, as volume and complexity increased, there might be a threshold that would justify resident presence for other functions.

Some procedures would have to be developed to ensure implementation of a strategic objective approach with the least disruption and greatest amount of fairness and discipline. The process could begin with a country-by-country review of the number and nature of each Mission's strategic objectives to determine the number of program managers needed.

Each program manager, with regional or A.I.D./W assistance, would, in turn, be responsible for designing a management and staffing strategy and configuration for his or her strategic objective. This strategy would be based on analyses to determine the

- Optimum number of management units for each strategic objective
- Quality and quantity of local human resources available to staff the management of a particular strategic objective
- Upper limits of responsibilities at which locally available FSN or PSC employees could operate
- Degree to which the recipient country could manage and account for resources under the strategic objective
- Amount of support services necessary to achieve the objective and the most efficient and cost-effective means of providing them

The results of the foregoing analyses would help to determine the need for additional USDH and distinguish those support services (technical and administrative) that must be provided by in-country staff and those that could be provided by other means and modes.

In addition, the principal officer would be responsible for developing, in close collaboration with the recipient country, a transition program and management strategy that would, inter alia, project a path and timetable along which the country could be expected to increasingly manage its own development and progress toward a different level of development and donor relationship. In the case of the relatively least developed countries, the timetable can be expected to be quite long.

The strategic objective approach is closely related to and complements several other opportunities identified. For example, the idea of a "Mission antennae" approach, discussed above, complements and is also probably necessary to make the strategic objective scheme work. This combination, then, fits very well with the idea of keeping in-country only the staff whose functions must be performed in-country in order to realize the desired benefits, or whose functions contribute less directly to the major benefits but which can be performed as—or more—cost-effectively in-country. Staff may be located out of country when their functions can be performed as efficiently and more cost-effectively from other locations, by use, for example, of advanced communications technology, TDYs, and so forth.

Adopting the Strategic Objective Approach: Pros and Cons

Pros

1. The approach is simple and straightforward; the point of departure is a bare minimum. A higher typical or normal USDH level would not become an institutionalized bureaucratic "floor."

2. In determining USDH and other staffing levels, the emphasis would shift from mainly money levels to efforts necessary to achieve the Mission's strategic objectives and thus, to

a stronger emphasis on "managing for results."

3. It forces an analysis of which functions must be in-country in order to derive the major benefits of A.I.D.'s in-country presence and of which functions, while contributing to the benefits, can be performed effectively out of country.

4. It requires the utilization of FSNs and other local resources to their fullest potential and capacity.

5. It would force serious consideration of developing transition program and management strategies, which, in turn, would require more collaboration with and faster development of recipient country capabilities.

6. It would even out some of the current imbalances and anomalies in present USDH staffing worldwide.

7. It would be consistent and compatible with ongoing efforts to establish performance indicators throughout the Agency.

8. It encourages Missions to move into a mode of strategic planning around certain objectives.

Cons

1. Some will undoubtedly feel very strongly about the missing resident functions, perhaps, especially, the lack of a resident program or project officer.

2. Precise criteria, especially criteria related to overall program levels, annual budget levels, and numbers of projects, cannot be established.

3. Implementation of this option could be very time- and resource-consuming in the early stages and would probably require a fairly long phase-in period, especially in some of the larger Missions.

4. It will require some tough decisions on the part of Agency leadership, especially in overcoming resistance to transferring staff who do not need to be resident in-country and can perform needed functions more cost-effectively from elsewhere.

In summary, the foregoing represent possible cost-effective alternatives to maintaining the principal advantages of an in-country presence. While none are impossible, some are more feasible than others. They would require different time frames to plan and implement. The assessment team cautions, however, that a missing part of the analysis of these alternatives is the potential impact of each on Agency recruiting, career development, and employee morale, as well as on the size, structure, and role of A.I.D.'s dedicated Foreign Service. These very important considerations should be built into further analysis and planning of alternatives.

4 Conclusions and Recommendations

A.I.D.'s in-country presence provides advantages to the USG in the delivery of foreign assistance which cannot be duplicated using any other mode. Even in the face of increased budgetary pressures, the assessment team believes that A.I.D. can maintain the essential benefits of in-country presence—its influence and program accountability—by being more selective about what functions are performed overseas by USDH staff and what functions can be performed by others, in Washington, in regional support centers, or in the field; by reducing documentation requirements; by making clearer distinctions between purely political and developmental programs and concentrating overseas staff in the latter, where the benefits of in-country presence are more likely to have an impact on development performance; and by making more concerted efforts to lead recipient countries to self-reliance. A.I.D. has not had a systematic approach to overseas staffing that consistently takes into consideration diverse program requirements, specific staffing resources available locally, and skills needed to maximize the benefits of in-country presence. As a consequence, the assessment has laid out a number of options intended, over time, to lead to more cost-effective staffing within A.I.D.

The assessment recommends that the Agency immediately institute "transition strategies" as an overarching Agency management approach and that each Mission introduce this perspective into its strategic planning. All Mission planning and program documents should reflect the results of transition management thinking. The Policy Directorate should draft the relevant policy statements and requirements for the field.

Missions should search for FSN talent prior to the assignment of USDH or contractor staff for positions not requiring considerable policy negotiation functions. The more effective use of FSN talent will require that A.I.D.'s Office of the General Counsel issue a statement clarifying the legal limits, interpreted as broadly as possible, to the authorities the FSN staff may exercise.

Two major near-term options, the designation of additional ADCs and the identification of unfavorable development environments, should be carried out over the next several months by the Policy Directorate. Initially, this directorate should develop policy guidelines regarding what degree of self-reliance capability is necessary for ADC designation. These policy guidelines would lead to a list of countries expected to be designated as "self-reliant" in the short, medium, and long term. Missions in those countries would then be tasked with incorporating a time horizon into their strategic plans that would reflect how country programs and staff would foster self-reliance. The Operations and Finance and Administration Directorates, in conjunction with relevant regional bureaus, should proceed to work with Missions in those countries designated as self-reliant in the short term to develop less staff-intensive programs and to turn over responsibility for management increasingly to the host country itself.

Second, the Policy Directorate should develop criteria for identifying those countries that the United States desires to assist but where the environment precludes the implementation of an effective developmental strategy. Appropriate types of foreign assistance should be identified for such environments. In such cases, the Operations Directorate, in conjunction with the relevant regional bureau and Mission, should redesign the country programs to require a minimal in-country presence.

Other near-term options can be implemented without delay. The results of the regression analysis should be carefully studied by the Finance and Administration Directorate's Support Budget Office in conjunction with the Operations Directorate. Missions that fall significantly (5 or 10 percent) below or above the predicted staffing levels should be examined on a case-by-case basis to determine whether, in fact, current staffing levels are justified. Based on this analysis, the Support Budget Office should make recommendations, as appropriate, to balance out Mission staffing allocations. Although this option by itself may not reduce costs, it will "rationalize," to a certain extent, staffing decisions.

The Policy Analysis and Resources Office of the Policy Directorate, which is revising the Agency Handbooks regarding programming procedures, should, in coordination with the Operations Directorate, be responsible for the options to reduce documentation and Mission reporting requirements and to reduce bureau and Mission competition for scarce staff resources by using a joint A.I.D./W-Mission team for the preparation of nonreviewable Mission strategy documents. This system would be put in place to diffuse the destructive inter-Mission and interbureau competition for resources which the study identified as one factor that increases in-country staff requirements. Both of these options would require that the Policy Analysis and Resources Office look closely into the relationship between documentation and successful implementation and develop guidelines for the minimal paperwork required to meet accountability criteria. CDIE should share the results of its own studies with this office to provide an experiential basis on which to develop such guidelines.

Several medium-term options could then be further considered and carried out by the Management Improvement Policy Group. These options would include the expansion of regional and shared services as well as the Washington-based Mission antennae concept. The particular case of Central America and whether all the Missions there could be replaced by a single Regional Mission should be further studied by the Management Improvement Policy Group in conjunction with the Operations Directorate and the LAC Bureau. Whether Thailand's regional functions could be increased should also be further studied by these groups. All of the many studies already completed on the REDSOs in East and West Africa should be reviewed by these groups to determine whether the Agency is making the best use of these offices. The Washington-based Mission antennae concept should be pursued in collaboration with the regional bureaus.

The Policy Directorate should develop guidance on the concentration of programs. The Management Incentives Committee should pursue approaches to strengthen the incentives for managing with "leaner" staffs. The Office of the Administrator, in conjunction with Congress, should pursue the concept of "limited accountability."

In the longer term, the assessment recommends the implementation of the strategic objective approach to staffing, in which program strategic objectives, not administrative convenience, would drive staffing decisions. This approach, as elaborated in section 3, reaffirms the critical importance of an in-country presence, but allocates resources to those functions that are central to capturing its benefits, thus tending to minimize the assignment of USDHs. Any new Missions being set up should be staffed accordingly. A.I.D.'s presence in Eastern Europe and in the newly independent states may be candidates for the immediate implementation of the strategic objective approach to staffing.

In those countries identified as self-reliant, Missions in the short or medium term could employ the strategic objective approach to identify the staffing needs of their redesigned programs. Other Missions could begin to introduce this approach as an element of their recommended overall strategic plans.

Implementation of the ideas and recommendations of this assessment should, over time, lead to a more rational approach to in-country presence. With a premium placed on cost-effectiveness, as opposed to maximizing size and financial accountability, a logical and measured downsizing of the overseas staff can occur, especially in countries where A.I.D. has had a long presence. Such downsizing can happen without the loss of the critical advantages to the United States of the influence and program accountability A.I.D. can ensure as a consequence of its in-country presence.

APPENDIX A Scope of Work

Objectives

The objectives of the CDIE assessment of A.I.D.'s in-country presence are threefold:

- Determine the essential rationale for A.I.D.'s in-country presence
- Ascertain whether the functions performed overseas are those needed in order to meet the rationale for the in-country presence
- Seek to identify possible configurations of A.I.D. in-country presence that are cost-effective, while retaining the demonstrated advantages of in-country presence

Study Questions

To address these objectives, a variety of questions need to be answered. The following examples will be modified and refined during the various phases of the assessment.

- Are the advantages commonly believed to arise from in-country presence real or just theoretical? Are the real advantages of significant importance or only marginal to A.I.D.'s objectives? In terms of the ability to contribute to the accomplishment of these objectives more effectively, to what degree does A.I.D. really benefit by being present in-country?
- A.I.D. is apparently the only donor that believes it needs a sizable in-country staff (although the French often maintain a very large official *presence*). Do other donors with similar programs and objectives find that the advantages we perceive are not important? Or do they have other means to achieve similar benefits? Are there meaningful trade-offs, especially in effectiveness, that these donors must accept while enjoying cost savings?
- Are there examples of structures for in-country presence that preserve the advantages but are more cost-effective? Are some of A.I.D.'s present structures for smaller in-country presence suitable for application in more places?
- To what extent do the functions actually performed by overseas staff really contribute to achieving the purposes that justify their in-country assignment, and to what degree are the functions that most consume their time directed at the meeting of Mission and A.I.D./W administrative and bureaucratic needs? Could the latter functions be performed elsewhere?
- Are there possibilities for substitution by other categories of staff (Foreign Service national, contractor, other in-country U.S. Government personnel, etc.) or

through other institutional arrangements, such as reliance on private voluntary organizations (PVOs), universities, or private entities, that would preserve the advantages but be more cost-effective? What would be the trade-offs for such substitution?

- Is there a relationship between the advantages of in-country presence and (1) the mix of assistance instruments (development assistance, economic support funds, PL 480 food aid, etc.); (2) the dollar level of assistance; (3) the role of nonproject versus project assistance; or (4) the degree of concentration of activities in the portfolio?

Phases

The assessment will include four phases.

The first phase is the conceptualization and information-gathering phase. During this phase, A.I.D. direct hire team members will

- Review A.I.D. major organizational configurations and structures in the field
- Review the justification and rationale for the in-country presence configurations employed within A.I.D.
- Review what functions A.I.D. expects to be carried out in the field
- Review the approach to in-country presence taken by other donors and the structures used by both donors and organizations with overseas presence with possible relevance to A.I.D.
- Conduct preliminary interviews with A.I.D. staff and other donor staff to determine their perceptions of field functions and also to identify possible in-country configurations that may be reviewed in this study
- Investigate how A.I.D. currently determines the size and composition of its in-country presence

During Phase 2, research design and preliminary analysis, the methodology will be developed. (See Appendix B for an exposition of this methodology.)

Phase 3 will consist of the field work. (The field work is also described in Appendix B.)

Phase 4 will include the final synthesis of findings and recommendations. During this phase, team members will analyze the desirability of continuing to operate overseas as A.I.D. has been doing. If changes in the numbers and functions of U.S. direct hires and/or the structures of the A.I.D. in-country presence are recommended, options for possible in-country presence will be generated. Those options will seek to provide greater cost-effectiveness while retaining the essential advantages of in-country presence.

APPENDIX B Methodology

The methodology employed followed two parallel and conceptually independent tracks. One track consisted of interviews, field visits, and archival reviews. The other track consisted of an attempt to quantitatively model staffing. The possibility that this second track might be fruitful was enhanced when it was discovered that two geographic bureaus had independently produced potentially acceptable regression models explaining U.S. direct hire (USDH) Mission staffing. With that knowledge, a regression analysis effort was designed. The data for this analysis came from A.I.D. budget materials from FY 1988–FY 1991.

For the interviews, a purposive sample of Missions was constructed from strata representing all geographic regions, Mission size (by program, staffing, and operating expenditures), and type of development problems faced. Although not scientifically representative of all Missions, the resulting sample was reasonably representative. It originally included 10 Missions but, as the opportunity presented itself during the site visit to Kenya, representatives from Ethiopia and Rwanda were also interviewed. The final sample consisted of Bolivia and Costa Rica (test sites), Guinea, Honduras, Indonesia, Kenya (both the bilateral Mission and REDSO/ESA), Morocco, Pakistan, Senegal, and Uganda.

In each Mission, the design called for interviewing all USDH and as many personal services contractors and senior Foreign Service nationals (FSN) as the schedule would allow. In addition, Missions were asked to schedule extra-Mission interviews with the Ambassador, Deputy Chief of Mission, other donors, and representatives of the recipient country and private sector. Each team was scheduled on site for 1 workweek.

Two types of interview questionnaires were developed:

1. A "master" in-Mission questionnaire. A subset of the master was developed for each of the following subgroups:

- Mission Director and Deputy
- Senior Program, Project, and Technical staff
- Program, Project, and Technical staffs
- Senior FSNs
- Executive Officer, Controller, Contracts, or Legal staff

2. Extra-Mission questionnaires for

- Other-donor representatives
- Recipient country representatives

The in-Mission questionnaires were constructed with open-ended questions. A set of possible/probable responses was provided, where possible, to simplify recording time, reduce recording variation across interviews, and simplify data-processing and analysis. For all questions, even those with the supplied possible/probable response set, interviewees would be able to give any response they chose to make.

These questionnaires were pretested both in Washington, using former Mission staff, and in two Missions, Bolivia and Costa Rica. After each test use, questions were added, deleted, or modified, as appropriate. The possible/probable responses for questions were created and modified in this same manner.

Because it was not possible to test the other-donor and recipient-country forms in Washington, they were reviewed by team members. After agreement within the team, design was completed. These forms were completely open-ended. No attempt was made to create a set of possible/probable responses because the target population was too heterogeneous and there were no available surrogates.

Team interviewers were trained in the use of the form, and they practiced their recording skills as observers in a test interview of a USDH who had just returned from the field. After the session, all notes were reviewed and discussed, and coaching was given as needed.

A database was constructed using Symantec Q & A, version 3.0, software.

Q & A was selected because it allows multivalued, variable length fields. This feature made it possible to design, capture, and process the strings from the open-ended questions. After data entry was completed, a separate data file of the fixed format data was created and processed using SAS. Review materials, reports from the database, and original questionnaires were given to team members for theme and content analysis. The data, other information and documentation, and working papers assembled by the assessment are available in working files retained by A.I.D.'s Center for Development Information and Evaluation.

APPENDIX

C

A.I.D. Staffing of Overseas Missions. Hearings before a Subcommittee of the Committee on Appropriations (Obey Subcommittee), House of Representatives. March 7, 1991

Foreign Operations, Export Financing, and Related Programs Appropriations for 1992

Hearings Before a Subcommittee of the

Committee on Appropriations

House of Representatives

One Hundred Second Congress

First Session

A.I.D. STAFFING REPORT[1]

. . .

Question. Mr. Roskens, in July 1989, in the Committee Report, we requested that A.I.D. undertake a study of its staffing distribution around the world. This was because the committee believed that A.I.D. had no systematic way of considering program content and size and integrating that information into decisions concerning operating expenses and staff allocations.

That Report was due February 1, 1990. However, the Committee did not receive any response until September 14, 1990—seven months late. Then, frankly, the report did not do what the Committee intended.—Instead,

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:ay tuned, we are working on it." The Report in part said:

lso moving to establish a central workforce analysis and ... ..it within the budget area."

"...In the interim, a working group has been established to review and analyze program and workplace information collected from all overseas missions and Washington offices and bureaus."

Staffing guidelines for program planning purposes are not an unusual idea. It is precisely those types of guidelines which underlie MEDICARE certification required for federal funding of state mental health and mental retardation centers. Similar standards are used in staffing federal and state prisons.

When do you expect that A.I.D. will have developed some staffing guidelines that the Committee can review and that A.I.D. can use for management purposes?

Answer. A report follows which summarizes progress to date and describes the system which A.I.D. will use during the FY 1993 budget reviews to determine overseas workforce allocation levels. The approach employed is on a number of factors including country program levels and program configuration.

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[1]The material in this appendix appeared on pp. 547–557 of the Committee Report.

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A.I.D. WORKFORCE ALLOCATION SYSTEM FOR OVERSEAS MISSIONS

This paper provides background on actions taken in the past two years on the Agency's efforts to develop a rational workforce allocation system for the A.I.D. missions overseas and steps currently underway to complete this action.

BACKGROUND

In the summer of 1989, in an effort to begin sorting out ways to meet expanding program management requirements with limited staff and an increasingly constrained operating budget, A.I.D. conducted a preliminary analysis of staffing in relation to program allocations and support costs of its overseas and headquarters operating units.

That analysis revealed some emerging trends and defined the relationship of current staffing to program size. But it also raised additional questions and issues, on which there was incomplete information. In particular, it highlighted the incompleteness of information on the size, composition and functions of *A.I.D.'s non-direct hire workforce.* It also raised a series of questions about the reasons for the current configuration of direct-hire staff in relation to program management demands, about the basis for future decisions about staff hiring, training and deployment, and a host of related personnel planning issues.

As a result of that preliminary exercise, in the fall of 1989 the Agency initiated a full-scale study to collect complete data from its headquarters and field operating units on the full range of Agency workforce. This study addressed a number of questions about workforce size and functions. It also sought to test several hypotheses about the relationship between staff and differential operating cost and program management demands.

The study gathered extensive data on all types of field and headquarters workforce -- American and foreign national direct-hire and non-direct hire staff, contractors and other U.S. Government personnel. Respondents were asked to characterize functions as well as numbers of staff and to relate program management functions to specific projects and other program components. These data were related to unit operating budgets and program size -- obligations, pipeline, numbers of projects, etc.

The resulting data has allowed the Agency to profile the full workforce in its headquarters and field operating units. It has also provided information on the relationship of workforce to support costs and to various measures of program management demand, such as annual obligation level and size of pipeline.

The data collected describes how overall staffing is currently allocated to perform different tasks such as managing projects, performing financial management function, general administrative support activities, etc. It permits comparisons among and between missions and headquarters offices and bureaus of the use of personnel resources.

The data collected shows that in FY 1989 A.I.D. had a total workforce (defined to include all U.S. and FSN direct-hire, PASAs, RSSAs, IPAs and details-in, and all non-implementation contractors, principally PSCs) of about 11,000, of which approximately 4,400 were direct-hire employees. About 78% of the total workforce were assigned overseas, just under 1/4 of whom were engaged in program and project management functions.

Many of the roughly 22 percent of total workforce located in Washington are involved in activities which, by their nature, have no overseas counterparts. For example, most activities related to legislative affairs, external relations, small and disadvantaged business activities, equal employment opportunity activities, central budgeting, development of Agency policy guidance, and certain accounting and personnel functions are uniquely "headquarters" functions.

The data has also fleshed out the earlier partial information about variations in total staff size of the Agency's various operational units overseas, ranging from certain advanced developing countries with a single U.S. direct-hire representative to large missions, and has permitted comparisons of staffing with cost and program resources. Using the information collected, A.I.D. tested some assumptions about total costs of operation and staff size relative to various measures of program management burden. As a result, we are now able to define average costs of the various types of staffers in our missions and to establish ratios of staff to various measures of program size.

The study has confirmed much of what A.I.D. believed about its staffing allocations, and has added to the Agency's undertaking of how staff is distributed. Among the important findings of the study are the following:

- The availability of qualified local direct-hire and contract staff is an important determinant of the number of U.S. direct-hire employees needed to staff an A.I.D. mission. The Agency has made great efforts to operate efficiently and economically by utilizing local staff where feasible. In 1989, more than half of the staff engaged in managing A.I.D. projects overseas were foreign national direct-hire or personal service contract employees (percentages by region were 43% in Africa, 50% in Latin America and 56% in Asia and the Near East).

- U.S. direct-hire employees (USDH) are the most expensive component of A.I.D.'s overseas staff, largely because of housing and other allowances. In FY 1989, the average direct cost (exclusive of salary and benefits) of maintaining a USDH employee at an overseas mission was about $133,000 (average cost by mission ranged from under $90,000 in several Latin American posts to over $200,000 in a few African countries). By way of comparison, the average cost of foreign national direct-hire employees worldwide was under $19,000.

However, the study was not able to isolate any combination of program variables -- like annual obligation levels, size of pipeline, or sectoral characteristics -- which could serve as sufficient basis for workforce allocation decisions. Although there are certain rough correlations between staff size and program measures such as size of pipeline, there are also numerous exceptions. Nevertheless, such comparisons are useful for both further workforce analysis and for program planning, and the Agency has incorporated the study's results into the FY 1993 budget preparation and review process.

The kinds of information produced in the study described above are an essential starting point. A small workforce analysis and allocation staff, established within A.I.D.'s budget office in early 1991, will continue to develop and refine a better analytical base for the allocation of staff to field and headquarters units. Further, the staff works closely with analysts responsible for allocating program funds and operating expenses, ensuring greater integration of Program and OE and workforce decision making.

CURRENT ACTIONS

Our efforts to date lead to the conclusion that the application of even complex models will not be sufficient to determine precise staffing levels appropriate to any given mission. It is, however, feasible and appropriate that such models be employed to provide a set of standards to determine parameters for mission staffing levels. Our observation is that a relatively simple model based on current year funding levels and program configuration, could be applied to determine a range of appropriate staffing. Precise staffing levels would be determined by adding to the model's results, judgments concerning variables such as the sophistication of the recipient country, availability of local staff and numbers and types of assistance activities. Given these conclusions, we have developed a simple model which we will be using during the upcoming budget season.

Applying the model to A.I.D.'s FY 1991 Operating Year Budget and FY 1992 request yields predictable results: the African missions are staffed less adequately than those in the other regions. In fact, African posts are, in aggregate, staffed at levels generally consistent with the model, while those in Asia, the Near East and Latin America have more U.S. direct-hire than the model would dictate.

FY 1993 initial regional overseas staffing ceilings will be set by assuming global conformity with the model by FY 1995 and treating FY 1993 as the first year of transition from FY 1992 to the new levels. While regional bureaus will be allowed to distribute the ceilings by country as they choose, significant variations from the application of the model on a country specific basis will have to be justified during the summer budget reviews. As a result of these reviews, the overall applicability of the model will be determined.

In addition to the staffing model, AID's Center for Development Information and Evaluation (CDIE), in conjunction with other offices, is undertaking a study of overseas staffing approaches to determine the most cost-effective way for AID to carry out its program in the future. During the course of this study, planned for completion in November, 1991, the reasons for AID's overseas presence will be articulated (e.g., program management, knowledge of the recipient country, access to recipient country decision makers), staffs of selected Missions interviewed to determine whether current staffing is consistent with these reasons, the staffing approaches of other donors will be reviewed and proposals will be put forward for changes in the way AID staffs its overseas posts.

The model thus represents a starting point to establishing a consistent approach to staffing overseas Missions. The additional information provided by the budget reviews (a "reality test" of the model) and by the CDIE overseas staffing study will provide the basis for establishing staffing levels for FY 1993 and beyond that are significantly less "ad hoc" than those of previous years.

MISSION WORKFORCE ALLOCATION MODEL

A. ASSUMPTIONS:

— That the levels of staffing for field operation are limited by the Operating Expenses budget appropriation.

— That concern for vulnerability and accountability require a minimum core presence when bilateral assistance programs are underway.

— That the construction of the program, the level and mode of assistance utilized, has a direct relationship to the level of staffing required.

— That a rational workforce allocation process is dependent on the establishment and implementation of program development criteria and controls.

B. MINIMUM CORE MISSION STAFFING:

When a bilateral assistance program is instituted, experience has dictated that a minimum core staffing level in country is required to protect Agency and U.S. Government stewardship of appropriated funds. A core staffing model for a bilateral Mission would include:

MINIMUM CORE STAFFING MODEL

Principal A.I.D. Officer
A.I.D. Controller
A.I.D. Executive Officer
Program Officer/Project Development Officer

The minimum core staffing model assumes that Legal and Contracts Officer expertise is available on a regional, TDY or shared bilateral basis.

C. COUNTRY PROGRAMMING PRINCIPLES AND GUIDELINES:

To control and rationalize country workforce allocation levels, it is essential that a set of models be established the basis of which will determine staffing levels beyond the minimum core staffing requirements. The following is an initial attempt at creating these models:

Segregate Programs by principal driving force:

Development Programs

— Category 1 - Large ($30 mil) - Multi-Sector - Good Perf. (15-20 people)
— Category 2 - ed. ($15-30 mil) - 2-3 Sectors - Good Perf. (10-15 people)
— Category 3 - Small (Less than $15 mil) - 1 Sector - Good Perf. (5-10 people)
— Category 4 - Buy-Ins (Less than $15 mil) - 1 sector - Adequate perf. (0-5 people)

Political/Security Programs:

— Category 1 - Large, highly visible, U.S. Nat'l Interests. $30 million or more (15 or more people)
— Category 2 - Medium - strategic - $15-30 Mil. (5-15 people)
— Category 3 - Reconstruction (Emerging Democracies) (1-5 people)

Advanced Developing Country Programs:

Beyond concessional assistance, S&T focus, Private Sector, program level, per se, not directly relevant. (0-5 people)

Emergency Relief Programs:

— Countries where sole purpose is disaster relief - Ethiopia, Sudan, Liberia etc. (1-5 people)

D. VARIABLE FACTORS:

Within staffing parameters by program category, additional personnel will be added as necessary, taking into consideration:

Numbers of Sectors
No. of activities or management units
Pipeline size
Avail. and Competence level of FSN staff
Degree of Sophistication of LDC Institutions
Sector/Program/Project Assistance Mode
P.L. 480 (type and amount)
Local Currency generations
Policy Reform Focus

Question. In the 1992 budget process, how did A.I.D. relate and compare staffing needs across countries and regional bureaus?

Answer. A.I.D.'s approach to staffing requirements was based on country specific analyses considering such factors as program magnitude, e.g., obligations, pipeline, number of projects, etc., and such variables as the availability and aptitude and the foreign service nationals, relative sophistication of host country government institutions, etc. This was not a systematic effort to relate or compare country or regional staffing levels to one another. In the FY 1993 budget process, we will apply common standards to all overseas workforce levels so that final determinations will be based on comparisons within the established standards as well as on country specific factors.

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A.I.D. STAFFING REPORT

Question. As you know, the committee has had a lot of concern about the extremely thin staffing that is being proposed for Eastern European programs. It is amazing to me that today, fifteen months after we appropriated the first money for Eastern Europe, we only have one permanent A.I.D. person actually located in the region. Now, we have a letter promising more staff in Eastern Europe by mid-summer. But, my point is that A.I.D. without any staffing guidelines seems to have no rational approach to answering the question—what is a reasonable number of staff for the region, or for each country, for the type of programs that are planned. Do you agree with that assessment? If not, can you explain on what basis those staffing decisions have been made?

Answer. A.I.D. has taken a very rational approach to developing staffing guidelines for the East European program.

As you know, the East European program is being managed and designed in Washington. This structure was guided by the particular circumstances of the SEED I legislation which authorizes the President to appoint, in the Department of State, a Coordinator of East European assistance. Both the Coordinator and the two Deputy Coordinators are in Washington. In order to bring the expertise of the entire U.S. Government to bear on Eastern European development issues, it makes the most sense for the program managers to be in Washington also.

In addition, in contrast to most A.I.D. programs, this program is obligated primarily in the United States with U.S. organizations, universities, firms and other U.S. Government agencies, rather than with foreign governments. In FY 1991 some 80–90% of the program will be obligated in the United States. It certainly has helped to be close to the contractors at this early stage of the program when initial contracts and grants are being negotiated, rather than dealing with them by phone and FAX from Eastern Europe.

By law and policy, a much larger number of other U.S. Government agencies are involved in this program than in other A.I.D. programs. The negotiation of inter-Agency transfers and appropriate monitoring by A.I.D. of other Agency programs using A.I.D. funds is more easily done at the Washington level, although clearly their work in the field must also be monitored by the A.I.D. Representatives as well.

It is imperative that our assistance be fast disbursing to show the people of Eastern Europe that the West can move quickly to help them through their initial hardship period. We were able to begin design and implementation of the actual program activities almost immediately from Washington rather than focussing instead on the lengthy process of getting clearance and administrative and logistical support for people in the field.

We currently have over forty people working full-time on the Eastern Europe program in Washington, compared with ten when the program started in 1989. That number will soon expand to over 80 positions working full-time on the program. Many of these will be performing frequent TDYs to the field.

Regarding overseas staffing, as mentioned in our previous letter, we have an A.I.D. Representative in Warsaw who has been serving there since August, 1990. We will be augmenting his staff by three positions and placing A.I.D. Representatives in Hungary, Czechoslovakia, Bulgaria and Romania. By early summer they will be supplemented by Foreign Service Nationals hired at each post. We plan to have an additional American person in Budapest as well, subject (as are all positions) to Ambassadorial clearance.

I have mentioned previously that we will conduct a professional review of our field staffing needs in July and every six months thereafter. We will request additional staff any time it becomes necessary, and have done so already even before the July review.

I hope this conveys our rationale for the management structure we have adopted. As mentioned, we will soon have well over 80 Americans working full-time on Eastern Europe between Washington and the field, and on TDY—a not excessively thin total. I will keep you and your staff informed as our plans progress.

APPENDIX

D Other Approaches To In-Country Presence

This appendix contains the results of a literature review of the operations of several bilateral and multilateral donors. The sources for the information supplied are to be found in the bibliography. A summary of the interviews of other-donor representatives which took place during the field work is found in Appendix E.

Table of Contents

Glossary

ASEAN	Association of Southeast Asian Nations
BMZ	Ministry of Economic Cooperation (Germany)
CCCE	Caisse Centrale de Coopération Economique (France)
CDC	Commonwealth Development Corporation (UK)
CIDA	Canadian International Development Agency
CPR	country program review
DAC	Development Assistance Committee, Organization for Economic Cooperation and Development
DCO	development cooperation office (Sweden)
DGIS	Directorate-General for International Cooperation (Netherlands)
DIDA	Dutch International Development Agency
FAC	Fonds d'Aide et de Coopération (France)
FCO	Foreign and Commonwealth Office (UK)
FMO	Netherlands Finance Company for Developing Countries
FTE	full-time equivalent, about one staff position
GDP	gross domestic product
GNP	gross national product
GTZ	Deutsche Gesellschaft fur Technische Zusammenarbeit (German technical assistance organization)
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation

IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt fur Wiederaufbau (German capital assistance agency)
MDB	multilateral development bank
NGO	nongovernmental organization
NIO	Netherlands Investment Bank for Developing Countries
ODA	official development assistance or Overseas Development Administration (UK)
OECF	Overseas Economic Cooperation Fund (Japan)
OED	Operations Evaluation Department (World Bank)
PVO	private voluntary organization
SADCC	Southern African Development Coordination Conference
SIDA	Swedish International Development Authority
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund

1 Selected Bilateral Donors

France

Motives, Organization, Coverage, and Program

Although no binding text setting out development policy exists, French assistance for the last 30 years has sought to maintain solidarity with former French colonies, to enhance the spread of French language and culture, and to protect French military and economic interests. To these ends, it provides large numbers of technical cooperation personnel, weights its program toward grants, and ties its aid almost completely to the supply of French goods. These objectives and approaches enjoy wide acceptance, and neither the media, nor political parties, nor social groups have much effect on aid policy, which is largely determined by the President of the Republic.

French assistance is administered by a bewildering variety of ministries and agencies with little apparent coordination. There appear to be three separate assistance programs, each with its own independent policies, applicable to specific recipient countries depending on the nature of their relationship with France during the colonial period. The program which, in organizational terms, most closely resembles that of other nations is carried out by the Ministry of Cooperation, having responsibility for most of the capital aid grants and technical cooperation going to the French-speaking Black African states and others that continue their close ties to France. It accounts for about 30 percent of total French aid.

The Ministry of Cooperation has a full-time staff of about 1,000, of which approximately 250 are in about 27 *missions d'aide et de coopération* attached to French embassies in recipient states. It controls the technical cooperation activities of more than 10,000 people and administers the *Fonds d'Aide et de Coopération* (FAC). FAC provides *grants* for capital aid projects and, in some instances, indirect funding of technical cooperation, through financing of certain public agencies responsible for projects.

Capital loans are not directly administered by the Ministry of Cooperation but by the *Caisse Centrale de Coopération Economique* (CCCE), a relatively autonomous policymaking body with its own overseas staff under the general control of the Ministry of the Economy and, when abroad, under the Ministry of Cooperation. CCCE, which sees itself as a bank with a development bias, has 28 field agencies in the developing countries. It has a staff of about 630 at headquarters and 580 (350 locally employed) in the field. The field offices, which are independent and separate from the embassies, all enjoy a large measure of autonomy in the projects they implement on their own account.

For aid to other independent countries not under the jurisdiction of the Ministry of Cooperation and of lesser importance to France, responsibility is divided on functional lines between two major ministries. The Ministry of Economy provides for loans and food aid, and the Ministry of Foreign Affairs, through its Directorate-General for Cultural Relations, is responsible for technical cooperation, administering approximately 7,000 persons. For these countries, the development program is the responsibility of Embassy personnel, with the Cultural, Scientific, and Technical attache representing the Foreign Office and the commercial counselor handling requests for loans. This division of responsibility between two ministries for capital and technical assistance does not always lead to a coordinated program.

The local situation in the field mirrors that in Paris: there is no comprehensive cooperation concept, and the conflict of interests between foreign policy, development policy, and external economic policy has not been resolved. At the embassies each policy has its own representatives, assigned and controlled by their respective ministry. They are subordinate to the Ambassador, who wields considerable power but is unable to coordinate their activities. Consequently, local coordination tends to be achieved through a network of personal relations with the local representatives of other institutions and with the head offices.

French bilateral aid and technical cooperation is very highly concentrated in the education sector, public utilities, health, and, increasingly, in rural development. No overall strategy seems to be necessary because the program tends to change little from year to year, the money allocated is fairly constant, and new projects tend to resemble previous ones, either adding on to existing projects or growing out of older ones. To the extent that there are changes, project and program implementation respond to immediate crises and problems instead of emerging from a particular overall development strategy. Relatively little aid flows through nongovernmental organizations (NGOs).

As the French development administration is broken down by geographical areas, sectoral policy considerations play no more than a subordinate role. France has seldom granted sectoral program aid. In technical cooperation it is trying to reduce the proportion of teachers and increase the proportion of technical experts. In financial cooperation the various instruments show no sign of a common trend toward sectoral concentration.

The French budget process addresses neither projects nor programs. Multiyear cash appropriations are voted and transferred to the implementing agencies to be disbursed as they see fit, usually even without Finance Ministry approval. Therefore, FAC funds are available until used, as are the loan resources of the Ministry of Economy. Because the CCCE raises its government guaranteed loan funds from the national and international capital markets only when a project is ready for implementation, it is not concerned with annual appropriations.

Retained and Delegated Responsibilities

With the exception of Ministry of Cooperation "micro projects" (which altogether total only about $4 million), there is no local commitment authority, with all projects needing to be individually approved in Paris. The FAC and CCCE field Missions, which in theory "respond" to requests from local governments, in fact play an active role in program development. Requests for grants and technical assistance are heard by an interministerial committee chaired by the Ministry of Cooperation, and requests for loans are heard by a committee headed by the CCCE. This form of review has tended to be somewhat cumbersome. Responsibility for technical cooperation is more decentralized, with field representatives able to suggest uses for funds on the basis of an annual appropriation determined in Paris.

Project planning for FAC is based on the project ideas contained in an *accord de principe* which results from biennial sessions of the *comités mixtes*, composed of representatives of the recipient country and France. The project planning procedure proper begins with a preparatory mission to the applicant's country using local Mission or French research personnel. The Project Directorate in Paris prepares a program document, which is coordinated with the local Mission and then considered by the policy level of the FAC administration. The directors of the FAC would not approve or reject a program against the express wishes of the head of a *mission de cooperation.*

Program execution in the French-speaking African countries, where France tends to be the dominant donor, depends on a relatively large and generally sophisticated field network, with large numbers of personnel. The main task of the *missions d'aide et de coopération* is to ensure that French development cooperation proceeds smoothly. They are principally responsible for programming technical cooperation experts and providing their administrative support, planning and monitoring FAC projects (which are, however, implemented by the CCCE), and sustaining a development dialogue with recipient countries. The local Mission has the authority to redirect its funds, consistent with the generally approved scope of its activities.

CCCE's loans for large projects are initiated, in theory, by a recipient government agency. After such a request, a feasibility study is performed by a CCCE-Paris team with some involvement by the in-country CCCE staff. The feasibility study report on the loan, if approved, sets the conditions and requirements for the project.

Following headquarters approval of CCCE projects, the local office will then certify and make all loan disbursements either to the recipient government agency or directly to the contractor or supplier. The local office will also supervise and monitor the financial and technical activities, requiring a quarterly financial report from the recipient government agency, and with teams of experts from Paris occasionally making technical assistance visits to the project site. During the implementation phase the heads of the agencies have the power to switch funds or projects if this will permit more rapid disbursement and more efficient utilization of resources.

Assistance with capital and technical components is generally tied, and the in-country staff often plays an important role in procurement. Given the colonial heritage and the long French involvement in these countries, it is fairly easy for the French to work in these countries because many of the laws and procedures follow the French model.

Monitoring and evaluation are little emphasized and are not carried out in a systematic way. In the case of Treasury loans, it appears that no evaluation is done at all. The French tend to take a skeptical view of the need for extensive monitoring and evaluation, arguing that it will reveal little that is not already known by the staff. The real issue, it is argued, is not to point out the problems but to devise solutions, which may require considerable time and effort. Following this reasoning, it is considered a misdirection of energy for a thinly stretched field staff to be involved in extensive formal monitoring and evaluation when they could more profitably use their time to offset the problems that inevitably arise.

Policy dialogue as a means of increasing the effectiveness of French development cooperation is not a new instrument. The strong local representation of all the French development institutions ensures that the dialogue with partners continues. The Cooperation Ministry and CCCE also send fact-finding missions to important partner countries to negotiate on basic development prospects. Policy dialogue has even been institutionalized in the *comités mixtes*, which meet at least every 2 years to discuss the main features of development cooperation between the country concerned and France. As France's African partners tend to take "policy dialogue" to mean "policy dictate" and see it as *néocolonialism de la gauche*, the term is formally avoided.

France tends to be reticent where conditionality is concerned. Specific conditions are indirectly imposed by the strong local French presence. When it comes to the enforcement of conditions, in the case of nonproject aid, for instance, France is often inconsistent where conditions are not observed. Conditions tend to be imposed indirectly, during talks at the highest level.

Federal Republic of Germany

Motives, Organization, Coverage, and Program

With a limited colonial past to provide linkages to a set of "natural" recipients, West Germany has opted instead for a worldwide program, providing assistance to more than 120 nations. The German program has the image of providing products rather than development, tending toward high-technology projects that permit quick involvement and withdrawal with minimum follow-up. This tends to place unusually great responsibilities on the recipient countries, which are expected to provide counterparts and services and to finance local costs.

German budgetary procedures require annual parliamentary approval not only of the maximum level of disbursements permissible for the current budget year (cash authorizations) but also of a ceiling for authority to enter into commitments for future years (commitment authorizations). These procedures are also strict with respect to transfer of previously approved funds among expenditure categories. Commitment authorizations can only be made in connection with specific projects which normally have a time frame of between 2 and 4 years, a rather low ceiling with which to operate.

The administration of development assistance is characterized by a separation between policy *decision-making*, which is the responsibility of the Ministry of Economic Cooperation (BMZ), and policy *implementation*, which is the responsibility of a variety of specialized institutions which are not part of that Ministry.

For implementing *capital assistance*, the Germans turn to the *Kreditanstalt fur Wiederaufbau* (KfW), which was originally responsible for projects promoting the German economy and export financing. Acting in its own name, the KfW handles both loans and grants. Presently, about half of its staff of 600 is involved in development assistance work without, however, any overseas representation. The possibility of setting up regional offices has long been considered, but no final decision has been reached. (In addition to the KfW, some financial assistance is provided by a state-owned enterprise designed to support private investment in developing countries through equity participation and loans with equity features.)

Technical assistance is the responsibility of the *Deutsche Gesellschaft fur Technische Zusammenarbeit* (GTZ), whose main functions include technical planning, control, and supervision in the field of technical assistance, provision of personnel, and procurement and supply of equipment for technical assistance projects. It has a staff of about 600, plus about 1,000 hired experts who are sent to the field in various capacities each year.

In addition to these two main organizations, a variety of private and quasi-private organizations play smaller but important roles in specialized areas as channels for aid to recipients for whom assistance from autonomous and private institutions is more acceptable than from the government. Germany also provides funds to independent organizations to carry out their own programs which in other countries would be performed by the government assistance agency. Division of authority among a variety of institutions makes it difficult to pursue an entirely consistent policy.

Lacking permanent full-time overseas staff, GTZ uses personnel on 2- to 3-year contracts—frequently renewed repeatedly, and KfW uses short-term (2 week) missions to satisfy overseas representational requirements. The absence of permanent overseas staff is compensated somewhat by the type of aid Germany provides, which does not require large numbers of on-site aid specialists and lends itself to contracting and consultants. German bilateral aid has traditionally concentrated on promoting public utilities and industries in developing countries. These types of projects do not require aid specialists so much as technical experts needed only for the life of the projects.

Retained and Delegated Responsibilities

In most recipient countries, the regular diplomatic Missions handle foreign assistance matters, with virtually no decision-making authority, regardless of whether a member of BMZ is on the Embassy staff. The Missions function largely as conduits to headquarters of requests for projects identified by the recipient country.

In some of the larger recipient countries, members of the BMZ staff—no more than 20 worldwide—may be seconded to the Foreign Office for a period of 3 years. The BMZ officer's main role is to help recipients with preparation of aid requests, to assist in implementation and follow-up, to support technical assistance experts, and to select scholarship holders. This responsive approach, while following the German principle of "minimal intervention," has made it difficult and time-consuming to develop a list of acceptable projects, a problem somewhat exacerbated by the lack of field personnel. Lack of overseas staff also makes extensive preparation and follow-up of projects difficult.

In contrast to the centralized nature of policymaking, the German assistance program disperses responsibility for *implementation* and depends on frequent missions rather than on a field staff with delegated authority. For capital assistance, KfW leaves the responsibility for implementation to the recipient to carry out according to agreed conditions. KfW makes its own field investigations and submits progress reports to BMZ about once a year. After project completion, KfW carries out a "final check" which focuses on technical, financial, and banking aspects. As soon as the developmental effects of the project can be seen, the KfW carries out a thorough "final inspection," which examines the economic, operational, and social aspects of the project.

The technical assistance program assumes an even greater recipient role in implementation. To meet its responsibilities, GTZ controls and supervises technical cooperation projects and makes regular reports to BMZ on the progress and results.

Partially to compensate for the absence of in-country presence and partially to offset the effects of its large dependence on the host country for implementation, German aid tends towards strict requirements and rigorous procedures, which to some appear to border on inflexibility. This also makes it easier for decisions to be made in Germany instead of in the field.

Overseas staffing remains an unsettled issue for all the agencies. On the one hand, BMZ and GTZ apparently feel the need for increased presence in the recipient countries, but the Ministries of Foreign Affairs and Finance have denied these requests on "turf," policy, and cost grounds. Likewise, the aid agencies themselves are aware that overseas representation is no panacea. It is argued that, in many cases, the need is for highly skilled experts for a particular project not for generalist field representatives. In addition, a lack of colonial ties and other Third World experience has meant that the number of Germans skilled in working overseas is relatively small. Moreover, the German language is not commonly spoken in the Third World, further inhibiting widespread contacts between Germans and recipients. These factors help to explain the German preference for short-term, highly technical arrangements.

The Netherlands

Motives, Organization, Coverage, and Program

Since 1975, the Netherlands has usually headed the DAC countries in terms of official development assistance (ODA) as a share of gross national product (GNP). Indeed, a parliamentary consensus among the major parties that the government should spend 1.5 percent of net national product on development cooperation has ensured that Dutch aid levels rise with the growth of the economy and has spared them from cuts at times of budget austerity.

This commitment reflects an agreement among politicians and the general public that combating poverty in the developing world is a priority task for the Dutch Government, and that both the Government's and the MDBs' activities are worthy of confidence. Many academics, all the main political parties, and a broad NGO community are interested in and support development assistance.

In addition to the emphasis on poverty, other characteristics include a focus on a limited number of target countries (now 10) with which the Dutch have a continuing program, ad hoc assistance to a larger number of countries (up to 100), and support through multilateral institutions to reach countries not affected by the bilateral program. Focus on the target countries enables Holland to become familiar with recipient institutions, customs, and needs and creates long-term cooperative relationships. The program emphasizes rural and industrial development.

Political responsibility for the program belongs to a Minister for Development Cooperation, a cabinet minister without portfolio. Dutch aid is, however, largely planned, controlled, and implemented by the Foreign Ministry's *Directorate-General for International Cooperation* (DGIS). The DGIS is by far the largest of the Foreign Ministry's directorates-general, but with a staff of only about 400 in The Hague. On the other hand, a substantial proportion of the Foreign Ministry's staff functions and general administration is also devoted to development cooperation.

There is no proper budget for development cooperation. Because the levels are fixed at 1.5 percent of net national income, that level is projected and appropriations are then set for the current fiscal year and the four out years. Within that level of appropriations, allocations are made by DGIS, including about 7 percent for NGO activity. In principle, unused funds are forfeited, but in practice, until the mid-1980s, aid funds were put into a pool for future use. The pool grew so large, however, that the rules were tightened to allow no more than 6 percent of unused funds to be carried over, and then for a period not to exceed 3 years. Commitments and disbursements are now monitored tightly.

In the target countries, the development cooperation administration is represented locally by aid sections in the embassies. The three to five staff members in each such section, usually seconded from the DGIS, are assisted by "sectoral advisers" in technical areas on fixed-term contracts. There are also two development offices, one located in Indonesia, and the other in Surinam. For "nontarget" countries no one is responsible for development, with the Embassy serving largely as a point of contact.

The Dutch have habitually contracted out the administration of many projects and programs, including not only implementation but also identification, formulation, monitoring, and evaluation. Although this is consistent with the Dutch desire to shift responsibility for development away from the donor to the recipient, it could be argued that the Dutch have made a virtue of necessity inasmuch as one of the continuing characteristics of the small Dutch development administration has been a shortage of experts for project preparation and supervision in DGIS and at the embassies.

This problem has been further exacerbated by recent changes in recruitment practices. Prior to 1987, DGIS staff could be recruited for their expertise, experience, and affinity with development cooperation. Since then, following the integration of all foreign affairs services, a unified recruitment process, which gives preference to generalists over specialists, was instituted. Selection is based on candidates' potential versatility in the Ministry and in the embassies, as their tasks will include diplomatic, political, consular, cultural, and trade promotion duties in addition to development cooperation work. It is now even more difficult to acquire expertise. A unit of nine advisors, with specialized knowledge in various fields, is the only section within DGIS that is still able to recruit specialists externally.

Two agencies complementary to but outside DGIS play a significant role in implementing development cooperation programs. The *Netherlands Finance Company for Developing Countries* (FMO) seeks to promote financially viable investments that contribute to socioeconomic development in some 40 less-developed countries. FMO finances project and market studies, participates in joint ventures, and assists industrial enterprises and financing institutions by granting loans and providing managerial assistance. When an enterprise no longer needs FMO's assistance, it withdraws and sells its shares to local businesses. Loans are financed with publicly guaranteed bonds, and equity participation, technical cooperation, and interest rate subsidies are financed from the aid budget. FMO has a staff of about 60 at its headquarters in The Hague and has a branch office in Indonesia.

The *Netherlands Investment Bank for Developing Countries* (NIO) handles the banking formalities for all of the loans and some of the grants on behalf of and as prescribed by DGIS. It has no business policy of its own. Rather, it raises capital for certain credits, disburses the funds, and monitors their use, much like the British Crown Agents. It also handles balance-of-payments aid. NIO has no staff; it is entirely owned and run by the Netherlands Investment Bank, in which the state has a controlling interest.

Retained and Delegated Responsibilities

In the target countries, project identification, control, and monitoring have been largely delegated from DGIS to the aid sections of embassies. Ideas for projects or programs are generally submitted by local institutions, by Dutch experts in the field, or by consulting firms and businesses. The aid sections prepare "identification memoranda" (containing, for example, information on sectoral policy, the implementing institution, other donors, the target group, relevance to women, sociocultural aspects, and environmental compatibility). The embassies also have general authority to commit funds to "small embassy projects" not to exceed 25,000 guilders each (about $14,000).

Annual plans for the target countries, which outline the financial requirements in the current year, are formulated, discussed with other ministries, and finally approved by the Minister for Development Cooperation. They are then discussed with the recipient countries to ensure the transparency of the planning figures.

The Netherlands does not have any real *implementing* institutions. Instead, a number of third parties receive delegated implementation authority. The idea of a Dutch International Development Agency (DIDA) has often been debated and emphatically endorsed particularly by the aid community. The changes made, however, have tended toward the greater involvement of private bodies (NGOs and industry) and multilateral institutions. The Government regards the NGOs in particular as efficient and well managed.

In some instances, delegation is done formally, such as the Joint Financing Program of NGOs and volunteer projects, in which responsibility is held by four private intermediary organizations representing four major religious/ethical approaches to development. In other cases, responsibilities are delegated to universities (both Dutch and local), international institutions, and various organizations within recipient countries. The intermediary organizations may even be private contractors, and they may be largely responsible for the project cycle. In the future even more of the implementation of development cooperation measures is to be delegated to the NGOs and subcontractors in the private sector, especially contracting and consulting firms.

In addition, following the principle of self-reliance, as well as avoiding the need to build up extensive organizations, the Dutch attempt to make the developing country responsible for implementation wherever possible. It appears that responsibility of varying degrees *has* been shifted to the recipient countries and local private groups. Observers suggest that this has reduced the ability of the Dutch to ensure that their policy goals are achieved.

Responsibility for choice of goods and services, and the terms on which they are obtained, is also largely that of recipients, despite the fact that Dutch aid is partly tied. Although consistent with the concept of self-reliance, Dutch reluctance to help with procurement has led to occasional difficulties for countries that were ill equipped to handle the complexities involved.

Systematic *evaluation* of programs and projects has only recently received significant attention. Although country programs are reviewed annually at headquarters and quarterly progress reports are submitted on all technical aid projects, evaluation is still carried out informally and on an irregular basis. Assessments are also made by an "inspection unit," which is concerned especially with the evaluation of development cooperation instruments, and thus produces findings of a very general nature. Financial control is also being strengthened.

Sweden

Motives, Organization, Coverage, and Program

Although not so radical in its orientation as it was until the mid-1970s, Swedish aid continues to be characterized by the objective of alleviating poverty in the poorest countries and by a desire to allow recipient countries to exercise control over their own development. Recognizing its inability, because of limited staff, to provide assistance to every needy country, Sweden has concentrated on a relatively few "program countries," currently 16, with which it has long-term cooperation agreements. To deal with the needs of the rest of the developing world, Sweden— along with the other Nordic countries—has channeled a significant proportion of its aid resources through UNDP, where it has long been one of the most important donors on a per capita basis. Sweden's policy is to appropriate 1 percent of its gross domestic product (GDP) for development.

Despite some skepticism about its usefulness, aid is generally viewed favorably by a significant majority of the Swedish public. None of the political parties opposes aid, but they differ somewhat in their views about choice of program countries, about how closely aid should support Swedish business interests, and about the degree to which assistance should depend on performance and documented need.

Responsibility for aid lies with the Minister for Foreign Affairs, assisted by the Department for International Development Cooperation within the Ministry. This department, headed by its own Minister, with a staff of approximately 50 persons, is responsible for aid policy formulation, coordinating the aid budget proposal with the Ministry of Finance, and arguing the case for the budget proposal before the Parliament. The department's tasks include analyzing and approving proposals for bilateral assistance which are prepared and implemented by the Swedish International Development Authority (SIDA). The Ministry is not involved in the routines of country programming, project selection, project appraisal, or handling the project cycle.

SIDA is administratively subordinate to the Foreign Ministry, but, in fact, is an independent agency. It is administered by a 14-member board of directors, appointed by the Government and representing political parties and NGOs. It handles the bulk of the bilateral budget with approximately 420 staff members, of whom 90 are posted in field offices in the program countries.

Additional development functions created over time were not assigned to SIDA and the Ministry. The *Swedish Agency for International Technical and Economic Cooperation* (BITS) undertakes technical cooperation for nonprogram countries and handles mixed credits operations. With a staff of only 16 people, BITS manages 7 percent of the bilateral aid budget, contracting out as much as possible of its activities, and focuses its efforts on a limited number of middle-income countries in Latin America and Asia. In addition, *SWEDFUND* was established to provide technical and financial support from the aid budget for the promotion of Swedish direct investment.

SIDA's annual draft budget includes country levels, which vary little from year to year, and funds for regional programs, humanitarian aid, disaster relief, and NGO activity, all of which can vary considerably. After review by the Ministry, the budget goes to Parliament, where a commentary is submitted on each individual bilateral project in each program country. Typically the budget proposals are not modified significantly, but considerable debate in committee ensues nevertheless. Because unused funds may be carried over with virtually no restrictions, the specific annual budget bears little relationship to annual disbursements. Although the pipeline has approached the annual appropriation level in some recent years, the issue has been of concern only to those who wish to see Sweden back away from its 1 percent of GDP commitment.

All Swedish ODA is in grant form, with a relatively high percentage as nonproject aid. Although some nonproject aid is allocated to sectors, a considerable amount—especially in Asia—is used to finance current imports. Moreover, nonproject, sector aid is a rather elastic category, ranging from tightly organized clusters of projects in some countries to sector-oriented programs in others.

This concentration on import financing and program rather than project aid partly reflects ideology; the Swedes attempt to integrate assistance as much as possible into the plan of the recipient. It also partly responds to administrative imperatives: SIDA has found it increasingly difficult to supervise a rapidly growing aid program with a staff size that has not been permitted to grow, and it has been forced to find less time-consuming techniques. Sweden's participation in some large-scale industrial and infrastructure projects reflects an additional response to the need to do more despite the capacity bottlenecks; such projects are implemented by Swedish consulting firms and industry, instead of the SIDA bureaucracy. Any new directives requiring staff time (such as evaluation and monitoring) face similar personnel constraints.

About 150 NGOs participate in the Swedish aid program. Indeed, the Government's program grew out of an aid effort initiated by the NGO community. Today, some of these NGOs depend on SIDA for a large proportion of their budgets, up to 100 percent in some cases. In addition to the classic roles of disaster relief, humanitarian assistance, and cooperatives, Swedish NGOs administer the national overseas volunteer service and implement aid projects in health, training, and rural development. SIDA's work load is correspondingly diminished.

Overseas, SIDA is represented in the major program countries through development cooperation offices (DCOs), involved in helping prepare country programs and assisting in project preparation and implementation. They are integrated into the local embassies, with the head of each DCO reporting to the Ambassador and to SIDA, but with SIDA given the right to instruct embassies in matters within its competence. In addition to regular staff, SIDA directly employs about 250 experts under contract for top-level advisory functions, about 500 consultants, many of whom are charged with the entire implementation of a project or program, and about 200 other advisers.

Retained and Delegated Responsibilities

The Swedes believe that planning, implementation, and evaluation of projects and programs ought to be the concern and responsibility of the developing country itself. The recipient country is allowed considerable latitude to control the utilization of Swedish funds and to take responsibility for the implementation of Swedish development cooperation. This simplification of requirements and procedures facilitates the transfer of resources and reduces SIDA staff requirements rather dramatically.

Following the annual request from the recipient country, a short (five-page) "Idea Memo" is prepared by the DCO in the recipient country to describe the purpose and contents of the activity and to set out a plan indicating resources required. The memo than proceeds to the Management Committee of SIDA. Approval in principle at this stage normally means that the project will go ahead, with the actual decision normally delegated to the respective department head at SIDA or to the Embassy.

Implementation is similarly flexible, with details of the program and sector assistance mainly left to the recipient government. Even for specific projects, SIDA does not normally take direct responsibility for implementation, partly due to lack of staff. Semiannual or quarterly disbursements are made in advance, rather than as payments against vouchers, and are the responsibility of the DCO. In principle, the second payment is authorized only after the recipient has submitted a progress report on the activity in question, but the DCO may authorize these disbursements without a report, usually after an on-site inspection. Very little tying of aid is required, and procurement follows the rules of the recipient wherever possible.

DCOs have the main responsibility for dialogue with the recipient country regarding the program, for the preparation of documents on which decisions on funding are based, and for the administration of any Swedish inputs to the programs. In addition, DCOs are usually able to reallocate funds among different activities during the agreement period, provided that this is done in consultation with the recipient country and that the essential content of the program is not changed.

Evaluation. Rigorous donor-sponsored evaluation has not been characteristic of the Swedish program. In the early 1970s SIDA developed elaborate operational evaluation procedures, which came to serve as a model for several other donors. Because the prevailing philosophy was country programming and the recipient country was supposed to take charge of development cooperation, it was decided that the system should be adapted at the national level to suit the individual requirements of each recipient government. But because very few recipient governments were interested in undertaking such close studies of activities just because they were supported by

Swedish aid, very little came out of this exercise.

SIDA very rarely terminated its contributions to projects that were inadequately supported by the recipient government. The administrative machinery on both sides, consultants and suppliers, and political expectations all gave the projects a momentum that could not be interrupted even when responsible officials had become aware that important preconditions for success were missing. Instead, remedial action was very often taken by altering the project design, changing technology or expertise, or otherwise changing course and objectives so as better to take into account the lessons learned.

By the end of the decade, however, the Swedish media and politicians questioned the effectiveness of Swedish aid and its role in the poor economic performance of African country programs. They pinpointed a wide range of aspects of suspected inefficiency, including failure to attain such mutually inconsistent goals as reaching the poor while giving Swedish firms an inside track in competitive bidding. As a result, SIDA's technical staff became more and more wary, to the point that an endless series of technical missions was sent out to appraise a project when nobody dared make a final decision.

Attempts were made during the 1980s to strengthen the evaluation system, even going to the extent of appointing an Inspector General within the Ministry of Foreign Affairs, a position that was subsequently abolished when SIDA objected to that role being played by the Ministry.

Swedish state auditors assess the effectiveness of broad aid modes, such as the administration of import financing operations, and recommend changes in overall procedures. Detailed project audits are not performed. Occasionally, in-depth studies of a policy nature are commissioned by Parliament and implemented over a number of months by teams of outside experts.

Policy Dialogue and Conditionality. In recent years, and based on its own experience, Sweden has edged away from its traditional reliance on recipients and acknowledges the need to exert some influence. It still largely eschews policy-level conditionality in favor of conditionality at the project or program level. But it recognizes and supports the World Bank/IMF role in policy dialogue and structural adjustment, preferably limited to specific sectors and provided that there is no "ganging up" on the recipient countries. In each country with a Swedish aid presence, the policy dialogue role is delegated to the DCO.

United Kingdom

Motives, Organization, Coverage, and Program

Although the United Kingdom (UK) maintains some aid relationship with about 120 countries, about two-thirds of all bilateral assistance goes to the members of the Commonwealth to maintain and consolidate historical ties. More than 50 percent of aid goes to the 50 poorest countries, with a special emphasis on sub-Saharan Africa. It is convenient for Britain's aid image that most of the Commonwealth countries are also among the world's poorest. Nevertheless, at least half of British bilateral aid is concentrated on 10 "programme" countries, although not the same 10 all the time.

British aid seeks to pursue foreign policy and basic developmental objectives, while giving attention to political, industrial, and commercial considerations. Aid tying is widely accepted and tends to encourage bilateral aid to go into infrastructure, where British industries are best able to supply goods and services. There is little interest in aid on the part of the general public, the media, or the Parliament. Indeed, public support for foreign aid is among the lowest in Europe. About 400 NGOs are active in supporting development cooperation, however, and they, along with some individual scientists, journalists, and members of Parliament with a special interest, are successful at influencing aid policy.

Aid policy theoretically rests in the hands of the Cabinet. Parliament approves annual levels of funding based on requests from the Chancellor of the Exchequer, but these are specific only as regards multilateral aid, institutional funding, and research and development. Parliament knows little of the current bilateral projects and nothing about new projects to be funded. Aid levels have remained steady over time, but the UK's commitments to the European Community's programs have come at the expense of its bilateral programs, particularly its nonproject assistance. Almost all of current British aid is in grant form, but repayments from earlier loans flow directly into the aid program without passing through any budget or reappropriation process.

The Overseas Development Administration (ODA), headed by the Minister for Overseas Development and part of the Foreign and Commonwealth Office (FCO), is responsible for the overall political and administrative planning and control of development cooperation as well as for much of its implementation. The Secretary of State for Foreign and Commonwealth Affairs is formally responsible to Parliament for the whole of FCO, including ODA.

ODA staff is considered part of the Home Civil Service rather than the Diplomatic Service. The British civil service approach stresses administration by generalists, who are recruited through a central procedure for all Ministries and Departments. Although the staff has a reputation for administrative efficiency and professionalism, there is a lack of specialized expertise at the decision-making level in ODA, not only in the various sectors but also in the fields of development economics, sociology, and anthropology.

The expertise problem is also compounded by the lack of overseas experience of many staff members in ODA. New recruits are not sent abroad, and more senior persons are sometimes reluctant to go. Moreover, relatively few positions are available, with many of those filled by members of the diplomatic service rather than ODA personnel. In addition to preempting opportunities to develop ODA staff expertise, this practice also reduces efficiency because the diplomatic staff tend to have less understanding of development and of the operations of ODA than ODA staff.

In the field, responsibility for administration of the development program rests on the British High Commissions and embassies in developing countries. In important recipient countries (e.g., India, Kenya, Pakistan, Tanzania) there is an Aid Section in the Mission. Worldwide, the total overseas staff consists of the equivalent of about 50 members of the diplomatic service, plus about 30 persons from ODA seconded to the foreign service.

In addition, ODA has five outposted departments, the *Development Divisions*. In order to reduce the time for instructions to reach the field, the divisions were created in those areas in which a geographically proximate group of recipients existed: Barbados (for the Caribbean), Fiji (the Pacific), Malawi (southern part of Africa), Kenya (East Africa), and Bangkok (Southeast Asia). Each 8–12 person team includes multidisciplinary specialist advisers in such fields as natural resources, economics, engineering, and education.

As the development divisions have only advisory and not executive functions (except for the Caribbean Division), establishment of these divisions did not change the responsibilities or the direct links between ODA and the diplomatic Missions. However, it did place a set of technically qualified advisers in a more convenient location in the region, which helped in understanding local realities and in developing contacts with members of recipient governments and other Missions. The development divisions have a special status; they are not responsible to any of the diplomatic Missions for their activities because of the regional nature of their tasks, and this has led to some conflict between ODA and FCO.

ODA is also assisted by a variety of other institutions including two scientific units. The Tropical Development and Research Institute, which works with an interdisciplinary team of 30 scientists in London and in the developing countries, provides technical assistance in the field of food production (pest control, processing, storage, and marketing of food), and the Land Resources Development Center, with 150 scientific staff members, specializes in questions of physical planning and land use in developing countries (cartography, remote sensing, soil analysis, and plant analysis). Other major sources of expertise include a host of university-based research institutions.

Both scientific units prepare technical cooperation projects and implement them; they support and advise the relevant institutions in the developing countries and undertake some training activities within the framework of technical cooperation. They receive core financing from the research program of the ODA budget and additional funds for individual country-oriented tasks from the allocations of the respective country programs.

Of the 1,700 staff members in ODA, some 1,150 work in the head office, 50 in the development divisions, and 500 in the scientific units.

The *Crown Agents for Overseas Governments and Administrations* act as financial, professional, and commercial agents for some 100 governments and 300 international organizations and authorities. In the field of development cooperation they administer and disburse all bilateral loans and grants on behalf of ODA, and in most cooperation agreements they perform many functions on behalf of the recipient (tenders, procurement, quality control, transport). Because about 75 percent of British aid is tied, they ensure the application of the tied aid rules and perform project accounting. The staff (about 850 members in the UK) is considered to be extraordinarily well qualified, even if it is not always motivated by development objectives, and it commands a great deal of trust in the developing countries. Were Crown Agent staff not available in-country, the British aid program would require additional staff.

The *Commonwealth Development Corporation* (CDC) is Britain's official development finance institution and makes investments (long-term loans at competitive rates and direct investments in equity capital) in productive projects in the public and private sectors in developing countries. CDC also provides management services to some of its investments. Although CDC pursues development objectives, its projects are supposed to bring economic returns. CDC has projects in more than 50 developing countries, mainly, but not exclusively, in the African members of the Commonwealth. CDC employs more than 500 people, 200 of them in its London office, the rest in 20 regional and bilateral offices abroad where they work as managers of projects or train local staff.

The *British Council* is the most important instrument of British cultural policy overseas. It administers the numerous scholarship programs and sends English teachers to other countries; it also advises ODA in the education sector and, together with the Technical Education and Training Organization for Overseas Countries, carries out most of the technical cooperation programs in the education sector.

In addition to this variety of official British aid presence, in important recipient countries one can expect to find a number of British advisers and specialists assigned to the Government, universities, and the like. The British also subsidize the salaries of "British supplemental officers" working in recipient governments. This level of personnel and technical assistance reflects the colonial experience in providing aid.

Retained and Delegated Responsibilities

Project ideas come from the recipient country and the local British aid staff, not from the periodic visits of the ODA headquarters staff, but project identification uses teams put together by both ODA and the development divisions. Project appraisal is performed by such teams, and by experts in the field and consultants.

Although most decisions must be made in London, the existence of the development divisions has helped decentralize some decision-making as the chief diplomatic representatives have delegated authority to approve small capital aid projects costing less than 500,000 pounds sterling (about $900,000) or 700,000 pounds sterling (about $1.3 million) depending on the country (with the concurrence of the development division head). The development division can approve projects up to 1.5 million pounds (about $2.7 million). All new projects of over 1.5 million pounds must be presented to the Projects and Evaluation Committee, composed of the Deputy Secretary and some Under-Secretaries. Important projects go to the ODA Minister for decision.

Responsibility for implementation rests with the recipient country or with consultants, and arrangements for monitoring—including visits from the diplomatic Mission, ODA staff, or consultants—are arranged by the respective ODA geographic office. The development divisions may also be called on to give assistance. Although most diplomatic Missions do not have aid specialists, regular diplomatic personnel are responsible for the aid program and involved in negotiations, programming, and general program monitoring. Monitoring and technical expert assistance to projects is provided at a "common sense" level, and is able, with technical experts sent from London, to address problems as they arise.

In part, this less rigorous approach may also be explained by history; in colonial times implementation was the responsibility of the relatively efficient colonial administration, which reduced the need for outside monitoring. In addition, the small field staff is already overburdened, and may often feel that formal monitoring procedures—telling staff what they already know or need not know—are not a productive use of their time,

Policy dialogue takes place at the sector and subsector levels with individual countries and on a case-by-case basis. The UK prefers to address structural adjustment measures through support of the multilateral development banks, especially the World Bank.

There is an evaluation unit within ODA whose seven members perform regular evaluation of projects (intermediate and final) and specific evaluation. They are considered to be extremely competent in conventional evaluation procedures, but have not, up to now, had much experience in sectoral or program level evaluation or in consideration of socioeconomic aspects.

Canada

Motives, Organization, Coverage, and Program

Canada redefined its foreign assistance policies in 1987. The program is aimed at helping the poorest countries and people in the world to help themselves. Assistance is to focus on improved access to services and opportunities in the areas of health care, family planning, nutrition, education, and employment. Other development priorities and targets include structural adjustment, women, the environment, food security, and energy. These objectives are to be pursued with a view to advancing Canada's political, economic, and commercial interests as well. Nevertheless, precedence is to be given to development priorities, and only after they are met may aid objectives take other foreign policy goals into account.

Foreign aid is widely supported by the Canadian public. Moreover, food aid is supported by the agriculture lobby, aid tying has satisfied business and labor, and the large NGO community beats the drums thanks to an important share of assistance dollars and a major role in delivery.

The unique Canadian contribution to the philosophical and structural underpinnings of an assistance program is the notion of *partnership*. Partnership first reflects an attitude toward Third World people and their governments. More complex is the application of that notion to relationships between Canadians and Canadian organizations on the one hand and the Government of Canada on the other. Other partners include multilateral institutions and MDBs.

All developing countries are considered to be eligible for Canadian assistance, at least through the efforts of Canada's partners, except for those at the higher end of the economic spectrum and those with special political or human rights problems. Direct food aid and disaster assistance can be made available to all eligible countries.

Countries are to be chosen for Canadian bilateral assistance based on need, ability to manage aid effectively, quality of the country's economic and social policies, Canada's bilateral political and economic relations, human rights record, and commitment to broad-based development. Commonwealth and Francophone countries are to receive 65 percent of bilateral assistance, 75 percent will go to low-income and small island states, and 50 percent of total ODA is to be split with 45 percent for Africa, 39 percent for Asia, and 16 percent for the Americas.

Thirty countries and regional groupings are scheduled to receive 75 percent of all bilateral assistance. Other countries receiving bilateral assistance will not, in principle, receive project assistance. They will be provided with lines of credit for Canadian commodities. ODA, which is all grant, is slated to rise to 0.7 percent of GDP by 2000.

Reporting to the Secretary of State for External Affairs, the Canadian International Development Agency (CIDA) handles about 75 percent of Canadian ODA. The other 25 percent is delivered to the World Bank Group through the Department of Finance, to international agencies through the Department of External Affairs, and to four development crown corporations: the International Development Research Centre, Petro-Canada International Assistance Corporation, the International Centre for Ocean Development, and the International Centre for Human Rights and Democratic Development.

CIDA currently has Missions of two to seven field officers in 9 countries, with satellites in 11 more. About half the professionals come from CIDA headquarters and return there after 2 to 3 years abroad. While at post, they are formally members of the Department of External Affairs, subordinate to the Ambassador, and may be called on for diplomatic work. (In a few cases, embassies are headed by CIDA officials on leave.) In countries where Canada does not have an embassy, consultants commissioned by CIDA or NGO representatives monitor development assistance.

Until 1988, only about 100 of CIDA's 1,200 employees were assigned to the field offices. Critics of Canada's aid program painted a vivid picture of 1,100 aid workers at CIDA headquarters administering just 100 Canadians (and 200 local staff) in the Third World. This was a somewhat distorted vision of reality, as it did not show the thousands of Canadian cooperants, contractors, consultants, and volunteers who were overseas carrying out CIDA-supported projects. Nor did it take into account that more than 40 percent of CIDA's total staff complement is involved in "corporate" matters: management, policy, public relations, and, above all, accounting, personnel, and general administration

Retained and Delegated Responsibilities

The Department of External Affairs selects the development cooperation recipient countries, although the final choice is ultimately made by the Cabinet. For the countries selected, bilateral aid strategy is handled within CIDA by means of the Country Program Review (CPR), conducted every 3–5 years for the major recipients of Canadian aid. The CPR adopts a 20-year development horizon and a 5-year program period, although annual updates are also carried out. This planning is based on available and likely funding levels but is not formally linked to the country-by-country funding allocation process.

The CIDA decision-making processes in Ottawa have historically been extremely hierarchical and centralized, with overseas aid representatives having limited decision-making authority and no operational responsibility. Prior to 1988, the planning and discussion of aid programs and projects was typically conducted by visiting teams of CIDA officials and not by the CIDA representatives in the Canadian Embassy.

Direct project implementation was the responsibility of CIDA headquarters through Canadian contractors, and overseas representatives were primarily assigned to monitor projects and act as troubleshooters. CIDA officials saw themselves principally as aid managers, implementing the basic decisions taken by politicians, and were considered to lack the technical expertise to supervise complex projects. Even project evaluations were done by CIDA headquarters, occasionally after a preparatory field visit, and not by the in-country representatives.

Canadian Aid Reform

CIDA had long been criticized within Canada for its excessive centralization, which, in turn imposed delays along the whole aid delivery process. Referral to CIDA headquarters at numerous stages in the bilateral decision-making process was required, including the approval of all consulting contracts. Various studies had shown the need for improved, closer-to-the-action design, monitoring, and technical support. Moreover, almost all of the components of Canada's new development assistance program could be done well only if there were more aid staff in the field and if they had more decision-making authority and administrative flexibility.

The House of Commons agreed that a large measure of decentralization is essential—and went one step further, *declaring that additional costs to effect such a measure would be both necessary and fully justified in order to create a better aid program.* In 1987, Canada announced a major reform of CIDA's strategy and operations to meet these criticisms.

Accordingly, 117 people were transferred from headquarters to the field, and 444 were hired locally, including 52 program officers. Forty positions were allocated to the Foreign Ministry for administrative support. Four regional offices were established for the Southern African Development Coordination Conference, the Sahel, the Caribbean, and the Association of Southeast Asian Nations.

To make the overseas shift of personnel meaningful, the decentralized teams were made responsible for country program planning, sectoral studies, project identification, project planning and design, project approval up to $5 million, selection of local consultants up to $100,000, financial management, control, monitoring and follow-up, and project evaluation.

Nevertheless, country program planning continued to require approval at CIDA headquarters, as did the selection of Canadian consultants, Canadian procurement, personnel, and administrative contracts. Policy formulation, financial administration, and legal services remained centralized.

The Government planned to allocate 50 percent of aid dollars through Canada's Partnership Program, to be channeled each year through the following groups:

- Domestic and international nongovernmental organizations
- Nongovernmental institutions
- Development crown corporations
- Multilateral organizations, including food aid and international financial institutions
- Business sector

[N.B. For Canada, NGOs are churches, service clubs, and development and relief agencies which undertake fundraising, send volunteers, and promote development education. Nongovernmental institutions are social and educational institutions: universities and colleges, unions and coops, professional associations, community groups, and volunteer-sending organizations, which do not do so much fundraising as providing of expertise and services.]

Decision-making authority under the Partnership Program was to be decentralized. Although the Government may participate in shaping policy and programs, decision-making power and questions of eligibility will fundamentally rest with the partners on the basis of their own criteria. But monitoring, evaluation, and audit of these programs will be carried out to protect the interests of Canadian taxpayers and to guide the future allocation of public funds.

CIDA expected that decentralization of staff and authority to the field would have the following benefits:

- Improved dialogue with recipient countries
- Better knowledge of the local milieu
- More relevant aid programming
- Greater local government participation
- Shorter decision-making processes, including speedier approvals for projects of less than $5 million
- Better monitoring and control
- Better coordination with other donors
- Increased visibility and credibility for Canada's aid personnel and programs
- Encouragement of continuity and long-term economic relationships

Early reviews of the initial effects of decentralization suggested that programming had become more efficient and program quality was being improved by reduced project design time, better reflection of local conditions, improved communication with the recipient government, and significantly better ability to detect and correct problems. CIDA's Annual Report for 1989–1990 found that "administrative cost increases are being more than offset by savings in the cost of programs," despite an increase in administrative costs between FY 88 and FY 90 of 27 percent, from C$87.2 million to C$111.2 million.

Further experience with decentralization revealed far more frequent problems with the concept as it was practiced by CIDA than had been realized. The biggest source of frustration arose from the duplication of functions arising from the failure to delegate large project approval, Canadian consultant selection, and contract negotiation to the field. There was no improvement in the decision-making times, because, with the transfer of entire project teams overseas, nobody was left at headquarters with detailed knowledge of the projects for which these functions were being performed.

Other problems arose from the quality of personnel chosen to go overseas; it was found that they did not always have the broad-gauged skills needed to function effectively. And because the embassies did the local hiring, there were problems in classification and pay for those hired to do CIDA's professional work.

The shifts into and out of Foreign Service status for CIDA employees on field assignments played havoc with career advancement, as did the lack of meaningful jobs at headquarters for those who returned from the field.

Finally, decentralization with frequent referral home at critical points in programming and implementation increased bureaucratization and placed too much emphasis on administrative processes at the expense of substance. This, in turn, added to overall costs, which some of the partners felt reduced the availability of program funds.

As of this writing, the outcome of CIDA's decentralization is unclear. The most recent Annual Report (1991) recommends that the split in authorities must be resolved, either by full field delegations or by recentralization of decision-making in Canada. It also questions whether costs have become excessive, but evidence on that issue has not been developed; more cost-effective approaches to decentralization are also to be explored.

Japan

Motives, Organization, Coverage, and Program

The Japanese aid program grew out of postwar reparations to formerly occupied countries. It has appeared to have little developmental rationale, and it does not seek to accomplish articulated objectives, being largely driven by Japan's political and commercial interests and desire for natural resources security. It makes little effort to analyze the needs of recipient countries or to develop an aid strategy for them. To the extent that it provides grants for humanitarian and development purposes and to the extent that it has expanded its targets beyond Asia, it has done so, some observers believe, largely to placate the United States and to attenuate criticisms arising from its trade surpluses.

Nevertheless, foreign assistance enjoys broad public and political support. The Japanese view it as a price Japan can afford to pay to enhance international stability and peace, and thus the steadily growing levels of aid have not given rise to controversy. The emerging NGO community is supportive but small and is seeking to develop closer relationships with the program along the lines of its European and American counterparts. Neither the Diet nor the media show much interest in aid, however, except when scandals come to light. Indeed, the aid budget as voted by the Diet is nothing more than a set of allocations to the various interested Ministries, leaving the bureaucracy to determine countries, levels, and specific activities. There is no formal aid legislation, such as the U.S. Foreign Assistance Act.

Japan has different aid structures according to the form of aid. Although the ODA budget is divided among many agencies and ministries, the Ministry of Finance and the Foreign Ministry control 90 percent of it, and two agencies disburse virtually all of it. For yen loans, which are provided through the Overseas Economic Cooperation Fund (OECF), at least four ministries have a role and a veto power. In contrast, the Foreign Ministry holds primary responsibility for technical cooperation and, to a limited extent, for capital grants, both of which are provided through the Japan International Cooperation Agency (JICA). Foreign policy aspects, including the making of international commitments, are handled by the Foreign Ministry alone.

Only about 300 ministry officials of all kinds, however, are involved in development cooperation tasks, largely limited to policy decisions. Decision documents are prepared by the two line agencies, OECF and JICA.

The Foreign Ministry sees itself as Japan's development aid ministry. It plays the leading conceptual role and makes the decisions on capital grants, technical assistance, and payments to UN agencies. This accounts for more than 40 percent of the budget appropriations for development cooperation. The Foreign Ministry is also involved in the yen loan program, and it leads intergovernmental negotiations and consultations with other donors. Because only about 170 civil servants, spread through eight divisions, are available for these tasks, administration is delegated to JICA.

Financial assistance through OECF forms the nucleus of Japanese development cooperation, accounting for more than 50 percent of bilateral ODA. Members of its staff of about 270 are expected to spend several years at one of the 12 overseas representative offices, including one in Washington, but in 1989 OECF had only 36 officers stationed abroad. The overseas offices are supposed to speed up implementation of ongoing projects, but, despite reliance on large-scale capital infrastructure projects which require relatively little staff effort, they are clearly overworked. The small staff complement in Indonesia, for example, was expected in one recent year not only to prepare future projects but also to oversee some 100 ongoing projects. One result has been that OECF has experienced difficulties in effectively disbursing funds. By 1987, its pipeline was four times larger than its annual disbursements.

JICA handles a package of development cooperation programs:

- Assignment of technical assistance experts
- Commodity procurement
- Assignment of survey teams
- Japan Overseas Cooperation Volunteers
- Programs in Japan for participant trainees
- Administrative duties connected with capital grant aid

With so wide a range of activities, JICA's permanent staff of 900 finds itself concentrating on administration. In fact, the staff at the Tokyo headquarters and the 38 overseas offices attached to Japanese embassies (34 in developing countries) consists almost entirely of administrative officials responsible to the Foreign Ministry.

Staffing requirements at home and abroad have become a major preoccupation in recent years. Japan concluded that insufficient presence and resultant low visibility were among the reasons it failed to receive recognition from aid recipients for the dramatically increased aid levels which have been provided in the last 10 years or so. In comparing itself with other donors, Japan found the number of aid-related personnel in its embassies and implementing agency offices in developing countries to be grossly insufficient.

In view of this light staffing, it would be difficult to attempt to induce recipients to improve economic efficiency. Japan does not try, considering such policy influence to be meddling in domestic affairs. For Japan, the purpose of policy dialogue with the recipient is to avoid imposing the policy of the donor. Thus, because policy dialogue need not be pursued as a continuing activity, it is sufficient if its limited purpose is accomplished through ad hoc and annual consultations with high-level missions sent for this purpose.

Visibility and influence aside, the number of aid personnel to do the work in the Foreign Ministry, JICA, and the OECF has crept upward very slowly, far behind the pace of quantitative expansion. JICA's lack of technical competence has become more of a problem than ever: project design has had to be left either to consulting firms or to specialized Japanese ministries, whose experts must be called on for project implementation. Increased levels were coupled with increasing diversification of program areas, further compounding the acute shortages of personnel.

As a result, JICA has expanded recruitment and training, has begun to employ experts as permanent staff, and has started to retrain its permanent staff as project leaders at its Institute for International Cooperation. It is developing country specialists; expanding regional studies; strengthening local structures for project identification, design, and supervision; and implementing evaluation activities. The process is very slow.

Retained and Delegated Responsibilities

Overcoming Japan's traditional emphasis on central administration and centralized procedures is difficult. There is a heavy, continuing reliance on survey groups sent from Japan at each major point in the aid cycle. It is stated policy to allow recipients to identify projects and programs on their own. Visiting missions are then dispatched to respond to such aid requests and transmit proposals to Tokyo for approval. Only very low levels of project approval have been delegated to the field.

This mode of reacting to requests is supposed to create self-reliance. In the same vein, Japan imposes few guidelines on how project aid is to be implemented, which is also supposed to remain in the hands of recipient governments. Because many of these governments lack the expertise to plan and execute the large infrastructure projects so characteristic of Japanese aid and because the aid staffs in the field are so sparse and so inexperienced, recipient governments turn to the Japanese private sector for assistance.

Indeed, despite the rhetoric of reliance on recipient governments, Japanese firms are encouraged to get involved. They are frequently very active in identifying projects for financing and inducing recipients to request them. They participate in both design and contract award and generally seek to ensure that they will be selected for implementation. In Africa, as a variant of this use of the private sector, Japan turned to the British Crown Agents to implement much of its $500 million relief program in 1987.

The Foreign Ministry claims to complete about 150 evaluations a year under the direction of its Economic Cooperation Evaluation Committee. Some are done at the time of project completion and others several years later. Evaluations are carried out by (1) visiting missions, (2) embassy staff, or (3) contractors and consultants. They assess whether projects have been operated and managed properly and whether they are fully achieving their original objectives. Yet observers point to fairly weak project evaluation, primarily aimed at measuring cost-effectiveness, suggesting that developmental effectiveness has a lower priority for Japan's aid bureaucracy than securing larger aid budgets in order to meet international pressure. Indeed, the burgeoning of aid levels requires such efforts merely to move the resources that quality necessarily gets short shrift.

Following the discovery in 1986 of the extent of corruption in the Philippine program, an attempt was made by a member of the Diet to require audits of all overseas contracts funded from Japanese assistance. The Foreign Ministry rejected this proposal. Many Diet members believe that Japan should have no interest in how a recipient uses aid funds unless corruption has occurred.

2 Selected Multilateral Donors

World Bank, Including IDA

The World Bank, which includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC), is the largest provider of development assistance funds in the world today. In FY 1991, the IBRD committed more than $22.6 billion, all in loans at about 7.7 percent, and gross disbursements totaled $11.4 billion. When repayments are taken into account, net disbursements were $2.1 billion. During the same period, IDA disbursed $4.5 billion in development credits on very concessional terms and received repayments of $274 million.

The World Bank pursues the most comprehensive program in the development assistance arena. It is concerned with the development of the sub-Saharan countries, restraining environmental degradation, integrating women into the development process, easing debt burdens, and encouraging the private sector. It finances projects in agriculture and rural development, development finance, energy, industrial development, public administration, small-scale enterprises, telecommunications, transportation, urban development, water supply and sewerage, and in social services, including education, population, health, and nutrition. It is active in structural adjustment and economic and sectoral policy reform.

Organization

All of the powers of the World Bank are held by a Board of Governors, with a governor and a deputy from each of the 155 member countries. For the daily conduct of affairs, however, the Board of Governors delegates its operational responsibilities to the Board of Executive Directors, each of whose 22 members represents one or more countries. The Executive Directors act as representatives of their constituent countries when determining policy and passing on individual projects. They also act as a communications link between the Bank and the member countries. The President of the World Bank is the CEO (as well as the Chairman of the Board of Directors) and, under the direction of the Board of Directors, is responsible for all aspects of the Bank's operations and its personnel.

Overseas Presence

The World Bank is the archetype of a development organization that retains all significant staff functions at headquarters. The Bank (and IDA, which shares the same staff and the same procedures) performs all functions essential to the provision of assistance through visiting missions. Almost all of its staff of 5,900 (1991) is based in Washington, but it has been observed that policy-based lending requires a greater presence in the field.

There has been a slow, but steady growth in the number of field offices, especially in Africa, where the Bank recognized the need for greater aid coordination to help weak bureaucracies avoid being overwhelmed by dozens of aid agencies. From 2 in 1955 and 9 in 1965, the Bank's overseas presence had grown, as of June 30, 1991, to 44 country offices (28 in Africa, 5 in Latin America, 8 in Asia, 2 in the Middle East, and 1 in Eastern Europe). It also had Regional Missions in Eastern Africa (Nairobi), Western Africa (Abidjan), and Thailand and offices in Paris, Geneva, and Tokyo. The country offices are headed by Resident Representatives, who report to and whose role is defined by their respective Country Directors in Washington.

Most field offices are small. They are staffed typically with one to three professionals from headquarters, supplemented by staff recruited locally. The major exceptions are the Africa Region Missions, which contain regional agricultural staff, and the country offices in China, Bangladesh, India, and Indonesia, with 6 to 18 headquarters professionals each as late as 1988. In Africa, although the number of agricultural staff assigned to the Regional Missions has recently declined, the number of headquarters staff assigned to specific countries grew from 36 in 1986 to 58 in 1990.

The World Bank actively manages its overseas presence. It regularly reviews whether to open, expand, contract, or close specific offices, with particular attention to the administrative cost of maintaining field presence. Because operational activity in the field is always more costly than it is in Washington, the Bank seeks to ensure that there will be an increase in program quality from field expenditure. Where operational work such as processing loans and credits is shifted to the field offices, the Bank tries to reduce headquarters work commensurately.

Overall, however, World Bank staff in field offices do not represent a very significant proportion of its total staff. In 1988, for example, headquarters staff overseas accounted for only about 135 work years, and local professional staff only about 98 work years more. Even assuming continued growth in these numbers, overseas staff probably still falls short of 5 percent of total Bank staff today.

No separate complement of professional staff for overseas assignment has been created, and individuals are selected from headquarters for 3- to 5-year assignments. Resident Representatives are usually assigned to the country office for a period prior to and following the overseas assignment. Nevertheless, these officials sometimes experience difficulty in finding good positions after a period overseas. Other problems identified include unfocused selection criteria and little pro-active identification of candidates, failure to anticipate vacancies, and inadequate training and preparation.

For cost-effectiveness, the Bank encourages hiring local professional and support staff. They are paid on the UNDP scale in each country, plus 10 percent, and exception grades are possible. They enjoy various employee benefits, especially the payment of medical costs.

All World Bank field offices are responsible for

- Liaison between headquarters and host governments
- Local public relations
- Assistance to visiting missions
- Organization and participation in Country Implementation Reviews
- Follow-up on debt service payments
- Administration of the resident Mission

- Development of a local information network on matters pertaining to the Bank's programs

In addition to these core functions, and depending on the particular strategy being pursued, some field offices, including the larger "operational" ones, also

- Contribute to the formulation of the country assistance strategy
- Participate substantively in various studies, engage in issues dialogues, and encourage follow-up
- Manage donor coordination
- Identify and facilitate technical assistance and training
- Identify, facilitate, and monitor cofinancing arrangements
- Provide project implementation assistance

Project Development and Implementation

The cycle begins with the preparation of extensive economic and sectoral analyses, by one or more visiting missions, which provide the framework for establishing a development strategy. This is followed by further missions for project identification, project appraisal, informal negotiation, supervision during implementation, and ex post evaluation. Formal negotiation of project terms usually takes place in Washington with the participation of a mission from the recipient country. Projects are approved by the Board of Directors.

In theory, the recipient government is responsible for project preparation and execution, but the Bank recognizes weaknesses in this approach and provides considerable assistance. Problems of project implementation in transport and public utilities are related to physical implementation and construction, costs, and financial matters. Projects in agriculture and education have had problems because of staffing and management inadequacies. Project implementation delays have also been recognized—although there are no uniform standards, other than earlier expectations from the design stage, that can be applied in judging whether a project should have been completed faster than was actually the case. Problems are brought to the attention of borrowers by supervision missions, and corrective action is recommended, but detailed prescriptions are not provided. The Bank finds it difficult to keep up with all of the problems that need attention.

To get at project problems, the World Bank relies on ex post evaluations. The Operations Evaluation Department (OED) produces *audits* of completed activities and *studies* of broader development issues. The OED audits all adjustment lending operations and 40 percent of the investment operations. It also reviews the Project Completion Reports of the projects not audited. In fiscal year 1991, 293 Project Completion Reports were received by the OED, which audited 129 of them, 117 for investment projects and 12 for adjustment operations. The Bank recognizes that OED's restriction to ex post evaluations limits its ability to respond to current issues, but it finds that greater value lies in gaining perspective and thus developing information on trends and building hypotheses about what works in development. In 1989, guidelines were issued requiring World Bank staff to research relevant evaluation findings and apply them to future operations.

UNICEF

Organization

UNICEF maintains a significant overseas structure under the Executive Director. At the top of the overseas hierarchy and acting as the Executive Director's representatives, the Regional Directors function as "senior professional colleagues" in relation to the UNICEF Representatives in their regions, providing leadership, advice, coordination, supervision of major matters, performance appraisal, and various advisory services. They review the annual work plans of the Representatives in their regions and visit offices in the region as necessary. The Regional Directors also perform the functions of UNICEF Representative in countries where they are located.

UNICEF Representatives are the principal operational officers of the agency, responsible for one or more countries. They are accountable for their overall performance to the Executive Director through the Regional Directors. The Representatives communicate directly with the relevant divisions at headquarters as necessary for operations and follow their functional guidance.

National suboffices or national liaison offices have been established under a program officer in some countries, closely supervised by a UNICEF Representative located in a neighboring country. In some larger countries, district suboffices supervised by the Representative in the capital have been established in provincial or district centers.

The UNICEF Representatives' offices are the key field units for advocacy, advice, programming, and implementation, including logistics and evaluation. They are responsible for the preparation of recommendations for assistance, preparation of plans of operation, supply lists, call-forwards of supply and nonsupply assistance, local procurement arrangements, reviews of program implementation and results, and so forth. Unique among donor representatives, the Representatives' offices are also responsible for seeking contributions to UNICEF from the countries served by the office.

A UNICEF Representative's office usually has several program officers—international, national, or both. The work may be divided geographically, by country or province, or by main program sectors. So far as possible, the assignment of staff to an office is made to provide it with people of different technical backgrounds. Depending on the size of the office, it may also have specialized staff for supply control, administration and finance, and project support communications or information.

International professional staff members in established posts usually do 4- to 6-year tours of duty in a field office before being reassigned, but exceptions may be made in hardship posts. Approximately two-thirds of UNICEF's professional "core" staff and three-fourths of its general service staff are in offices outside headquarters.

The "national officers" are nationals of the country in which they serve, doing professional work and being paid on local scales amounting to the best prevailing rates in comparable posts.

Project personnel are integral components of a UNICEF-assisted program, used (much as A.I.D. uses consultants and personal services contractors) to perform technical functions related to a particular project, provide assistance for a temporarily enlarged volume of work in a country, meet requirements for projects financed by specific purpose contributions, perform temporary functions that are not yet established as being a long-term requirement, and assist in project delivery in the field in areas remote from UNICEF offices. The costs of project personnel are charged to programs, but support of such personnel is taken into account in preparing staffing and budget estimates for each office.

Retained and Delegated Responsibilities

Reviews of a proposed program recommendation are made with the participation of relevant government officials, the UNICEF country Representative, and often with relevant regional and headquarters staff. Several reviews may be necessary, particularly if the recommendation involves a substantial UNICEF commitment or represents a departure from the more usual type of program activity. The recommendation, as finally prepared by the UNICEF Representative's office, may be approved by headquarters in a field review or may go to the headquarters Program Field Services Division for a final review. The ministry is notified by the UNICEF Representative of any substantive change in the final proposal.

Following the preparation of a program, including a plan of operations and the approval of UNICEF participation, the field office draws up basic assistance lists of supplies and cash requirements in consultation with the ministry officials concerned. The UNICEF Representative may, on the basis of consultations with the Government, modify a basic assistance list, shifting funds for supplies and cash grants from one section to another in accordance with requirements of the progress of the program, but keeping within the total approved commitment limits.

Field staff is also responsible for project monitoring and problem resolution. In-country delivery to project sites is followed and expedited, if necessary, by UNICEF staff. They engage in observation of supplies in use to see that they are satisfactorily adapted to local requirements. They may also provide some support for the Government's supply logistics, including warehousing, distribution, accounting, and maintenance.

Increasingly important, however, are the advisory services provided by UNICEF field staff, involving participation by the country Representative, supported where required by staff from the regional office or headquarters.

UNICEF's support to evaluation activities is designed to assist governments in developing and strengthening their own capacities in monitoring and evaluation in the program areas of relevance to the needs of children and women. A secondary and related objective is the evaluation of UNICEF inputs.

3 Other Possible Modes

A number of interested parties prepared analyses of the U.S. foreign assistance program for use by the House Foreign Affairs Committee. Two such studies addressed the issue of overseas presence.

The Phoenix Group proposed to design in-country presence configurations to take a country's circumstances into account For the poorest countries in which institutional and resource capabilities are virtually nonexistent (e.g., Haiti, Burma, certain African states), the traditional Mission structure would be retained. In much of Africa, however, a regional approach, such as those in place for the Pacific and Caribbean Islands, could be taken, replacing a number of separate Missions.

The thrust of its proposals, however, addressed the operational mode. The Phoenix Group envisaged that the majority of programs would operate through binational facilities on a model inspired by the *servicio* concept common in U.S. development assistance to Latin America in the 1950s and 1960s. The principal characteristics of such an organization would include

- Operation with an integrated binational staff of managers and technical experts, organized around sets of specific problems or issues that the United States and the host country decide to address and following priorities jointly set
- Costs to be shared, with the majority of funding to come from the United States, but with significant host-country contribution to individual projects or programs
- Significant flexibility in the allocation and use of its funds for each binational development team
- Implementation of programs and projects largely through both U.S. and indigenous PVOs, NGOs, research centers, universities, cooperatives, unions, other democratic institutions, and contractors

In other respects, the in-country presence would operate largely as its does now. U.S. team leadership would report to the principal aid officer in each country, who in turn would be a member of the U.S. "Country Team," reporting to the Ambassador. The teams would be backed up managerially and technically by the appropriate operating divisions in Washington. And in countries where there are multiple U.S. programs, the principal aid officer would be responsible for orchestrating the activities of the binational teams as well as carrying out directly those programs not falling within their parameters (e.g., PL 480 programs).

The advantages foreseen from such an approach include greater program effectiveness and reduction of administrative costs, as follows:

The Americans assigned to the development teams would be of a different background than many in Missions today. They predominantly would be technical managers, combining technical expertise with knowledge of development project implementation. Emphasis in personnel would be less on programmers and money managers and more on those with practical experience in problem-solving, policy development, and institution-building.

These Americans should be assigned to their posts for longer periods than currently are common in A.I.D. A five-year commitment would be considered a minimal overseas posting and an involvement of up to 10 years could be permitted when there is programmatic justification.

The binational teams will require fewer U.S. official personnel abroad because the host country will provide at least one-half of the required personnel for the teams.

Greater use would be made of nongovernmental organizations, both through linkages in the United States and in the host country. NGOs often are best positioned to understand what is required to reach the grassroots with programs.

A Michigan State University team also addressed the future of USAID country Missions. Rather than proposing the adoption of specific recommendations, its suggestion was for a review in light of an anticipated shift in emphasis to mutual benefit and cooperation. Such review should take into consideration the changed style and function of the programs, the costs of maintaining personnel abroad, the implications of modern communications technology, potential expansion of regional Missions, greater use of local expert talent, and an expanding role for intermediate agencies. The report noted, however, that field Missions have been an important and distinctive aspect of U.S. programs in the past and suggested that their role in the 1990s and onward be reviewed with these past contributions in mind.

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APPENDIX

E Summary of Interviews

This appendix summarizes interviews with people other than U.S. direct hires (USDH), Foreign Service nationals (FSN), and personal service contractors (PSC). The interviews were open-ended in that questionnaires were not used. Questionnaires were used for USDH, FSN, and PSCs and the responses were tabulated and analyzed as the basis for preparing sections 2 and 3 of the assessment.

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1 Interviews With Other Donors

Two recurring themes were present throughout the interviews with other bilateral and multilateral donors: A.I.D. is to be envied the technically competent and influential staff in-country; and A.I.D.'s large presence can overwhelm weak or highly dependent recipient-country governments and can lead to directions not perceived to be in the interest of the country or its people. Most donors would like to emulate our large in-country presence to some extent and feel that they need more people working for them, whether locally hired or from their own ranks, but usually not to the degree A.I.D. does. There was muted criticism from a number of donors, particularly in sophisticated countries such as Indonesia and Pakistan, that we do not rely more on locally hired expertise.

Smaller presences of bilateral donors, such as Japan, Germany, and Canada, emphasize their global goals and outlays and allow local private or host-country government entities or international organizations to manage the technical aspects of many projects they fund. They tend to believe they lose some credibility with their own governments and citizens because there is an absolute reduction in accountability from reduced in-country presence, but believe this is offset by the vastly reduced cost to their own treasuries of enlarged staffs. They also find the sectors in which they can engage severely reduced because they cannot field sufficient personnel to manage and monitor more than a few. Bilateral donors differ greatly in the sectors they choose to work in and the style of management they employ.

The multilateral donors are more "of a kind." The World Bank model, mainly project assistance or structural adjustment loans implemented solely by the host country and funded only when broad economic policy guidelines are met by the government, certainly has its advocates. Problems with the method of determining whether conditions for development are sufficiently policy-correct (made by visiting teams which "touch down" semiannually or even annually and for short periods of time) are identified by all, even the Bank Representatives themselves. However, the identified benefit of improved institutional capability on the ground is cited by many as better than A.I.D.'s more paternalistic and chauvinistic approach—that is, fielding U.S. experts as more informed development specialists than can possibly be found or developed in the host country. The World Bank Representative in Bolivia described its approach as giving the host country a chance to "grow up or we take the money away."

The United Nations Development Program (UNDP) considers the presence of its own staff to be critical to achieving its goals, much more so than the Bank, which usually has only one direct Bank employee assigned from headquarters in-country and prefers to staff its positions with nationals from the host country, or at least the region. Although UNDP's in-country presence is considerably smaller than that of A.I.D., it considers it to be "substantial presence" and necessary for the implementation of its development programs. In Pakistan, the Resident Representative stated that maximum use of technically well-qualified indigenous staff was desirable and enabled UNDP to correct its directions to more appropriate goals for the recipient country. He faulted the A.I.D. penchant for staffing its Missions with a large, professional American staff, which he said caused considerable resentment from sophisticated host-country personnel who have the technical expertise needed in development programs. Although he found some downside in staffing almost entirely with local staff (e.g., needing to remain vigilant that personal and familial motives do not overtake institutional ones in program decision-making), he deemed this a minor disadvantage outweighed by the extraordinary advantages gained: "I have five Pakistani program officers and they can do things I wouldn't dream of having experts do."

Both multilateral and bilateral donors in the interview mix allowed that they rely (to differing degrees) on A.I.D.'s highly informed and technically qualified staff to assist them in judging the "on-the-ground situation" and the sometimes hidden agenda of the host-country government. Also, to varying degrees, they all collaborate with A.I.D. in programs where there is mutuality of effort and direction. However, there was concern among some that host-country governments can conclude that the donor community is collusive, and that the donors' reliance on each other could be detrimental to the overall development goals of the country. Although this concern created a certain amount of caution among donors, there continued to be considerable reliance on A.I.D.'s usually superior information base.

The Inter-American Development Bank's Representative in Honduras called A.I.D.'s position "front runnership," while the German Development Director in the same country said: "No one here is better informed than the Americans. They have the best contacts, most influence, and closest relationship to the Honduran Government." On the other hand, CIDA (Canadian International Development Agency) Bolivia warned that it is "perhaps dangerous for USAID to be too big and rely insufficiently on the knowledge of other donors. USAID is the big boy on the block." In one opinion, "under the cloak of sharing, there is the feeling that the U.S. view must prevail." All agreed, however, that donor work is human and to err is a human frailty, and that, while good-faith efforts are made to increase donor collaboration, efforts are frequently blocked by "great competition among donors."

When queried about the sufficiency of the size of their own staff, other donors split down the middle. About half stated that their development goals were met with considerably smaller staffs than A.I.D. considers necessary, but some noted that this was usually because their goal involved the building of indigenous institutional capacity or improved economic policies by the government. The other half believed they were at least hampered in accomplishing their goals because of understaffing. Most felt that they could get the specialized expertise necessary from either the local community or through international consultancies. Many felt, however, that A.I.D. has a real advantage in technological terms, with the luxury of staffing its Missions with American technical specialists.

Most of the other donors, including the banks, which support far less technical assistance than the bilaterals and UNDP, admire and even envy A.I.D.'s capability to field the whole gamut of technical project assistance with exceptional levels of expert oversight on staff. A World Bank Representative in a very underdeveloped country said the Bank undervalues the in-country presence of highly skilled technical personnel such as A.I.D.'s, a resource he relies heavily on. However, some described the fulsome project portfolios traditionally managed by A.I.D. as too expansive and expensive, resulting in too little "bang for the buck." One of the PVOs noted that the value of the large in-country presence is very dependent on personalities. The AMIDEAST Representative in Morocco stated that there are technically sound, language-proficient, nonbiased, thinking people assigned some places; and then there are the others. The Deputy Resident Representative for the Japan International Cooperation Agency in Pakistan said that Pakistan, one of the most sophisticated countries visited, could not effectively absorb many large-scale projects in a diverse portfolio. The Catholic Relief Service Representative in Senegal stated that the total outlay of funds and personnel would lead one to expect A.I.D. to be on the leading edge, but that he personally did not see the payoff. All said they would like to be involved in path-breaking efforts in development but that they and their organizations were not, and many averred that neither was A.I.D.

Every donor interviewed indicated that extensive efforts to provide for full accountability of funds were made by their organizations and by them personally. Many had horror stories of donors who had been humiliated by publicly divulged defrauding of their organization, and shuddered to think it could happen to them. However, all admitted to some inability to control the process and some failure to avoid waste and, sometimes, fraud. Given an option, they would increase their own capacity to account for all funds expended by their organizations. They also, however, agreed that A.I.D. probably goes too far in attempting to achieve full accountability in environments where developed country standards are presently unachievable. One donor acknowledged that, with the accountability requirements laid on A.I.D., the Missions could never be trimmed down and the large staffs could never be reduced. They uniformly believed that the A.I.D. requirements, perceived of as headquarters-imposed, were excessive and counterproductive.

All of the multilateral donors interviewed indicated that they were actively involved in policy dialogue with the governments in the countries where they were serving. Most of the bilateral donors said that they left policy dialogue to the Embassy and the Ambassador, although some felt that they were instrumental in identifying the critical issues where such dialogue was necessary. Intriguingly, the Counselor for Development Cooperation of the Royal Netherlands Embassy in Indonesia said that he was very actively involved in both the identification of issues and the dialogue itself. In two of the priority project areas where the Dutch emphasize policy reform, environment and poverty reduction impact on women, they consider that their own influence may be greater than that of much larger donors, such as the United States and Germany.

The multilaterals and A.I.D. achieve their development goals through policy dialogue using both collegiality and conditionality. In Indonesia, credit was given, by at least one donor, more to the advanced thinking and maturity of the Indonesian Government than to any extraordinary influence of donors. In Honduras, credit is given largely to U.S. influence, due both to our commitment to remaining in the country during difficult and dangerous periods and our tenacity in exerting influence over Honduran officials, an approach described by one bilateral as "self-righteous, pushy, and intrusive." The World Bank relies heavily on policy reform implementation as a condition of its assistance. Although many other donors believe that the Bank's minimal presence in-country limits its ability to actually assess the reality of the policy reform, most of those interviewed acknowledged it as having the greatest impact of any donor in this area. Most multilaterals, as well as A.I.D., believe that their efforts at policy reform through continuous dialogue are effective, more so in some countries than in others.

No other bilateral donor is as saddled as A.I.D. with the level of policy direction and day-to-day management of donor programs by its governmental legislative body. Most are appalled at the level of "interference" experienced by A.I.D. in its operations, both through earmarks and specific directions which become part of the authorizing bills of the U.S. program. Multilateral donors experience some degree of direction from their governing bodies, but most have different mandates than the bilaterals, and none believed it was as hindered in actually achieving sustained international development in situ as A.I.D by its very parent, the legislature.

The entire donor community appeared to hold A.I.D. in a certain amount of awe because it could field large staffs of such high caliber and dedication. Many consider this an absolute luxury in troubled economic times, but many would also like the opportunity to manage their programs with a level of expertise and competence approaching that achieved by A.I.D. Some found the resource mismanaged (wasting highly technical staff on mundane or bureaucratic tasks) and some found it heavy-handed vis-a-vis both the host country and themselves—the chauvinistic approach that "WE have the tendency to decide what THEY should have, not find out what THEY need" (CIDA Representative, Morocco). In some countries A.I.D.'s informational superiority and collaborative style was or had been detrimentally affected by poor Mission management. In one country, one donor representative said that this genre of leadership had permeated the Mission and caused deterioration of relationships within the donor community. In Bolivia, a lack of coordination led A.I.D. to build a road that UNDCP recommended against, and the immediate use of the road was as a landing field for coca distributors, thereby aiding and abetting the drug traffic we were bent on eliminating.

But all gave high marks to A.I.D. for its ability to field the technical competence to design far more refined interventions for severe development problems in the host countries than can the other donors. Some noted and rued the perceived shift from staffs of strong technical personnel to those of administrative and financial oversight personnel, but understood the imposed requirement for increased accountability and were feeling some of that themselves. A number of donors suggested that adopting inflexible formulas for determining A.I.D. field Mission size would be counterproductive and that the development challenge of the country and its indigenous talent must be taken into consideration. The donor community values the contribution made by A.I.D. throughout the latter part of this century.

Interviewed in this study were the following:

Bolivia:
- World Bank, Representative
- Canadian International Development Agency, Representative
- Inter-American Development Bank, Deputy Director
- UNDCP, Representative

Costa Rica:
- Inter-American Development Bank, Acting Director

Guinea:
- World Bank, Resident Representative
- Canadian Embassy, Charge d'Affaires
- French Caisse Centrale de la Coopération, Director

Honduras:
- Inter-American Development Bank, Director
- UNDP, Resident Representative
- Canadian International Development Agency, Director
- German Embassy, Deputy Chief of Mission
- Japanese Embassy, Ambassador

Indonesia:
- Asian Development Bank, Chief
- World Bank, Resident Representative
- Canadian International Development Agency,

Director
Royal Netherlands Embassy, Counselor for Development Cooperation
Embassy of Japan, First Secretary
Harvard Institute for International Development, Representative

Kenya:
- World Bank, Resident Representative
- UNDP, Resident Representative
- Canadian High Commissioner
- Japanese Embassy, Loan Assistance Officer
- European Economic Community, Rural Development Officer

Morocco:
- World Bank, Division Director, Population and Human Resources
- UNDP, Resident Representative
- German Embassy, Cooperation Coordinator
- Canadian International Development Agency, Director
- Japanese International Cooperation Agency, Representative
- French Caisse Centrale de la Coopération, Director

Pakistan:
- World Bank, Deputy Resident Representative
- UNICEF, Representative
- UNDP, Resident Representative
- European Economic Community, Chief of Delegation
- Japanese International Cooperation Agency, Deputy Resident Representative
- Canadian International Development Agency, Director
- GTZ (German technical assistance organization), Representative
- WINROCK, Representative

Senegal:
- World Bank, Resident Representative
- UNDP, Deputy Resident Representative
- German GTZ, Commercial Attache
- Japanese International Cooperation Agency, Resident Representative
- Canadian Embassy, Counselor for Cooperation

Uganda:
- World Bank, Resident Representative
- UNDP, Deputy Resident Representative
- British Deputy High Commissioner

2 Interviews With Senior A.I.D./W Staff

Introduction

During August 1991, the assessment team interviewed experienced Agency managers and Geographic Bureau Assistant Administrators or Deputy Assistant Administrators to review the justification and rationale for the in-country presence configurations currently employed in A.I.D. (See list of interviewees at the end of this section.) These interviews confirmed much of what was known about the benefits of in-country presence. In addition, however, there were many suggestions about how that presence could be made more effective for the accomplishment of the Agency's objectives. The collective perceptions of A.I.D.'s effectiveness compared with that of other donors were also recorded.

Advantages Derived by the U.S. Government From In-Country Presence

Most of the interviewees would subscribe to the observation of one of them that in-country presence provides "an incomparable leg up on any other donor in the world." Our field presence is unique. The advantages cited covered a broad field:

Political

Recipient countries regard our being there as a kind of statement of approval of them. To be present in-country is an expression of our interest in their well-being and a sign of our good will. Contact with Americans is encouraged and opportunities to spread the "message" are expanded somewhat. The advancement of U.S. foreign policy objectives is thus enhanced.

In-country presence allows development issues to play a greater role in U.S. foreign policy than they would without presence. This is perfectly consonant with A.I.D.'s role in support of U.S. interests; these include economic development and the encouragement of democratic societies. And it tends to push the State Department to look beyond short-term political objectives.

Policy Dialogue and Strategy Formulation

Many believe that our policy dialogue is more productive because we maintain personal and professional relationships with host-government officials and with the society at large at many levels on a day-to-day basis. Such daily involvement is what really moves policy. The detailed nature of our policy dialogue as well, including such topics as democracy initiatives and family planning, could not be pursued without a sustained, coordinated U.S. Government approach, which requires an A.I.D. in-country presence.

Moreover, to be effective in policy dialogue requires political and cultural sensitivity. We must know the pressure points and the decision-makers. And we must know who thinks what. Regular two-way communication should make greater understanding possible.

Principal officers and division chiefs are important to an effective dialogue process. The "troops" meet at a lower level, but their analyses provide substantive inputs to the process. To be effective, dialogue must be on a personal level.

Perhaps the greatest advantage is realized at the time of the preparation of the country development strategy statement (CDSS).

Program and Project Implementation

Familiarity with the local environment, coupled with the authorities of Missions to make design and implementation decisions, improves the quality of our projects and programs. Host-country officials are more willing to work on implementation issues with those they know are able to make decisions on the spot.

Regular review of what we are doing provides for constant testing of our portfolio against the environment. We are thus able to enjoy the advantages of rolling design. But we cannot make these adjustments to changes in host-country government priorities unless we are on the ground to catch the environmental shifts. Being on the ground does not guarantee our ability to adapt; if we were not there, we surely could not.

The World Bank, for example, has no capacity to change; once it starts down a path, it stays on it to the end. If we had the resources of the World Bank, maybe it wouldn't matter so much if we did not adapt so readily, but we don't have resources on that scale. The need to husband our resources thus both improves quality and contributes to cost savings through the avoidance of wasteful pursuit of lower priority objectives, or objectives which become of lower priority through changes in host-country priorities. (Some believe that these more than offset the added operating expense cost of in-country presence.)

We are also able to take speedier implementation actions despite the inefficiencies of our cumbersome processes. A.I.D./W management is "top-heavy and overburdened" compared with field posts operating under delegations of authority. Moreover, in some of the program areas where Missions operate, Washington cannot help because all the expertise is in the field. Our pipelines are generally shorter than those of other donors. Procurement is better and cheaper, thanks to hands-on involvement.

The ability to monitor projects is enhanced. This permits us to identify problems before they become scandals. We are able to move commodities through customs expeditiously and without paying bribes.

In some places, the host country's ability to implement is so slight that a great deal of hand-holding is required. Our in-country presence permits us to rely less on host-country services.

Local Knowledge

"In-country presence is the strongest piece of our comparative advantage." Our Mission Directors and USDH staff, not the World Bank Representatives, are the ones called upon to brief other donors and multilateral development bank (MDB) representatives. A.I.D. field Missions provide a resource for other donors.

We are able to tailor our programs to local conditions as opposed to attempting to replicate a developed-country model.

We integrate our activities into host-country planning, budgeting, and maintenance systems. And we can work with local problems on a long-term basis.

Advising

Our people act like a technical assistance (TA) team providing direct advice and guidance to host-country officials; we deliver our advice, not just our money.

Qualifications Expressed

Many questioned whether we were really obtaining all the advantages we claim everywhere. If, for example, our people are tied to their desks, they don't particularly need to be in the field to manage their projects. Indeed, while some presence may be necessary to deal with the problems which inevitably arise, perhaps the size of our presence may be too great; the value of presence may well diminish after the first five core USDH personnel. We tie down people in "bean-counting duties."

Others questioned whether we had much comparative advantage when our real purpose was simply the delivery of inputs, as appears to be the case in countries where our aid is given for political purposes and in countries that are sufficiently advanced to do their own development. Where we are not focused on outputs and meeting development objectives, we are losing the advantages of in-country presence because we then act only like a trade or resource transfer agency.

Our in-country presence also contributes to a tendency to clientitis—losing sight of both the U.S. interest and A.I.D. policy. On the other hand, we sometimes substitute our thinking for that of the host country, leading to the identification and design of projects which are peripheral to the host country's primary development efforts.

Overseas staff become isolated from major trends in development thinking. In small Missions staffed with relatively junior officers, it becomes hard to break out of a mold. It is also difficult in such Missions to apply A.I.D.'s complicated rules, which often require interpretation by more experienced personnel.

Because in-country presence personnel must deal with so many issues in each day, they are less efficient than TDYers who can focus their time entirely on the work they were sent to do.

Under current practice, our best people are in the most attractive, rather than the most challenging, places and focus their efforts on vulnerability rather than development questions, thus losing the application of our most competent development talents to our most pressing development problems.

A number of comments were made about the ways in-country presence levels are distorted:

- "The structure of your money moves you toward your Mission." Because functional account limitations may make it impossible to meet annual funding targets, Mission Directors, in order to maintain annual aid levels, will take money from other accounts and create projects and programs in new sectors. These, in turn, dictate the need for new Mission structures. Ambassadors also want levels to be maintained. Congressional earmarks have the same effect.
- In-country presence, combined with the forces driving structural complexity, leads to diffuse programs. This dilutes the capacity to focus on the most important issues.
- Projects tend to follow the personnel skills available in the Mission, rather than the real needs of the host country.
- A.I.D.'s various constituencies want us to undertake their programs wherever possible. If we succumb to their wishes

through lack of focus on our objectives, Mission size and composition are affected.

Although congressional requirements and rules of accountability require an in-country presence, the auditors and inspectors do not need to be overseas. There is some question about how much of our in-country presence is motivated by a fear of what may go wrong. But we do not take advantage of our in-country presence to address vulnerability by doing better up-front assessments; rather, we focus on blame-pinning after the fact. Moreover, in trying to reduce financial risk, we may be going toward reducing programmatic risk as well. To get full advantage from our in-country presence, entrepreneurship and risk-taking should be encouraged.

Alternatives

The most vigorous supporters of in-country presence claimed there were no alternatives.

Regional Staff and Regional Missions

The idea of siting staff regionally received widespread support. The solutions evoked ran the gamut. At one extreme was the Mauritius/Seychelles example, where there is no resident staff and all necessary services are provided from REDSO/ESA. Others thought that lower in-country presence would be possible if there were strong regional support, suggesting that there was room for creating more REDSOs, not only in Africa, but, perhaps, also in Asia. LAC uses legal and contracting officers assigned to specific Missions but with regional responsibility, which they think works well, but Africa's attempts to follow that model have not been successful. [A caveat was expressed on the use of REDSOs: they cannot meet the level of requests for their services.]

Regional Missions can be A.I.D./W-based or field-based. EUR is the model of an A.I.D./W-based Mission. With authority delegated to the Mission Director in A.I.D./W and only an A.I.D. Representative and four USDH and FSNs in-country, it is possible to send project managers on TDY from A.I.D./W. It is expected that about one-third of the 75-person staff at the A.I.D./W-based Mission will be on TDY at any given time.

Locally Available Staff

Another recurrent theme was the possibility of relying more heavily on non-USDH staff, particularly host-country nationals, for project management and controller functions and as economists. The question is whether a *heavy* U.S. presence is really needed. We could follow the model of U.S. companies and, where they are fully qualified, use host-country nationals. Of course, we will have to confront the obstacle of adequate pay; Embassies will not allow us to pay qualified host-country nationals competitively. Moreover, we no longer have a monopoly on knowledge and technology to be transferred; we have succeeded in transferring it in many places, so many qualified individuals are available.

We will have to deal with the allegations of the Inspector General (IG) that they will "steal us blind" because they do not have the same ethical sense. Obviously we cannot use FSNs unthinkingly; their quality is variable. The ones you do hire must be trained in expected behavior and ethics. But there should be no doubt that host-country nationals can represent the U.S. Government at all but the highest policy levels.

Where we cut back on U.S. presence and rely on host-country nationals, we will need support from a REDSO-type repository of highly skilled technical specialists, nearby and on-call, as, for example, a university could offer. Such expertise would serve to question assumptions, to verify technical viability, and to support and keep current the host-country nationals in the Missions.

More TDYs

Consistent with these thoughts, considerable attention was given to greater use of TDY visits. A skilled and experienced senior officer, assigned alone, with TDY assistance and contractors based locally, can move cash resources, commodities, and food, and can even program and deliver TA. Asia Bureau has preferred to use TDYs from A.I.D./W rather than from within the region. LAC will send project development officers from A.I.D./W as its Missions get smaller. Experience shows that if a highly skilled person comes on TDY regularly and enjoys good FSN support, he or she can enjoy plenty of access to the host country, even at the highest levels.

Economics, legal, project development, and design work can all be done by A.I.D./W-based staff with frequent TDYs. We should be prepared to do more small-country programs with teams in and out.

On the other hand, extensive reliance on TDY visits has certain psychological and morale costs. Not many people would be TDY junkies willing to travel so frequently. Perhaps World Bank-type incentives (first class travel, periodic travel for the spouse) would make such travel more acceptable.

Leaner Missions

All discussion of leaner Missions leads to concerns about our level of accountability. Although many believe we should be able to establish an acceptable level of risk, we are being "driven" by a "pernicious IG." The following ideas emerged nevertheless.

TDY support for program start-up is needed for legal, Food for Peace, contracting, financial management, and design. Once the program is up and running, less support is required. If this kind of staff is not permanent, Mission leadership can spend more time on substance because the supervisory function is so vastly reduced. FAX, E-mail, and conference calls should make even more long-distance involvement possible.

Specific kinds of personnel were cited. Comments included: We do not need lawyers and contracting officers at post. There has been an unnecessary transfer of these kinds of support functions to the Missions. Half the stuff which goes through a lawyer overseas does not need to do so. We pay professional FSOs to know how to do their jobs and to take risks. Particular resident staff is not really necessary for Missions to exercise their delegations of authority. The needed expertise can be supplied by TDY.

The Madagascar experience demonstrated that it was possible to have a program of mostly projects and nonproject assistance, with a little food aid, at a $25–30 million level, with only two officers, provided there was regular REDSO support, buy-ins were available, qualified host-country nationals helped, and everyone was motivated. At most, it should have been possible to keep staff level at three to four USDH.

The Philippines has instituted a performance-based programming system that requires advance agreement on what the host country will do and provides for regular payments when agreed results are achieved. This is less staff-intensive than classic A.I.D. projects.

We need a cadre (core) of senior-level strategic thinkers in each Mission to (1) translate A.I.D. to the host-country government and to the Ambassador and (2) to translate political understanding. (These people must be savvy enough to "keep State at bay" and ensure a development impact.) We need a minimum of one USDH in each Mission office, but it need not be the chief.

You need more than a core in each country, but how many more is not clear. The core keeps the operation running, but others are needed to "float around." We could do with fewer staff if assigned personnel could concentrate on delivery rather than process.

We could reduce staff needs if we consciously simplified what we do: documents and regulations should be easier to prepare and understand; the Handbooks should be rewritten and simplified; procurement regulations should be simplified and the reliance on judgment and interpretation diminished; contract formats could be developed that would require only checkmarks in the appropriate boxes. Project documentation should no longer have to argue why a project should be done when it has already been approved.

"Give up the small stand-alone project with little bang for the buck." Of course, Congress loves them, since they are so visible and visitable.

If USDH staff did not grow very large, support staff for them in the form of executive officers and controllers would not be necessary. It is possible to off-load work, especially management work, to host-country institutions, which are increasingly able to receive it. There are vulnerability questions, but they can be addressed.

We will continue to need auditors and evaluators, but they need not be nearby. Their availability alone permits us to emphasize results.

One-Person Operations

The advanced developing country concept is a good one and can be used elsewhere. LAC experience is that the A.I.D. representatives need more focus, since they tend to go for a piece of whatever comes along.

We must put our best people in countries where the development priorities are the highest. Where we are present only for political purposes, one officer is or should be enough.

We should have the capacity to put one person out there doing a cash transfer to deal with a single target; every in-country presence does not have to do every kind of project.

Zero-Person Operations

In Portugal and Ireland, we use foundations. In Portugal, the dollars go to the Government for debt payments; the Government then turns over the local currency equivalent to a foundation for implementation. In Ireland, the grant is directly to a foundation and thus requires more oversight.

Effectiveness Compared With Other Donors

Most people thought that, in one way or another, we were more effective, especially in terms of greater speed and efficiency. Others thought that because we had fewer cost overruns our projects were less costly than those of other donors. Some were not so sure of any of these propositions, questioning whether there were not so many variables as to make comparisons impossible.

Although we are certainly more knowledgeable about conditions in the country, to the extent that even World Bank technical teams rely more on our field offices than their own, nobody knows whether this translates into greater effectiveness.

Compared with us, World Bank teams do not know what is going on and do not know whom to talk to. It is true that when Bank teams arrive, host-country officials drop everything, but then those officials do not describe reality, and the teams may not realize that. Moreover, the Bank does not monitor regularly, so its TA teams have nobody to turn to in order to get things fixed. And its technical staff is not of high quality because the former colonial officers with their vast experience are retiring and being replaced by financial analysts and macroeconomists.

The regional MDBs, especially the Asian Development Bank, are considered "entitlements" by both donors and recipients, though progress on substantive concerns was reported.

Japanese aid was seen variously as both tremendously effective in supporting its own commercial and economic interests and unable to pay attention to development issues.

List of A.I.D./W Interviewees

Richard E. Bissell, AA/S&T
Peter J. Bloom, LAC/DR
Margaret I. Bonner, AAA/AFR
Anthony J. Cauterucci, FA/HRDM
Richard A. Cobb, AFR/TR
Ann Dotherow, MS/MS/OM
Howard M. Fry, GC
Robert Hechtman, OPS
Frank Kenefick, A/AID
Bradshaw Langmaid, AA/S&T
George A. Laudato, AA/APRE
David N. Merrill, AA/ENE
James Michel, AA/LAC
Vivikka M. Molldrem, ENE
Samuel S. Rea, S&T/HR/ED
Christina Schoux, ES
Kenneth Sherper, A/AID
Fred Zobrist, PRE

3 Host Country Interviews

Twenty-eight interviews were conducted in nine countries. The principal findings are summarized below. Interviewees represented a broad cross-section with about half coming from central ministries, such as planning and finance, and having a strong policy role, and the remainder representing technical ministries.

In-Country Presence

Host-country representatives almost unanimously cited significant advantages to A.I.D.'s system of relying on a strong in-country presence with decentralized delegations of authority and day-to-day involvement in managing assistance programs. The major positive attributes of A.I.D.'s host-country presence are listed below in the order of the number of interviewees mentioning them:

- Half cited closer collaboration and greater dialogue on problems and solutions. One said, "It's a joint venture."
- About the same number said there was a better understanding of environment or better data and analysis than if stationed in Washington.
- A third stated that greater influence over host-country policy decisions facilitated dialogue, and several said it was hard to do policy dialogue with "visiting teams."
- About the same number said there was better management or follow-up. One said, "We need those A.I.D. types pushing."
- One quarter cited increased efficiency and quicker decision-making, with several noting that other donors have to go to headquarters for decisions.
- A few said the presence enhanced in-country capabilities and expertise and some said this was more important than the money.
- A few also explained that the presence promotes U.S. foreign policy objectives.

Effectiveness

Respondents defined the effectiveness of A.I.D.'s operational approach in promoting

- Institution-building
- Effective implementation
- Policy dialogue on various issues, especially on family planning, and as a catalyst for change

For example, one respondent said, "A.I.D. was the catalyst on policy issues. Its presence was absolutely needed in getting us to reform and liberalize the economy. USAID played a very critical role in convincing the President and others of the imperative to change."

When asked what were the most important elements of effective cooperation, most of the respondents said the design stage was the most critical and required the closest collaboration. Several said it was very important to agree on the problem and the solution.

A.I.D.'s Implementation Requirements

When asked if A.I.D. was easier or harder to work with than other donors, most said A.I.D. was harder. The most frequently voiced complaint was about A.I.D.'s bureaucracy and related procedures, rules, and regulations.

- More than 80 percent said A.I.D.'s implementation requirements are onerous.
- Half said A.I.D. was inflexible and unable to adjust (e.g., procedures) to local conditions. One person said, "A.I.D. taught us about flexibility and now it's becoming more inflexible."
- A third complained of specific instances of procurement delays.
- Twenty percent cited administrative delays and requirements for too many approvals.
- A few said procedures impeded institution-building or effectiveness. Several said A.I.D. was "obsessed" with accounting. One person cited the example of A.I.D. hiring a contractor to handle funds, saying this failed to develop institutional capacity.
- A few said A.I.D.'s system demonstrates lack of trust, but two others said "A.I.D.'s procedures are not a problem because they help to resist political pressures and ensure that resources reach intended beneficiaries."
- Policy dialogue and nonproject assistance were observed by some to be a flexible form of assistance but that the budgeting was inflexible because it was done so far in advance. One said, "Policy projects don't need a lot of technical people, but people are needed for discussion. A.I.D. has helped in analysis."

American Staff

Host-country representatives had positive comments about U.S. staff:

- Almost half said A.I.D. staff was competent, well informed, or had a better understanding than other donor staff.
- Twenty-five percent said they had daily or frequent contact with Americans.
- Twenty-five percent cited factors concerning good relations ("open," "direct," "want to help," "collaborative").
- However, about the same number cited concerns about attitudes suggesting that Americans were inclined to fall in love with their own ideas or perhaps to be a little too pushy. One said, "They are not sensitive to our timetables, laws, and procedures."
- About 14 percent cited rapid staff turnover as a concern.

Using Foreign Service Nationals

Host-country representatives were asked whether they had any problems with A.I.D. making greater use of FSNs to represent A.I.D.

- Half said they had no problem using FSNs if they were competent and many said FSNs were particularly good on implementation. They felt FSNs brought continuity, knew the language, and were well qualified.

- However, almost all of these same respondents distinguished between FSNs and Americans, relying on the latter in policy dialogue, budget discussions, and for innovative ideas or technologies.

- Twenty-five percent cautioned against overreliance on FSNs saying there was "a fine line" or not to "go too far." One warned that FSNs were subject to "pressures" and not always objective, and another said, "There's a certain risk."

- Several cited positive experiences working with FSNs of other donors such as the United Nations Development Program, International Bank for Reconstruction and Development, Canadian International Development Agency, and the International Monetary Fund.

Other Donors

Interviewees were asked to compare the effectiveness and procedures of other donors' development assistance programs. Responses assessed various aspects of effectiveness.

- Thirty percent cited examples where A.I.D. was more effective than other donors.

- Fifteen percent specifically said A.I.D. was more effective in its policy dialogue and conditionality. Some said A.I.D. was better informed or more flexible because it had a better understanding of the issues. Some suggested A.I.D. had more influence because of frequent and continuing contact.

With one MDB, we can arrange ourselves to have the answers because we know the questions ahead of time.

A.I.D.'s approach is different; it leads us along a path.

- Almost 20 percent said A.I.D.'s bureaucracy was worse or that its financial accountability was more stringent.

- About the same number said other donors had insufficient delegations of authority in the field or that local representatives were only messengers for their headquarters. Several said the "drop-in/drop-out" approach was not effective because visiting teams do not understand the problems.

- About 20 percent found it difficult to assess A.I.D.'s effectiveness and systems.

A.I.D. was better at one time, but now the reverse may be true.

- Canadian organization was most frequently cited as "the best" by host governments. A few mentioned UN health organizations as helpful or effective.

Increasing Effectiveness

Despite almost universal endorsement of A.I.D.'s presence and delegations of authority, many volunteered ways to improve collaboration and effectiveness.

- Thirty-six percent suggested that A.I.D.'s presence was too heavy or large with too many layers or interlocutors "imposing more and more rules."

- Nearly 30 percent made specific suggestions for improving the effectiveness of technical assistance, such as making long-term technical assistance advisers more accountable to the host country and according the host country a greater role in selection and performance evaluation. Others felt that it was desirable to make greater use of specialized short-term technical assistance and in-country and regional sources.

- About 15 percent made recommendations to further delegate authority or to allow in-country staff to simplify and adapt procedures in the "spirit of cooperation."
- A few felt A.I.D. tries to supervise too much or that A.I.D. should provide oversight rather than manage or directly implement programs.
- And, on A.I.D.'s overall approach
  - —Twenty-five percent suggested greater collaboration in developing the program strategy and budgeting (one wanted a framework agreement).
  - —Twenty percent expressed the need for improved donor coordination (one specifically wanted more U.S. consultations at the Paris Club).
  - —Several urged flexibility on conditionality and many urged greater adaption of procedures to local conditions or host-country needs.

Working Toward a Transition

In a few nearly advanced developing countries (ADC), representatives offered specific suggestions for moving to a more "mature" relationship or preparing for graduation. Usually they suggested a reduced American A.I.D. staff, greater use of FSNs and transfer of more responsibility to the host country.

One suggested that a strong U.S. presence is very important in the early years of collaboration, but that, as the relationship matures, A.I.D. should reduce its presence and monitor "results, not the money."

All respondents expressed a desire for continued A.I.D. presence, usually for monitoring results or providing policy dialogue.

Several respondents thought that local NGOs should be given more responsibility but should be coordinated and monitored.

Conclusions

These findings from host-country interviews suggest the following:

- Host-country representatives find significant advantages to A.I.D.'s in-country presence. This presence enhances collaboration and personal relationships. It increases efficiency and effectiveness, particularly with respect to institution-building and policy dialogue.
- A.I.D.'s in-country American staff is a technical and analytical resource. "Being there" enhances the effectiveness of dollar resources.
- Despite these advantages, A.I.D.'s procedures are cumbersome and, hence, in the view of these representatives, generate the need for unnecessary numbers of staff. This heaviness leads to bureaucratic delays and a tendency to micromanage.
- A.I.D. may be losing some of its "development edge." It is perceived to be preoccupied with "input-level" accountability when it should be more focused on the leading edge and results. This factor also contributes to micromanagement.
- A.I.D.'s procedures to ensure accountability (and perhaps other objectives) have caused it to treat all LDCs uniformly. This may hinder active planning for "graduated" relationships.
- A.I.D. is not responding quickly enough to opportunities to develop a graduating relationship with more advanced partners.

- There are lessons A.I.D. might learn from other donors, particularly, perhaps, from the Canadians and the UN health organizations.

4 Private Sector Interviews

Introduction

The views of private sector representatives were solicited in open-ended interviews about host-country capabilities, with particular attention given to the human resource base and private sector capacity to provide support services to aid agencies and their activities.

Interviews were conducted with two or three private sector representatives and others knowledgeable of the private sector in each country. The open-ended nature of the interviews often led respondents to provide information beyond what was basically sought. The implications to be drawn from these interviews are presented in the "Implications" section. The "Interview Responses" section presents the most salient interview results. The major findings are summarized in the section "Summary of Findings."

Implications

1. From the perspective of the private sector, as inferred from the responses given, the size and skills mix of a "core" A.I.D. Mission overseas would primarily depend on the ability of the host country to structure, manage, and account for A.I.D. resource transfers. The stronger this ability, the smaller will be the core and the greater the requirement for skills in policy dialogue, contracting with the host country and private sector, and exercising appropriate oversight. Conversely, the weaker the ability of the host country to handle resource transfers, the larger will be the core staff, the greater the requirement for skills to manage, monitor, and control development resources, and the greater the need for expatriate staff.

2. Several criteria for deviating from this core are suggested:

- The human resource base in host countries is determinative. When this base is weak, care should be taken to encourage the most efficient allocation of these scarce resources among competing uses, including donor agencies, the host-country government, and the private sector. The cost of disrupting these allocations, when donors compete for these scarce resources, can be large, thus justifying expatriate postings, especially if expatriates focus on improving the human resource base in host countries.
- New skills are needed to implement A.I.D.'s new directions and the reform agenda of host-country governments. It does not necessarily follow that A.I.D. can best marshal these resources from its own direct hire pool of American and FSN staff.

- The opportunities for reaching out and penetrating new spheres of influence lead to staff requirements.

3. Several ideas for more cost-effective approaches for establishing the A.I.D. presence were suggested:

- Relying more on FSNs, even in the area of policy dialogue
- Contracting with the private sector in the host country to provide support services to A.I.D. and its programs in a variety of functions
- Nurturing the private sector where its capacity to provide support services is weak
- Expanding the use of umbrella mechanisms, such as those designed to facilitate subgranting, monitoring, and evaluation among NGOs

Interviewee Responses

Assessment of A.I.D.'s Approach

- A.I.D.'s involvement in policy reform requires a strong and permanent force on the ground. Policy dialogue gives a bigger bang than does institution-building.
- Decentralization gives flexibility, which is essential for A.I.D.'s field effectiveness.
- The business community views A.I.D. as "altruistic," but lauds its efforts in policy dialogue to promote the private sector and reform. This will have a beneficial impact on the U.S. business community.
- A.I.D. staff provides services that are not available in the country. Twenty-five years ago, we had many American advisers working with counterparts on a variety of skills. New skills and new advisers are now needed to learn private sector skills. As many skilled employees leave government, the public sector must be trained in new skills. Privatization requires new skills.... Less in family planning and more on legislation.... TA is more important than money. Missions also provide TA. That TA also helps us to articulate our skills and training needs.
- A.I.D. staff can dialogue with government on policy reform. However, it knows nothing about helping business and private companies. A.I.D. can procure these services but they are expensive and it takes time. A.I.D. staff knows something about capital markets and the financial sector. It is weak on privatization. A.I.D. should not get involved in mixed credits, since this would undermine free market principles. This does, however, help U.S. firms compete against other firms. A.I.D. has influence in excess of the financial resources it makes available, perhaps due to shared values and overall U.S. influence in the region.
- Unlike UNDP, A.I.D. supports larger businesses (50–100 employees) in enterprise development. A.I.D. helps in export promotion. For large-scale industrial projects, we rely on UNIDO (UN Industrial Development Organization).
- Compared with other donors, A.I.D. experts are more willing to go to rural areas to promote products such as fertilizers.... As a PVO, we could deal directly with A.I.D. With other donors, we had to go through our government first.
- A.I.D.'s in-country presence allows it to be more subtle, laid back, responsive, and effective in negotiating such policy changes as privatization. Others donors tend to be more rigid and formal.
- The only way to understand our culture is to do business here. All our business

is based on family unity. This type of informal business cannot be done through TDYs. We are looking to the United States as a new partner because we cannot do much more with our traditional partners. The additional cost of a permanent presence will reap much greater benefits over time. This presence will help you understand and appreciate our culture, especially at a time when small- and medium-sized businesses are sprouting and doing well here. Through A.I.D.'s presence, these businesses will also learn how to approach the U.S. business community.

- A.I.D. is not dealing with a uniform developing world. It cannot have one policy for the developing world. A.I.D.'s objectives must conform to local interests (PL 480 assistance had a negative effect because it promoted U.S. and not local interests). In the new order, A.I.D.'s interests must also conform to local interests. A.I.D. should have a core staff (USDH and FSN). That core should rely on local organizations and consulting firms for support. This model is better than a huge permanent staff (a liability). Donors should make a special effort to develop this support capability in the private sectors of host countries. This way, expert knowledge stays in the country.

- A.I.D.'s in-country presence enables it to reach out to much lower levels beyond the ministries. This is expensive, but there is much more penetration. Good policy changes must come from below if they are truly to serve the host country. Other donors just put their people in our ministries, not in the field.

Effectiveness of Approach

- A.I.D. expects us to act sharply and quickly, like sharks. However, A.I.D. takes 3 to 4 months to do what they expect from us in 2 or 3 days.... A.I.D. is like our government. It gives me mixed signals. It does not want me to behave as if I am in the private sector, firing my staff and paying wages so that I can compete. I have to go through my government first before dealing with A.I.D. A.I.D. works with green eyeshades and ignores the real environment around the figures.

- Many businesses are publicly owned and government is well served by A.I.D.'s permanent presence. It augments the value of the resources A.I.D. provides. The U.S. business community should be very concerned about a diminished A.I.D. presence. A reduced presence would send the wrong signals to government and adversely affect its relations with U.S. firms.

- Some donors are giving more money than A.I.D. in the form of budget support but without people on the ground. Other donors have many more people in the field. Often these people cite irregularities. Without a strong presence, U.S. business representatives may get the wrong impression about what really goes on and carry back incorrect and discouraging notions.

- A.I.D. could be more effective with only a few professionals to do high-quality policy dialogue, contracting out much of the other work related to implementation. Provision of commissaries, American clubs, etc. inhibits integration of Americans into host-country societies. A smaller American community would help its members reach out and better understand the host country environment.

- Most other donors have no permanent representation here at all. During design the World Bank and the Asian Development Bank work 9 to 5; during implementation they do not work at all. Visiting missions are too impersonal.

Working through the mail does not work; often the documents get lost. The French have 120 "cooperants." The Belgian is alone and can't move his money. UNDP seems to have no system at all. CIDA has a good system, a little more flexibility than A.I.D., but they only come once or twice a year and then disappear.

- Without A.I.D.'s in-country presence, our cost of doing business would be higher since our people could not promote the relationships they are now seeking. A reduced presence would diminish your access to our business and reduce your understanding of our culture.

- We worked with A.I.D. to privatize our fertilizer industry. Our firm worked closely with an American firm. A.I.D.'s presence facilitated our dialogue and helped to achieve privatization.

- A.I.D.'s presence has developed trust in managing money. With that trust we were able to build the capacity of our own indigenous business organizations and guarantee our small-scale credit programs.... Local conditions change rapidly. A.I.D.'s presence allows us to discuss changes so that we can all adjust.... Because A.I.D.'s regulations are stricter, it is important that A.I.D. is present to make sure we don't misinterpret or overstep your guidelines.

Elements of Effective Cooperation

- Sometimes A.I.D. needs our cooperation to sell its programs with the government. This builds our credibility and helps us down the road during implementation.

- We consult occasionally with A.I.D. despite the business community's perception that information does not flow freely both ways. A.I.D. is concerned that "insider information" can give unfair advantage to a particular company, especially if there is a possible A.I.D.-funded contract down the line.

- Although A.I.D. projects have not yet yielded benefits for the private sector, we have done some consulting services related to A.I.D. projects, whether or not they promote the private sector here.

- Donors are poaching our best NGO staff which has hurt our capacity-building. Donors can pay more and offer opportunities for career development and job security.

- Because of A.I.D., the local Chamber of Commerce has become much more knowledgeable about business opportunities in the United States. Our people fear the American market because they do not have the know-how. We now have more information and confidence.

USAID Contacts

- Our organization has enjoyed a wide range of contacts with A.I.D., especially with FSNs. We have no problems with FSNs taking the U.S.Government position and would encourage even more FSN employment.

- Nationality does not make a difference; it's all rules and regulations.

- A.I.D. does large projects. My firm does consultations on small projects for well-defined and specific tasks. Swiss, Dutch, and other Europeans do a better job on these tasks, which require a more personal approach. It is difficult for short-term teams to have credibility when making recommendations in culturally sensitive areas such as institutional development.

- A.I.D.'s approach reaches further down in the community. A.I.D. monitors its programs better than other donors because it has more staff to do it. Because A.I.D. reaches further down and is more spread around in different sectors, it does not have the visibility that other donors have. For example, a $20 million cash transfer from another donor gets more attention in town. This gives the perception that A.I.D. is not as prominent as other donors.

- We have telephone contact with A.I.D. on our training programs once a week, mostly informal. We don't look to A.I.D. technical staff for technical advice. We go to the contractor.

- In running our credit program we need to adjust quickly. We proposed a new scholarship loan fund. The A.I.D. Director made a decision to go ahead with it and in 3 months the project was running. Repayment rates are amazing. No bad debts and late repayments are only 5–10 percent.

Working With A.I.D.

- Working with A.I.D. does not make any sense unless we transform our system. A.I.D.'s fundamental task is to reduce our public sector expenditures. We need external resources for transformation. Japan's aid is concerned about development in Japan. A.I.D. is concerned about our development, not U.S. development. This makes work more challenging.

- A.I.D. is bureaucratic but it is open, transparent, and consistent. Once procedures are set out, they can be used for the next decision. The first time it is difficult, but then it gets easier.

- Bureaucracy is a good safeguard but it must be decentralized.

- We have worked with A.I.D. to get help from other donors.

- A.I.D. had meetings with our businesspeople last year to hear all about their problems. It takes two to tango. Corruption is a key point in the debate, and the more we solve this problem, the easier it will be to work with A.I.D.

- Other donors are more flexible than A.I.D. If I don't have money and know they have money, I can simply call and get money. Not so with A.I.D. and its lengthy procedures.

- They have created an NGO selection committee. Once they accept projects and criteria, they don't require additional documents.

- They all deal on a positive basis. A.I.D.'s accountability requirements are stringent but, once explained, easy to live with. Letting local groups handle projects can be effective, especially if they get technical and administrative backstopping from A.I.D.

- A.I.D. has many more procedures, asks many questions, and is more directive because of its sustainability concerns. Our people should have a lobby in Washington.

- Contractors cannot do better. You need someone tied directly to the A.I.D. organization.

- A.I.D. works well for me if I want information. It does not work well if I need advice. A.I.D. has a good information system. For example, A.I.D. provided information on methods and technologies for gas-powered plants. This information was needed on a decision to go forward on explorations with our multinational partner.

- Not easier, not harder, because we have been responsible and have convinced the donors of this.

- The Germans eventually stopped funding us directly. Instead, they provide grants to other organizations that then buy our services. I could see such a relationship with A.I.D., especially for small activities. For massive operations, the existing type of arrangement is most suitable.

- A.I.D. is meticulous, but we find that helpful. A.I.D. should involve local people, like the grantees, in the planning and allocation stages. None of our grantees has participated on design teams.

A.I.D. Compared With Other Donors

- A.I.D. is well informed, and often better informed than the U.S. Embassy because of the "attitudes" of its Mission.

- A.I.D. explained the logframe and we use it on all our projects. Yes, it is more difficult, but we appreciate it because we want progress. Working with A.I.D. to maintain the status quo would be insufferable.

- A.I.D. funds American NGOs and these organizations might as well be ours. However, you could do more to turn it over to our NGOs.

- Sometimes A.I.D. does not understand. For example, it doesn't understand that, institutionally speaking, there is no private sector here able to carry half the costs. A.I.D. has to organize a study every time it tries to understand us and our culture. CIDA does not try to understand us as much.

- We have 20 expatriates and the rest of the 500 employees are local. This is the minimum number of expats we can use. Managers at higher levels of operation have to interface a lot with U.S. and other international contacts. The locals have problems dealing at these levels. However, as long as the contacts are local, we can do fine.

- Europeans normally come here with better language ability than the Americans. Your stay here is very short, sometimes only 3 years. A 6-year tour would be more useful.

A.I.D. Requirements

- Implementation problems come from us, not from A.I.D. Funds go to the Central Bank—which delays disbursement. A.I.D. will not press an issue if it feels the answer will be no. So A.I.D. is often not aggressive enough on difficult political issues, such as reform of the financial sector.

- Often conditionality is a matter of presentation. A.I.D. should press harder on export promotion.

- I look at your agreements and see a large negative list, including limitations on salary supplements. Yet the expatriates get 10 times the salary of their counterparts. In terms of cost-effectiveness, I want to take the local expert, if qualified, and pay more. I would only take the expatriate if he or she can work to increase the institutional capacity across the board in many of our agencies, even if this is not specified in the agreement.

- A.I.D. spends wisely. The government is not yet ready to assume responsibility for complete management of donor programs.

- We do not have problems with A.I.D. requirements. We are in the business of cutting a small pie and dealing with the politicians who all want a piece. A.I.D.'s requirements are intended to ensure that the beneficiaries get part of the action.

- There is too much effort by government in obtaining donor funds. They should mobilize our resources. The private sector's potential is tremendous, especially in agribusiness.

- Government should play a larger role up front in design and thus minimize implementation problems and requirements.

- A.I.D. is very innovative. The problem is that innovative programs rarely work. A.I.D. has too many objectives in its programs. Thus, the programs become less efficient. For example, a fertilizer project required that fertilizer be purchased from a local company. The problem was that such a company did not exist. It had to be created, but this failed. Also, an $8 million program required a change in the income tax system. However, the government felt that this change would cost more than that $8 million. This has delayed disbursements.

Summary of Findings

1. Most of the private sector respondents were informal collaborators and observers of A.I.D./Government interactions in their countries. Only a few—NGOs, consulting firms, and training organizations—received funds from A.I.D.

2. The responses indicate that the private sector perceives A.I.D.'s in-country presence to be useful for the following reasons:

   - A.I.D. staff engages governments in a policy dialogue on reform issues vital to the private sector, such as privatization and financial and capital market reforms.
   - Through its in-country presence, A.I.D. is able to derive benefits in excess of its resource transfers.
   - A.I.D. staff facilitates contacts and communications with the U.S. business community.
   - A.I.D. staff is a broker of information. This serves the private sector in decision-making and in contacts with other donors and with government officials.
   - A.I.D. staff reaches out beyond urban centers. This helps to penetrate rural markets. It also informs the policy dialogue on issues vital to groups whose interests would otherwise not be represented.
   - A.I.D. can provide the new human resource skills needed as the private sector plays a larger role in the economy and as the role of government changes to accommodate that role.

3. The private sector also perceives limitations to A.I.D.'s presence in promoting its interests because

   - A.I.D staff is not always qualified to provide sound technical advice to the private sector. It can, however, help to articulate technical needs and procure requisite expertise.
   - Host-country governments tend to spend time mobilizing donor resources rather than local private sector resources.
   - Sometimes donors compete with the host-country government and the private sector for A.I.D.'s scarce human resources.

4. A.I.D.'s regulations and procedures are perceived positively by the private sector because

   - In cases where the private sector is an observer, A.I.D.'s procedures are seen to encourage fiscal responsibility and accountability of host-country governments.
   - In cases where the private sector receives funds from A.I.D., these procedures appear hard and stringent at first glance but, when explained and understood, become open, transparent, and easier to follow.

5. Most respondents prefer a decentralized A.I.D. presence because this allows for greater flexibility and effectiveness. A decentralized mode could facilitate contracting with the private sector of the host country for much of A.I.D.'s work.

6. Compared with other donors, A.I.D. staff is perceived to enjoy a comparative advantage in getting out and penetrating within and beyond urban centers. A.I.D. staff is not perceived to have a comparative advantage in language skills. A.I.D.'s permanent presence is seen as a key feature of its system and is preferred to the alternative mode of periodic visits.

APPENDIX F

Summary of Results of Regression Analyses[1]

This appendix summarizes the results of regressions that ran a number of potentially associated variables against overseas U.S. direct hire (USDH) staffing levels. The analysis began with the hypothesis that A.I.D. managers (field and Washington) make USDH overseas staffing decisions based on several variables relating to the size and nature of each country program, and the conditions in the country. A number of such variables were run against USDH levels for FY 1991, including current Development Assistance (DA), Economic Support Funds (ESF), and PL 480 levels; number of active projects in the portfolio; gross domestic product per capita; and infant mortality. The regression that yielded the highest, statistically significant degree of relationship between USDH and associated variables included the dollar values of FY 1991 obligations for DA, ESF, and PL 480 Food Aid Title III (T-III) and the total number of projects in a Mission's portfolio. The other variables listed above yielded statistically insignificant results. FY 1991 Foreign Service national (FSN) and personal services contractor (PSC) data were also added to USDH data to comprise a "total employment" dependent variable, but this variable was not found to be significantly associated with other variables. The unit of observation was a bilateral Mission; regional Missions and regional support offices (e.g., REDSOs, ROCAP, RDO/Caribbean, and RDO/South Pacific) were not included. (See the Technical Notes section for some additional notes about the data.)

Subsequent to the above analysis, data were collected for FY 1988, 1989, and 1990, and a regression was run that included the five variables described above (USDH against DA, ESF, PL 480, and number of projects) based on observations that are *4-year annual averages* over the period FY 1988–1991 for 59 Missions. (Before January 1991 when the Farm Act shifted Title I administration to the U.S. Department of Agriculture, Title I was also included in the PL 480 variable.) The resulting regression can be summarized as follows:

$$USDH = 3.23 + 0.26DA + 0.08ESF + 0.16PL480 + 0.13\#Projects$$

The "coefficient of determination" (or "R^2") for this regression is 0.90 and statistically significant. An interpretation is that 90

[1] The assessment team wishes to acknowledge the outstanding contribution of David Moore, Economic and Social Data Service, CDIE/DI, in producing the various regression models. His helpfulness, responsiveness, and—above all—patience were exemplary.

percent of the variation in USDH levels can be explained by variations in the four variables on the right-hand side of the regression. This is a relatively high level of explanatory "power" for regression analysis. Furthermore, each of the numerical coefficients for the four "explanatory" variables is statistically significant, and none of them is significantly correlated with each other. (In statistical terms, "multicollinearity" is not a problem.)

These results can be interpreted in several ways. One approach is to assume some "illustrative" values for the four explanatory variables and then calculate the implied value of the dependent or "explained" variable, USDH. One might imagine a "small" program of $15 million annual DA and seven projects (if the total portfolio value were equal to 5 years of obligations at this level, or $75 million, this would imply an average life-of-project cost of almost $11 million). This would yield an implied total USDH level of 8.0 FTEs (annual full-time equivalents of direct-hire employment). In other words, $8.0 = 3.23 + (0.26 \times 15) + (0.13 \times 7)$. A "medium program" of $30 million DA, $15 million ESF, $15 million PL 480 T-I/III, and 12 projects would imply a USDH level of 16.2 FTEs. ($16.2 = 3.23 + (0.26 \times 30) + (0.08 \times 15) + (0.16 \times 15) + (0.13 \times 12)$.)

Great caution should be used in applying these results. The most important thing to remember is that they are derived from the historical experience of the Agency during the FY 1988–1991 period; they do not suggest what the future might look like—what could be or what ought to be. Furthermore, one cannot conclude that in fact managers consciously used these factors of program levels and numbers of projects in making USDH decisions; the degree of association indicated by the regression results is consistent with the hypothesis that they do, but they do not "prove" the hypothesis. In fact, the interview responses to the assessment team suggested a wide range of factors, mentioned in the assessment report, that managers seem to have considered when making USDH staffing decisions.

Perhaps a more useful interpretation can be gleaned from examining the pattern of relationships, Mission by Mission. The detailed regression tables, included as attachments to this appendix, show how the actual USDH levels for Missions diverged from those levels predicted by the regression. Of greater interest are those cases where actual USDH levels depart significantly, say by 10 percent or more, from the predicted levels. For the regression described above, 20 Missions had USDH levels 10 percent or more above their predicted values. The total of the gaps between actual and predicted USDH levels for these Missions was 105 FTEs, or more than 11 percent of the total 923 average USDH FTEs in all 59 Missions during the FY 1988–1991 period. The implication is that if USDH levels were to be allocated on the basis of program levels and number of projects, even allowing for a 10 percent margin of error, these results indicate that more than 100 FTEs would have been allocated elsewhere.

Also of interest is the number of Missions with actual USDH levels significantly below the regression-predicted values. On average over the FY 1988–1991 period, 25 Missions fell 10 percent or more below predicted values, amounting to a total gap of 99 FTEs or just under 11 percent of the 923 total. If historical program and project levels were to comprise the allocation criteria, these Missions would have been in a deficit position with respect to USDH staff.

The regional pattern is also of interest. Of the 20 Missions whose actual USDH levels were 10 percent or more above predicted values, 10 were from Africa, 2 from Asia, 3 from LAC, and 5 from the Near East. However, of the 25 Missions below the predicted values, 16 were from Africa, 1 from Asia, 6 from LAC, 1 from the Near East, and 1 from Europe.

It is even more revealing to look at a few individual countries. The following tables show Missions with actual USDH levels that represented the 10 largest differences above and below the respective USDH levels predicted by the regressions. The tables show results for two regressions: Regression (A), which includes only DA, ESF, and PL 480 (Title I/III) as explanatory variables; and Regression (B), which also includes total number of projects in the Missions' portfolios. The reason for presenting results for both regressions is to analyze the implications of adding the latter variable to program levels as factors explaining variations in USDH levels. This issue will be discussed further below.

The first thing to note about the Table F-1 is that under both regressions, each of the four highest ranked Missions (1–4) had average annual actual USDH levels during FY 1988–1991 that exceeded in almost every case the predicted levels by 10 or more FTEs. The bottom of the table shows that the sum of these FTE differences for the highest ranked 10 Missions (1–10) came to well over 80 FTEs, or about 9 percent of the 923 FTE total for the 59 observed Missions.

In comparing the results for Regression (A) with those for (B), it will be noted that several Missions drop from relatively high ranks to lower ones as one moves from (A) to (B). These are particularly sharp for Ecuador and Costa Rica, with drops from ranks 6 and 8 to 14 and 13, respectively. An interpretation of these comparisons is that taking number of projects into account results in more of the variation in actual USDH levels in these Missions being "explained." The rationale for inclusion of "number of projects" is that it serves as a rough proxy for "management burden," apart from program levels. But this should not necessarily justify the way a Mission structures the relationship between its USDH staff level and its portfolio. Furthermore, a better proxy for management burden, as several commenters have observed, would probably be the number of grants, contracts, and cooperative agreements being managed by a Mission.

Table F-2 shows the 10 Missions with actual USDH levels during FY 1988–1991 that fell the furthest below the regression-predicted values.

One reason for the actual USDH levels falling so far below the predicted levels could be the newness of programs in such places as Panama, Nicaragua, and Romania. Another factor could be security or other difficult conditions. However, there could well be management and programmatic factors explaining some of these "outliers" as well. For example, some of these Missions may have been more effective in substituting FSNs and PSCs for USDH. Determining this would require Mission-by-Mission analysis of program and management. In any event, the top ranked 10 Missions (1–10) had USDH levels that aggregated to more than 65 FTEs below the total predicted values for Regression (A) and over 60 FTE's for Regression (B).

Changes Over Time

The preceding analysis is based on annual averages over the FY 1988–1991 period. Although this has the virtue of smoothing over year-to-year variations, it may also mask some significant changes over time. To get some indication of this possibility, the FTE differences and ranks for Missions in the top "outlier" category were analyzed as above. The results for the 10 Missions with the largest positive gaps in FY 1991 between actual and USDH levels predicted by Regression (A) for each of the 4 years are shown in the table on F-6.

Five countries show up with consistently high ranks across the 4-year period: Indonesia, Honduras, Senegal, Kenya, and Ecuador. Not surprisingly, these five countries also show up in Table F-1 based on annual average observations for the 4 years. The cases of Pakistan and Bangladesh in the table on F-6 are particularly striking. They flip from ranks significantly below predicted USDH levels for FY 1988, 1989, and 1990 to positions significantly above predicted levels in FY 1991. The impact of the

Table F-1. Missions With Actual USDH Levels Above Regression-Predicted USDH Levels, Based on FY 1988–1991 Data (Ten Largest Differences Among 59 Missions)				
	Regression (A) (USDH against DA, ESF, & PL 480 T-I/III)		Regression (B) (Same as (A) plus total # of Projects)	
Country	Rank	FTE Difference	Rank	FTE Difference
Jordan	1	11.2	2	10.4
Honduras	2	10.8	4	8.6
Indonesia	3	10.6	1	12.2
Senegal	4	10.2	3	9.5
Nepal	5	8.3	5	7.9
Ecuador	6	7.5	(14	3.5)
Niger	7	7.1	6	7.8
Costa Rica	8	6.9	(13	4.3)
Zaire	9	6.1	10	5.52
Zimbabwe	10	5.930	7	6.6
Kenya	(11	5.929)	8	5.8
Morocco	(12	5.85)	9	5.54
Sum of FTE differences = (9.2% of 923 total FTEs for 10 highest ranked Missions, 1–10)		84.6		79.8 (8.6% of 923 total FTEs)

Table F-2. Missions With Actual USDH Levels Below Regression-Predicted USDH Levels, Based on FY 1988–1991 Data (Ten Largest Differences Among 59 Missions)

	Regression (A) (USDH against DA, ESF, & PL 480 T-I/III)		Regression (B) (Same as (A) plus total # of Projects)	
Country	Rank	FTE Difference	Rank	FTE Difference
El Salvador	-1	- 10.7	-1	- 13.1
Nigeria	-2	- 8.6	-4	- 6.1
Panama	-3	- 7.5	-2	- 8.1
Nicaragua	-4	- 7.2	-3	- 6.8
Bangladesh	-5	- 6.53	(less than 10% difference)	
Mozambique	-6	- 6.47	-8	- 4.3
Uganda	-7	- 5.4	-9	- 4.1
Lebanon	-8	- 5.3	-6	- 5.7
Romania	-9	- 5.0	(-11	- 3.8)
South Africa	-10	- 4.5	(-12	- 3.7)
Jamaica	(less than 10% difference)		-5	- 5.7
Bolivia	(less than 10% difference)		-7	- 5.0
Belize	(-28	-0.8)	-10	-4.0
Sum of FTE differences =		- 67.2		- 62.9
(7.3% of 923 total FTEs for 10 highest ranked Missions, 1–10)			(6.8% of 923 total FTEs)	

Pressler Amendment FY 1991 on program levels in Pakistan undoubtedly explains most if not all of that reversal. While the reversal for Bangladesh is not as dramatic, it is nonetheless striking.

Several other anomalies are noteworthy. Jordan and Nepal were significant "outliers" from FY 1988–1990, with rankings of 2, 3, and 3, and 3, 4, and 8, respectively, in terms of actual USDH levels being above predicted levels. However, in FY 1991, both countries dropped to relatively low ranks (20 and 18, respectively). The Philippines flips from first rank in FY 1988, with 13.6 FTEs above the regression-predicted level, to the third negative rank in FY 1989, with 8.5 FTEs below the predicted level. In FY 1990 and 1991 the differences for the Philippines were less than 10 percent and just more than negative 10 percent, respectively. The key explanation for this shift would undoubtedly be the absorption of substantial MAI (Multilateral Assistance Initiative) funds for the Philippines, without corresponding increases in USDH levels, beginning in FY 1989.

Two countries that relied heavily on PVOs as intermediaries to deliver assistance make an interesting comparison: Haiti and Zaire. Haiti ranged from an insignificant difference to a positive rank of 9 between actual and predicted USDH levels, and from a negative rank of 14 to an insignificant difference (less than 10 percent) when number of projects was included as a variable. Zaire ranged from a positive rank of 5 to an insignificant difference, and 3 to an insignificant difference when number of projects was included. It would appear, therefore, that Haiti was somewhat less management-intensive than Zaire in its use of the PVO mode.

Country	FY 1991		FY 1990		FY 1989		FY 1988	
	Rank	FTE	Rank	FTE	Rank	FTE	Rank	FTE
Pakistan	1	21.2	-6	-9.0	-1	- 10.0	-9	-5.3
Indonesia	2	13.7	1	17.8	2	13.8	4	10.2
Honduras	3	11.9	4	12.0	1	22.5	7	8.2
Senegal	4	11.1	5	11.0	5	8.9	8	7.6
Zaire	5	10.1	13	3.7	(less than 10 %)		9	7.1
Guatemala	6	9.6	12	4.1	13	4.7	-7	-5.5
Morocco	7	9.0	(less than 10%)		17	3.2	(less than 10%)	
Kenya	8	6.7	11	5.0	8	7.7	5	9.7
Ecuador	9	6.4	7	7.8	7	8.0	14	6.0
Bangladesh	10	6.3	-4	-11.8	-4	-7.9	-2	-10.0

Several Latin American countries become negative outliers, with actual USDH levels below predicted levels, when number of projects is included as an explanatory variable. From FY 1989–1991, Bolivia and El Salvador dropped from differences of less than 10 percent to negative ranks ranging from 3 to 4 and 1 to 5, respectively, when the projects variable is added. For Guatemala, the effect of adding the projects variable is to drop rank by at least five positions, including from positive 13 and 12 to negative 17 and 12 in FY 1989 and 1990, respectively. An issue in interpreting these comparisons is the extent to which number of projects (or management units), which is to some degree under the control of Mission management, should justify USDH staffing intensity. (It might be noted here that although number of projects is statistically significant as an added explanatory variable, it does not add very much to the overall explanatory power of the basic [4-year, annual average] regression. DA, ESF, and PL 480 [T-I/III] alone yield an R^2 of 0.88 against USDH. Adding number of projects brings the R^2 to 0.90.)

Technical Notes

For a few countries, data were available for less than 4 years during the FY 1988–1991 period. In these cases, the annual average observations were derived by dividing by the number of years for which data were available. For example, for Panama, 3 years; Nicaragua, 2 years; and for Namibia and Romania, 1 year each.

"Number of Projects" included all activities with activity numbers, including cash transfers, commodity import programs, and PL 480 programs. A "project" was counted when either the obligation or the expenditure was greater than zero, and the *first* year when *both* obligation and expenditure were zero, but *not* in subsequent years. The assumption was thus made that an activity on the books but with no obligation or expenditure constituted a minimal management burden after 1 year without obligations or expenditures.

Title II was entered as a separate variable for the FY 1991 regressions, but was found to be insignificant so was not examined for other years.

Other variables were considered for inclusion in the regressions, but were not employed. USDH staffing levels could be more closely related to some measure of the total value of a Mission's portfolio. Such a measure would eliminate the year-to-year variability of current obligation figures. This problem has been mitigated, however, by using 4-year averages for FY 1988–1991. It should also be noted that the "coefficient of determination" or R^2 resulting from employing the 4-year average data is greater (0.90) than those yielded by individual year-by-year regressions (0.86, 0.89, 0.86, and 0.83, respectively).

A further refinement would have been to add some measure of "expected" program levels or to employ lagged data. Further work on obtaining consistent FSN and PSC data might have yielded significant associations with variation in USDH levels, as well as yielding a "total employment" dependent variable that might be significantly associated with other variables. The availability of trust funds, however, may have resulted in weakening the relationship between FSN, PSC, and USDH levels. Time and resource constraints precluded further refinements in these areas.

As noted earlier, number of contracts, grants, and cooperative agreements managed by a Mission would probably be a better proxy for "management burden" than "number of projects." This refinement would have required additional data sources and was not pursued.

Another consideration was the influence of Egypt on the "explanatory power" of the results. When Egypt was deleted from Regression (B) for FY 1988–1991, the R^2 dropped from 0.90 to 0.81; for Regression (A), R^2

dropped from 0.89 to 0.77. This coefficient remains relatively high and statistically significant, however, and the other variables retain approximately the same, statistically significant coefficients as when Egypt was included. When Egypt was excluded from the regressions, some minor changes occurred in the patterns of the "top 10" outlier Missions, but they remained essentially the same. Also of interest is the fact that while the actual USDH values of Egypt typically were above the predicted values, in none of the regressions examined did the departure exceed more than 10 percent (in fact, it was typically below 5 percent of the predicted value).

Finally, it should be noted that the above regressions were originally run for *61* rather than *59* Missions. The two additional Missions are Thailand and Swaziland. While their inclusion made little difference to the overall results (the R^2 drops from 0.90 to 0.89 and the "intercept" increases from 3.23 to 3.6, but only one regression coefficient changes, from 0.26DA to 0.25DA), they make a *considerable difference* to the Mission-by-Mission pattern of results. For the 4-year annual average observations, Thailand ranks fifth for Regression (A) and third for Regression (B) in differences for USDH levels above predicted values, and Swaziland ranks seventh and eighth, respectively. Both the Thailand and Swaziland Missions manage bilateral programs and are responsible for significant other-country and regional responsibilities. The actual average USDH levels for the 4-year period for Thailand and Swaziland were 19 and 16, respectively. These figures are supposed to have had the "other-country" and regional positions netted out, but the above figures still appear far too high, in the view of knowledgeable officers, to reflect bilateral responsibilities exclusively. In the absence of better adjustments, the two Missions have been excluded from the analysis reported above.

The knotty problem described above, of separating "other-country" and regional from bilateral responsibilities, may apply to other Missions among the 59 as well. This is another reason for viewing the use of regression results to "predict" USDH staffing levels as only illustrative.

Attachments: Detailed Tables of Regression Results

Attachment 1

MEAN of the four year period 1988 to 1991
MEAN Total U.S Direct Hires, as a Function of MEAN DA, MEAN ESF
MEAN of PL480 Title III Obligations, MEAN # of ESF and DA Projects
Period=1988 to 1991

Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Value	Prob>F
Model	4	12184.00414	3046.00103	118.705	0.0C01
Error	54	1385.65866	25.66035		
C Total	58	13569.66280			

Root MSE	5.06560	R-square	0.8979
Dep Mean	15.83501	Adj R-sq	0.8903
C.V.	31.98989		

Parameter Estimates

Variable	DF	Parameter Estimate	Standard Error	T for H0: Parameter=0	Prob > |T|	Standardized Estimate
INTERCEP	1	3.226170	1.13171292	2.851	0.0062	0.00000000
--	.	0.256256	0.05841722	4.387	0.0001	0.27504648
		0.075730	0.01137507	6.658	0.0001	0.55800986
Previous Page Blank		0.161841	0.05572340	2.904	0.0053	0.23625531
		0.128513	0.04687406	2.742	0.0083	0.17745967

Collinearity Diagnostics

Number	Eigenvalue	Condition Number	Var Prop INTERCEP	Var Prop DA	Var Prop ESF	Var Prop PLT3	Var Prop TOTPRO
1	3.30466	1.00000	0.0212	0.0137	0.0098	0.0134	0.0126
2	1.17209	1.67912	0.0361	0.0295	0.0906	0.0470	0.0061
3	0.27396	3.47310	0.7053	0.2679	0.0304	0.0411	0.0048
4	0.15956	4.55096	0.1798	0.0101	0.2985	0.5754	0.3187
5	0.08973	6.06875	0.0576	0.6789	0.5707	0.3231	0.6578

Model: MODEL1
Dependent Variable: USDH

Data Sources: A.I.D.
Countries with no DA &/or no ESF are treated as zeros

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Attachment 2

MEAN of the four year period 1988 to 1991
MEAN Total U.S Direct Hires, as a Function of MEAN DA, MEAN ESF
MEAN of PL480 Title III Obligations, MEAN # of ESF and DA Projects
Period=1988 to 1991

Obs	COUNTRY	Dep Var USDH	Predict Value	Std Err Predict	Residual	Std Err Residual	Student Residual	-2-1-0 1 2	Cook's D
1	AFGHANIS	14.7100	16.3870	1.044	-1.6770	4.957	-0.338		0.001
2	BANGLADE	31.7100	34.4962	3.623	-2.7862	3.541	-0.787	*|	0.130
3	BELIZE	6.6000	10.5626	1.422	-3.9626	4.862	-0.815	*|	0.011
4	BOLIVIA	19.0325	24.0537	1.764	-5.0212	4.749	-1.057	**|	0.031
5	BOTSWANA	7.7175	7.5400	0.818	0.1775	4.999	0.036		0.000
6	BURKINA	5.3300	5.5801	0.920	-0.2501	4.981	-0.050		0.000
7	BURUNDI	5.3275	5.7893	0.903	-0.4618	4.984	-0.093		0.000
8	CAMEROON	17.5125	14.7184	1.055	2.7941	4.954	0.564	|*	0.003
9	CAPE VER	2.6150	4.6901	0.981	-2.0751	4.970	-0.418		0.001
10	CHAD	9.4875	7.5774	0.832	1.9101	4.997	0.382		0.001
11	COSTA RI	22.4600	18.1273	1.242	4.3327	4.911	0.882	|*	0.010
12	DOMINICA	17.7375	16.0665	1.114	1.6710	4.942	0.338		0.001
13	ECUADOR	18.1150	14.6252	1.632	3.4898	4.796	0.728	|*	0.012
14	EGYPT	99.5	94.6	4.696	4.9458	1.899	2.604	|*****	8.295
15	EL SALVA	36.2000	49.2999	2.212	-13.0999	4.557	-2.875	*****|	0.390
16	ETHIOPIA	4.3275	3.6167	1.086	0.7108	4.948	0.144		0.000
17	GAMBIA,	4.8175	6.8019	0.841	-1.9844	4.995	-0.397		0.001
18	GHANA	6.9725	9.6879	0.911	-2.7154	4.983	-0.545	*|	0.002
19	GUATEMAL	25.9575	27.6027	1.595	-1.6452	4.808	-0.342		0.003
20	GUINEA	6.8450	9.3074	0.921	-2.4624	4.981	-0.494		0.002
21	GUINEA-B	2.3725	5.3027	0.949	-2.9302	4.976	-0.589	*|	0.003
22	HAITI	20.4175	20.8604	1.718	-0.4429	4.765	-0.093		0.000
23	HONDURAS	38.1725	29.5352	1.458	8.6373	4.851	1.780	|***	0.057
24	INDIA	21.3950	21.5636	1.906	-0.1686	4.693	-0.036		0.000
25	INDONESI	39.0900	26.8511	2.106	12.2389	4.607	2.657	|*****	0.295
26	JAMAICA	20.7175	26.4424	2.219	-5.7249	4.554	-1.257	**|	0.075
27	JORDAN	17.3675	6.9237	1.042	10.4438	4.957	2.107	|****	0.039
28	KENYA	25.6850	19.9177	1.053	5.7673	4.955	1.164	|**	0.012
29	LEBANON	1.0967	6.7746	0.905	-5.6780	4.984	-1.139	**|	0.009
30	LESOTHO	8.1800	7.0979	0.901	1.0821	4.985	0.217		0.000
31	MADAGASC	5.0275	7.6669	0.855	-2.6394	4.993	-0.529	*|	0.002
32	MALAWI	11.0675	13.7300	1.088	-2.6625	4.947	-0.538	*|	0.003
33	MALI	15.5150	12.4863	0.753	3.0287	5.009	0.605	|*	0.002
34	MAURITAN	3.5825	4.4863	0.996	-0.9038	4.967	-0.182		0.000
35	MOROCCO	22.8675	17.3298	1.299	5.5377	4.896	1.131	|**	0.018
36	MOZAMBIQ	7.4300	11.7098	1.084	-4.2798	4.948	-0.865	*|	0.007
37	NAMIBIA	2.2000	4.7802	1.036	-2.5802	4.959	-0.520	*|	0.002
38	NEPAL	18.4925	10.5691	0.753	7.9234	5.009	1.582	|***	0.011
39	NICARAGU	10.7950	17.6386	1.135	-6.8436	4.937	-1.386	**|	0.020
40	NIGER	19.8725	12.0487	0.840	7.8238	4.995	1.566	|***	0.014
41	NIGERIA	1.9875	8.0571	1.177	-6.0696	4.927	-1.232	**|	0.017
42	OMAN	5.4150	4.8178	1.048	0.5972	4.956	0.120		0.000
43	PAKISTAN	41.9950	43.1083	1.746	-1.1133	4.755	-0.234		0.001
44	PANAMA	7.7367	15.8841	1.333	-8.1475	4.887	-1.667	***|	0.041
45	PERU	17.8450	19.2628	1.785	-1.4178	4.741	-0.299		0.003
46	PHILIPPI	38.7550	42.3366	2.722	-3.5816	4.272	-0.838	*|	0.057
47	ROMANIA	0.8000	4.5796	1.109	-3.7796	4.943	-0.765	*|	0.006
48	RWANDA	6.8150	9.0850	0.804	-2.2700	5.001	-0.454		0.001
49	SENEGAL	22.2075	12.6601	0.728	9.5474	5.013	1.905	|***	0.015
50	SOUTH AF	8.7325	12.4505	0.868	-3.7180	4.991	-0.745	*|	0.003
51	SRI LANK	19.9300	20.2013	1.827	-0.2713	4.724	-0.057		0.000
52	TANZANIA	5.7275	8.1971	0.920	-2.4696	4.981	-0.496		0.002
53	TOGO	4.0800	5.6300	0.914	-1.5500	4.983	-0.311		0.001
54	TUNISIA	11.5725	9.6241	1.502	1.9484	4.838	0.403		0.003
55	UGANDA	9.7150	13.7812	0.927	-4.0662	4.980	-0.816	*|	0.005
56	YEMEN	16.0175	10.7419	0.900	5.2756	4.985	1.058	|**	0.007
57	ZAIRE	21.1500	15.6319	0.963	5.5181	4.973	1.110	|**	0.009
58	ZAMBIA	6.6475	7.2235	0.936	-0.5760	4.978	-0.116		0.000
59	ZIMBABWE	12.7925	6.1684	0.884	6.6241	4.988	1.328	|**	0.011

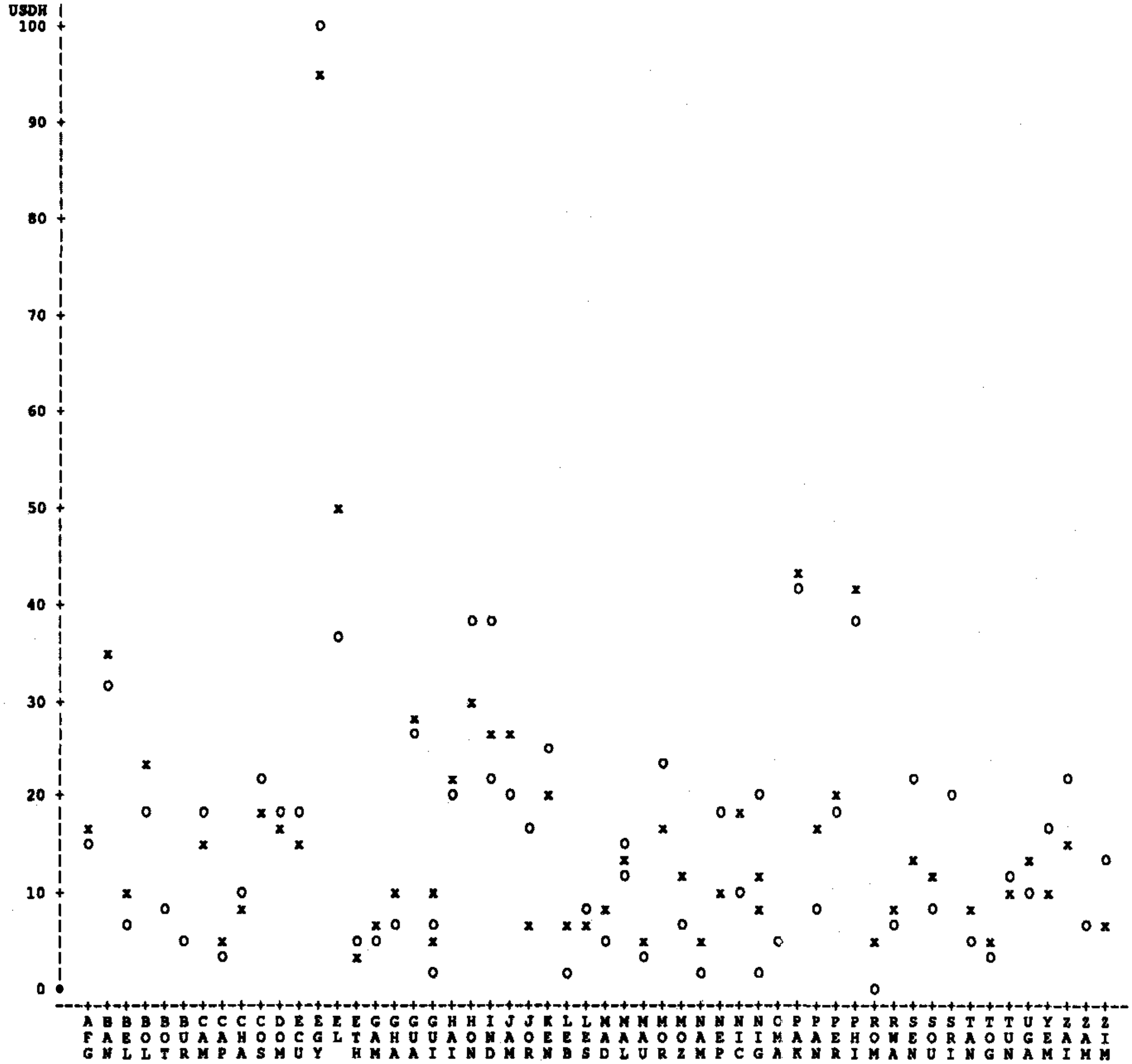
Sum of Residuals 5.568879E-13
Sum of Squared Residuals 1385.6587
Predicted Resid SS (Press) 2914.6062

Data Sources: A.I.D.
Countries with no DA &/or no ESF are treated as zeros

Attachment 3

MEAN of the four year period 1988 to 1991
MEAN Total U.S Direct Hires, as a Function of MEAN DA, MEAN ESF
MEAN of PL480 Title III Obligations, MEAN # of ESF and DA Projects
Period=1988 to 1991

Plot of USDH*CTRY. Symbol used is 'O'.
Plot of PRED*CTRY. Symbol used is 'x'.



Data Sources: A.I.D.
Countries with no DA &/or no ESF are treated as zeros

Attachment 4

MEAN of the four year period 1988 to 1991
MEAN Total U.S Direct Hires, as a Function of MEAN DA, MEAN ESF
MEAN of PL480 Title III Obligations, MEAN # of ESF and DA Projects
Period=1988 to 1991

OBS	COUNTRY	CTRY	PLT3	ESF	DA	USDH	TOTPRO	PRED	RESID	PERDIF
1	INDONESIA	IND	7.500	1.748	62.2405	39.0900	49.25	26.8511	12.2389	31.310
2	JORDAN	JOR	0.000	17.006	0.0000	17.3675	18.75	6.9237	10.4438	60.134
3	SENEGAL	SEN	3.650	6.500	17.2928	22.2075	30.50	12.6601	9.5474	42.992
4	HONDURAS	HON	14.000	72.729	39.3580	38.1725	65.75	29.5352	8.6373	22.627
5	NEPAL	NEP	0.000	0.000	15.2395	18.4925	26.75	10.5691	7.9234	42.847
6	NIGER	NIG	0.000	0.000	22.3925	19.8725	24.00	12.0487	7.8238	39.370
7	ZIMBABWE	ZIM	0.000	0.000	6.0905	12.7925	10.75	6.1684	6.6241	51.781
8	KENYA	KEN	7.925	5.000	37.0887	25.6850	43.00	19.9177	5.7673	22.454
9	MOROCCO	MOR	28.250	22.053	16.7618	22.8675	27.75	17.3298	5.5377	24.216
10	ZAIRE	ZAI	17.325	0.000	21.2965	21.1500	32.25	15.6319	5.5181	26.090
11	YEMEN	YEM	11.250	0.000	15.0775	16.0175	14.25	10.7419	5.2756	32.937
12	EGYPT	EGY	139.875	803.007	0.0000	99.5250	61.50	94.5792	4.9458	4.969
13	COSTA RICA	COS	7.500	67.136	11.0047	22.4600	45.00	18.1273	4.3327	19.291
14	ECUADOR	ECU	0.000	2.250	15.9847	18.1150	55.50	14.6252	3.4898	19.265
15	MALI	MAL	1.575	0.000	21.4755	15.5150	27.25	12.4863	3.0287	19.521
16	CAMEROON	CAM	0.000	0.000	30.5538	17.5125	28.50	14.7184	2.7941	15.955
17	TUNISIA	TUN	21.225	9.559	0.3370	11.5725	16.75	9.6241	1.9484	16.837
18	CHAD	CHA	1.275	5.736	7.8347	9.4875	13.25	7.5774	1.9101	20.133
19	DOMINICAN REPUBLC	DOM	10.000	3.459	19.9515	17.7375	45.50	16.0665	1.6710	9.421
20	LESOTHO	LES	0.000	0.000	10.2193	8.1800	9.75	7.0979	1.0821	13.228
21	ETHIOPIA	ETH	0.000	0.000	0.5210	4.3275	2.00	3.6167	0.7108	16.425
22	OMAN	OMA	0.000	12.108	0.0000	5.4150	5.25	4.8178	0.5972	11.029
23	BOTSWANA	BOT	0.000	0.338	7.5818	7.7175	18.25	7.5400	0.1775	2.300
24	INDIA	IND	0.000	0.000	52.1257	21.3950	38.75	21.5636	-0.1686	-0.788
25	BURKINA FASO	BUR	0.000	0.000	3.1680	5.3300	12.00	5.5801	-0.2501	-4.693
26	SRI LANKA	SRI	37.200	0.000	29.3338	19.9300	26.75	20.2013	-0.2713	-1.361
27	HAITI	HAI	5.150	3.836	30.4520	20.4175	67.75	20.8604	-0.4429	-2.169
28	BURUNDI	BUR	0.000	0.000	4.7365	5.3275	10.50	5.7893	-0.4618	-8.668
29	ZAMBIA	ZAM	6.750	4.854	4.3850	6.6475	11.00	7.2235	-0.5760	-8.665
30	MAURITANIA	MAU	0.000	0.000	1.5325	3.5825	6.75	4.4863	-0.9038	-25.229
31	PAKISTAN	PAK	60.000	218.428	33.1293	41.9950	40.00	43.1083	-1.1133	-2.651
32	PERU	PER	20.000	16.226	16.5688	17.8450	57.00	19.2628	-1.4178	-7.945
33	TOGO	TOG	0.000	0.000	4.3658	4.0800	10.00	5.6300	-1.5500	-37.991
34	GUATEMALA	GUA	13.500	61.828	33.3483	25.9575	69.75	27.6027	-1.6452	-6.338
35	AFGHANISTAN	AFG	0.000	33.301	25.9703	14.7100	31.00	16.3870	-1.6770	-11.401
36	GAMBIA, THE	GAM	0.000	0.000	6.5565	4.8175	14.75	6.8019	-1.9844	-41.191
37	CAPE VERDE	CAP	0.000	0.286	1.7418	2.6150	7.75	4.6901	-2.0751	-79.355
38	RWANDA	RWA	0.000	0.000	14.5885	6.8150	16.50	9.0850	-2.2700	-33.309
39	GUINEA	GUI	2.500	0.000	16.2595	6.8450	11.75	9.3074	-2.4624	-35.974
40	TANZANIA, UNITED REPUBLIC OF	TAN	0.000	0.000	13.8818	5.7275	11.00	8.1971	-2.4696	-43.118
41	NAMIBIA	NAM	1.250	5.000	1.7913	2.2000	4.00	4.7802	-2.5802	-117.281
42	MADAGASCAR	MAD	0.625	0.000	11.0418	5.0275	11.75	7.6669	-2.6394	-52.498
43	MALAWI	MAL	0.000	1.329	28.8115	11.0675	23.50	13.7300	-2.6625	-24.057
44	GHANA	GHA	7.000	0.000	15.1530	6.9725	11.25	9.6879	-2.7154	-38.944
45	BANGLADESH	BAN	67.400	0.000	63.7875	31.7100	31.25	34.4962	-2.7862	-8.786
46	GUINEA-BISSAU	GUI	0.000	0.000	1.9600	2.3725	12.25	5.3027	-2.9302	-123.507
47	PHILIPPINES	PHI	12.750	211.491	50.7248	38.7550	62.50	42.3366	-3.5816	-9.242
48	SOUTH AFRICA	SOU	0.000	9.164	21.6283	8.7325	23.25	12.4505	-3.7180	-42.576
49	ROMANIA	ROM	5.000	0.000	1.1208	0.8000	2.00	4.5796	-3.7796	-472.450
50	BELIZE	BEL	0.000	0.801	7.3295	6.6000	42.00	10.5626	-3.9626	-60.040
51	UGANDA	UGA	5.775	0.000	26.5090	9.7150	22.00	13.7812	-4.0662	-41.855
52	MOZAMBIQUE	MOZ	4.725	0.000	23.4770	7.4300	13.25	11.7098	-4.2798	-57.601
53	BOLIVIA	BOL	19.850	32.433	25.5543	19.0325	67.00	24.0537	-5.0212	-26.382
54	LEBANON	LEB	0.000	2.471	4.0903	1.0967	18.00	6.7746	-5.6780	-517.748
55	JAMAICA	JAM	37.725	12.182	30.4493	20.7175	65.25	26.4424	-5.7249	-27.633
56	NIGERIA	NIG	0.000	6.000	14.8220	1.9875	4.50	8.0571	-6.0696	-305.388
57	NICARAGUA	NIC	10.975	118.688	3.9548	10.7950	20.50	17.6386	-6.8436	-63.396
58	PANAMA	PAN	3.750	109.714	1.4398	7.7367	26.25	15.8841	-8.1475	-105.310
59	EL SALVADOR	EL	39.175	162.131	61.2530	36.2000	91.50	49.2999	-13.0999	-36.187

Data Sources: A.I.D.
Countries with no DA &/or no ESF are treated as zeros

APPENDIX

G Other Ideas and Suggestions

Support Services to U.S. Direct Hire Employees Overseas

A.I.D. and its predecessor agencies have, along with the embassies and other elements of the official U.S. Government (USG) community located in Third World countries, traditionally provided a wide range of benefits and support services to their U.S. direct hire (USDH) employees in-country, and today, in the case of A.I.D., to contractors as well. These services range from education, cost of living, relocation, and hardship and hazardous duty allowances to provision of housing and furnishings and maintenance thereof, transport of household effects and personal vehicles, provision of commissaries, and other forms of administrative support.

Historically, these benefits have represented (1) significant incentives for the recruitment and retention of qualified staff and (2) a form of support that did not exist on the private market or could only have been obtained with great difficulty and sacrifice of reliability and

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quality. The direct provision of items such as housing, furnishings (including major appliances), and the maintenance of housing and appliances represented a cost-effective method of providing these benefits in the bulk of countries where A.I.D. had programs. Over time, however, increasing differentiation in this regard has evolved among developing countries, suggesting at least three categories of countries: (1) least developed countries where the direct provision of support services is the most efficient way to operate and is essential to retaining qualified USDH staff; (2) other countries where some services are available on a satisfactory basis from the private market; and (3) others where services on the private market are comparable to those found in the United States, Canada, or Europe.

As one moves from categories (1) to (3), alternative approaches to the direct provision of support services could well become more cost-effective. There are a number of considerations that must be assessed before implementing any of these alternatives, however. The impact on staff morale and productivity may be a major constraint, depending on the country situation, to implementation of alternative approaches.

In countries where some services are reliably available on the private market, it may be feasible, as suggested in Section 2 of the main text, to contract for services from an outside firm rather than provide them directly by support staff located in the Mission (whether USDH, Foreign Service national direct hire, or personal services contractor). But the cost of contracting off site may or may not be less than the cost of providing such services from within the Mission. Moreover, the use of off-site contractors may pose unacceptable security risks in some countries, even if such services are "available" on the private market.

Where the private market for such services is quite well developed (e.g., real estate brokerage), provision of monetary allowances in lieu of providing the services (from within the Mission or by outside contract) may be a feasible alternative. This approach is more commonly found, as confirmed by the team in its interviews, among other donors and among the foreign private sector in developing countries. However, the amount of an allowance required to provide a given level of service may or may not cost less than the amount required to provide that level and quality of service in kind. Moreover, moving to monetary allowances is a fundamental change of policy and practice that cannot apply to just one element, such as A.I.D., of the U.S. Mission in a given country. All USG agencies with representation overseas would need to be involved.

A small working group could be tasked with studying these possibilities. After an initial analysis, and when appropriate, the group should hold discussions with relevant units of the Management Bureau of the State Department to ensure that its deliberations are informed by U.S. Governmentwide policies and practices country by country.

Paperwork—Reports and Requests for Information

The interviews undertaken during the assessment confirm a widespread feeling among field staff, as well as headquarters staff for that matter, that we are suffocating ourselves with paperwork, and that has become a serious impediment to our substantive work.

Although almost everyone interviewed complained about paperwork, very few were able to attribute an amount of time spent on reporting requirements and information requests. Most of the team were not surprised because it is not a single report or request that is bothersome but the cumulative impact over time. There is, moreover, accumulating, but disparate, other evidence suggesting a problem. For example, several surveys undertaken over the last few years (an analysis by the

Bureau for Program and Policy Coordination in response to a request from the Hamilton Group and surveys by the Coordinating Group for Improving Agency Operations and Efficiency in A.I.D./W and among field posts) were not satisfactory in suggesting a clear and rational solution. They did, however, provide insights that suggest a number of conclusions:

- It probably is not possible to determine with precision how many reports we prepare and what are the human resource and financial costs
- Some reports are critically important but many are of marginal or no utility; others have outlived their usefulness, and no one knows why some are prepared or who requested them
- The system (if there is one) is out of control: there is no structural or control point(s) within the Agency and such absence of discipline defies description.
- Even though the human resource and financial cost is significant, the indirect cost resulting from reports as a diversion factor is probably enormous.
- Much of the paperwork is mandated by Congress.
- Anything short of senior management intervention and involvement is not likely to have much of an impact.

Having cited the above observations, we think there is sufficient evidence to permit a presumption that we have a serious problem and something fairly radical needs to be done about it. A number of approaches have been discussed, but the most attractive one is some type of structured moratorium that would take into account at least the following:

- Exemption of critical financial, personnel, operational, and legally required reports we need to stay in business
- A period prior to the effective date of the moratorium to permit presentation of justification for other reports to be reviewed by a small ad hoc group with recourse to the A.I.D. Administrator
- A permanent group for review of justification for reports initiated after the moratorium
- A rigid, disciplined system for clearance of requests to field posts for information
- A twilight provision

We suspect a moratorium would, inter alia, ferret out a lot of good and bad reports that cannot otherwise be identified, eliminate a number of reports simply because they have to be justified, and force people to consider whether certain reports are really useful and necessary.

An approach like this is worth considering, but it needs a good deal of staff work. We recommend, therefore, that a small working group (not to exceed four people) be convened to prepare a plan to submit to the MCRC.

Shared Support Services

Shared support services, as used herein, refers to staff functions that cannot be justified for one country on a full-time basis. Thus, certain disciplines or functions—generally, project development, legal, contracting, procurement, PL 480 specialist, and social scientist—are positioned to be accessible to a country program when needed, usually on a subregional, regional, or centralized, that is, A.I.D./W, basis.

Provision of shared services has taken many forms over the years, but the most enduring have been TDYs from A.I.D./W; an individual, such as a contract officer sited in one Mission and servicing several others; and regional offices, such as the REDSOs in Africa, which provide a wide range of services to 20 to 22 country programs each.

The sharing of services by several country programs and the provision of services from a central or regional capability can contribute to savings of human and financial resources. However, the field interviews disclosed a widespread preference for resident staff, and resistance, if not hostility, to using subregional and regional services. According to these people, one would only resort to A.I.D./W in extremis. They also disclosed increased difficulty in staffing regional positions with disciplines that are being assigned to Missions.

Among other things, the interviews tended to confirm an impression of a system that encourages the expansion and proliferation of free-standing, relatively self-sufficient field posts, as opposed to the optimum use of subregional or regional collective or shared support services. The incentive system (which includes performance pay, promotion, access to the Senior Foreign Service, onward assignment, and visibility) seems to award program size and volume and field post size as positive performance factors. Performance, in and of itself, with a minimum staff making efficient and cost-effective use of subregional-, regional-, and A.I.D./W-based services is not necessarily viewed negatively, but neither is it perceived as a contribution to one's career. Irrespective of what A.I.D./W says or does, one finds a pattern of activity proliferation, fueled by a mix of genuine development concern, career ambition, and special interests of Congress, constituent groups, and A.I.D./W. What follows are incremental staff increases (executive officer, controller, project development officers, etc.) which, over time, lead to and support a full Mission status. These incremental increases are hardly noticeable, and, as individual actions, are easy to justify. It is only when one looks at the aggregate, over a longer time frame, that the trend becomes apparent.

The result is a less efficient and cost-effective use of scarce human resources and operational expense (OE) funds, manifesting itself in over-staffing in some field posts and a less-than-optimal use of pooled resources. This pattern of activity also seems to result in increased difficulty in attracting quality staff to regional organizational units because they are not viewed as attractive career options. In short, many smaller field posts are tending to be staffed to perform functions that could be done elsewhere; regional service staffs are not being utilized as well as they could be; and Agency efforts to make the best use of human and OE resources are being thwarted.

Why is this so? That is a hard question to answer, and, like many things, probably involves illusive factors such as personnel changes and management style in addition to the ones suggested above. Having said that, however, one is struck, once again, by the critical importance of organization and management. In this respect, what seems to be missing, first of all, is a clear articulation of organization objectives. For example, are we or are we not going to seek the most efficient and cost-effective use of human resources and OE funds by holding down field post staffing and making the optimal use of regional or other-based common support services in appropriate disciplines? And, second, where is the discipline, at senior management levels, to make the chosen objective stick and given a chance to work? It was, for example, lack of discipline that permitted the erosion of the Regional Financial Management Center (RFMC) and (the straw that broke the camel's back) the assignment of a controller to a USAID while the Director of RFMC sat several floors away. More recently, project development officers and economists are being assigned to bilateral Missions while regional positions remain vacant—positions that could serve more than one post.

There are clearly opportunities for greater use of shared support services which are complementary to a core resident staff. But they must be accessible when needed—if not, field posts will be hesitant to or will not use them astheyareintended Severalexamplesfollow:

- Every geographic region has possibilities of some specific functions (generally, contracting, procurement, legal, and financial management) servicing more than one post, for example, Bolivia providing controller services for the Southern Cone and Swaziland providing legal services for Southern Africa. Whether it makes sense depends on program size and content and cost, and should, therefore, be considered on a case-by-case basis.

- The REDSOs in Africa should be strengthened, by giving them priority in assignment of critical personnel, and expanded, if necessary, to ensure accessibility of services. The corollary is that individual field posts must take into account the skills in the REDSOs and be staffed accordingly.

- Where there are clusters of countries with small- or modest-size programs, perhaps in East, West, and Southern Africa, consideration should be given to grouping certain high-use disciplines and dispersing their locations to service a fewer number of countries. In other words, where the work load in two or three countries can justify a position, locate the position central to those countries and reserve the REDSOs for disciplines requiring a larger service area for justification. Such an arrangement would, inter alia, improve accessibility to services and contribute to morale by reducing travel and time away from home. It would also enable a reduction in bilateral Mission staff and more rational adjustment of staff levels in response to changes in country program levels, performance, and political factors.

- Central America presents a unique opportunity to encourage regional cooperation and integration, as well as potential personnel and OE savings for A.I.D., by moving toward shared service arrangements (similar to a REDSO) and, eventually perhaps, some form of regional Mission. The reasons for the opportunity are varied, but include a dramatic reduction in Economic Support Funds throughout the region, the efforts of Central Americans themselves in integration, the ease of travel to countries, physical assets we have in the region, and our long-term involvement in the institutional infrastructure essential to support integration.

We recommend that the Directorate for Operations convene a working group, including Finance and Administration/Budget, to develop an Agency position on the use of regional and other-based shared support services along with disciplinary measures to ensure implementation of the position and to consider the foregoing opportunities, among others. The working group's recommendations should be addressed to the Associate Administrator for Operations.

Accountability and Compliance Issues

When commencing this assessment, nearly everyone on the team expected resource accountability and compliance issues to be significant factors. Yet hardly anyone anticipated the extent to which they have permeated A.I.D. operations and their impact on the way we do business. One of our most senior and able Mission Directors suggested that accountability is now the driving force behind Mission-requested staffing levels. For many other employees, anxiety, and even fear, is replacing their normal disposition to responsibly pursue development objectives and to manage and be accountable for public funds.

Accountability and compliance issues emanate from many sources, but most have their origin in legislation, interpretations of the sense of Congress, OMB directives, GAO reports, IG reports, audits and evaluations, and A.I.D.'s own rules and procedures. These issues arise in infinite variety and, although we found an overwhelming commitment to responsible and accountable management of public funds, most people interviewed felt that preoccupation with these issues was, at best, out of balance and, at worst, out of control.

Evidence of the impact on operations is manifold, but can be summarized by several examples:

- Our best and most capable people are increasingly reluctant to use their imagination in advancing difficult, sometimes intractable, development problems and are less willing to take risks—in what is a high-risk business.
- People one would normally expect to delegate responsibility and authority are less willing to do so—a form of protection.
- Managers, in another manifestation of protection, increasingly want to know everything in detail and see every piece of paper—from cables and letters to FAXes and purchase orders. Thus, one finds a proliferation of checks and balances and clearances that is gridlocking even small- and medium-sized Missions.
- It is a contributing factor, inter alia, to a tendency toward centralization in field operations—or, in other words, free-standing, self-sufficient field posts—as opposed to decentralized field operations making optimum use of shared regional or subregional services. It is not enough, for example, for a Mission to have access to regional legal or contract services. It must, so the argument goes, have resident legal and contract staff to provide checks at every step in the process.

There is no evidence that we could find suggesting financial accountability and compliance issues are not important. In fact, there is widespread understanding and support of the principle, in addition to being seen as a positive element in better performance for both the donor and recipient of development assistance. Notwithstanding, there is an almost universal feeling that something is out of balance, and one must ask if we are not reaching a point of diminishing returns or a point where how we deal with these issues is having a negative impact on operations. We seem to be in a process of accretion in which no one has made a comprehensive effort to review requirements; judge whether they are valid, duplicative, overlapping, or even necessary; and, then, prepare clear-cut guidance for Agency managers.

We recommend that this be done without delay by a working group consisting of an expert on these matters from the Office of the General Counsel, a Foreign Service officer with extensive field experience, and, even as ex officio members, representatives from the General Accounting Office and Inspector General's office. The working group should report directly to the Administrator through the General Counsel.

Mission-Level Incentives

One of the factors driving this assessment is the escalating cost of maintaining an overseas presence together with the present and foreseeable constraints on full-time equivalent positions and operating expense availabilities. This is happening at a time, moreover, when A.I.D. will be expected to expand its number of programs in response to a rapidly changing world.

What normally happens when adjustments are made in overseas staff and operating expense levels is that they are directed by headquarters and not by the managers who are responsible for overseas organization units. Experience suggests, however, that it is these managers who are in the best position to weigh trade-offs and priorities and make the most efficient use of scarce resources. On the other hand, the necessity for adjustments usually arises in Washington, and, in any case, competition between Missions needs to be sorted out. It is doubtful that the present system of directive and appeal can be improved, especially with respect to reductions. But it must be recognized that the system does two things. First, Mission staff and operating expense requests will always be inflated to allow for costs, unforeseen circumstances, and front-end investments to support expansion. And second, because they are inflated and everybody knows it, headquarters is in a weak position to resist runs on personnel ceilings and operating expenses, especially in a system where everyone expects the game to be played by those rules and doesn't believe anyone would run a tight ship.

A.I.D.'s problem is made more difficult by a system, referred to elsewhere, that encourages the expansion and proliferation of free-standing, relatively self-sufficient field posts, as opposed to conservation of personnel and operating expenses and, for example, making optimum use of subregional or regional collective or shared support services. The incentive system seems to award program size and volume and field post size as a positive performance factor. Performance, in and of itself, with a minimum staff making the most efficient use of human and financial resources is not necessarily seen as a negative factor, but neither is it perceived as a contribution to one's career. What is needed, of course, are changes that identify and reward cost-efficient performance, or, in other words, personal incentives for managers to strive for a tight, efficient operation.

Organizational unit incentives should also be explored, although we have not had the time, resources, or expertise to ferret out possible options. Nevertheless, we instinctively feel that efficiencies can be realized (by reducing the distractions of administrative matters that come with size if nothing else) and scarce human and financial resources conserved if both personal and organizational unit Mission-level incentives can be developed.

Thus, we recommend that one of the continuing subcommittees of the Agency Incentives Project be tasked with considering the possibility of Mission-level incentives to conserve staff and operating expense resources and reporting its findings and proposals to the Associate Administrator for Finance and Administration.

Transition Strategies

If one accepts that an overall objective of development assistance is political, economic, and social progress, then implicit is the expectation that a country will progress through different levels of development over time (these levels are often identified as less-developed, advanced developing, or middle-income countries). An important part of the progression is a country's ability to increasingly assume responsibility for the management of its development programs and, therefore, reduce dependency on external technical assistance, advice, and donor intervention. Management capability includes, inter alia, program planning, project design, implementation, financial and substantive oversight, and monitoring, evaluation, and accountability.

When you have not had that capability, or someone else has been doing it for you, it doesn't happen automatically. It must be planned for; people must be trained; structures and systems must be created or strengthened; benchmarks must be established; and risks must be taken. In other words, a conscious, deliberate, and planned transition of responsibility must begin to take place.

In the countries visited, the assessment team was struck by the high and intense level of management involvement and control exercised by A.I.D. Missions compared with that of other donor programs, and the extent to which recipient countries accepted and even depended on this involvement. This is a natural extension of A.I.D.'s comparatively larger in-country presence. It is also a function of A.I.D.'s numerous and relatively rigid accountability requirements. These are, in part, derived from Missions' assessments of financial and other vulnerabilities based on analysis and judgment of recipient countries' abilities to manage their own development processes, as well as being responsible and accountable for not only donor assistance but also their own resources.

These requirements reflect increasingly risk-averse attitudes as Agency accountability concerns mount. This, in turn, influences the level and degree of Mission control and oversight perceived to be needed and exercised. It also drives upward the level of staffing to provide the degree of oversight with which Missions feel comfortable. If one takes a short-range and limited view, this is understandable, and even reflects a positive attitude and sensitivity to accountability. But how long can A.I.D. and recipient countries afford this level of oversight and involvement, which tends to perpetuate dependency and inhibit progress towards developing self-sustaining host-country management capacity? It seems clear that A.I.D. and recipient countries do not give enough attention to this important dimension of a development relationship.

The pattern and the problem described are not unnoticed by most Missions. Nevertheless, as new projects and activities are designed and implemented, the pattern tends to repeat itself. The reason, at least in part, is that insufficient efforts are exerted to make host-country management a major and explicit development strategy goal and jointly to develop and agree on plans for the gradual transition and transfer of management and accountability responsibilities from A.I.D. to the recipient countries. A transition strategy is a significant dimension of development and should, therefore, be important to all donors and recipients irrespective of level of development and prospects for progress, but it is also true that the impact and urgency will vary widely among countries. Nevertheless, it is an objective worth pursuing, if, for no other reason, than that the alternative is likely to be a static, almost entitlementlike, development relationship.

We think that all Missions should jointly develop with the recipient country a *transition management strategy,* independent of annual budget submissions and longer term strategies. It should demonstrate how management capacity and accountability would be developed within recipient country institutions and how responsibility for management and accountability would be gradually transferred from A.I.D. to the recipient country. The expectation would be that at the end of a program strategy period, or the end of a project, sustainable increments of progress toward this goal could be measured and demonstrated. Then, assuming progress, the next program strategy or follow-on project can start on a new and increasingly more mature level of collaboration, one that plans to further reduce the level of A.I.D. management control and increase host-country responsibility.

Why is this important in terms of the goal of more cost-effective approaches to staffing in-country presence? Mainly because it is sound strategizing as well as prudent management. It could have a substantial impact on the quality of work force planning and on USDH staff requirements. Such a transition strategy approach could be applied to most countries in which A.I.D. is currently involved. It would certainly be an appropriate approach for those countries with which A.I.D. is getting involved for the first time. It would be in the Agency's long-term interest to require the formulation of a development strategy that plans the transition between where the country is today on the development spectrum and its reaching some form of advanced developing country status. The purpose would be to gradually reduce the size and volume of the A.I.D.-managed portfolio, the degree of management control exercised by A.I.D., and the number of USDH staff to an appropriate and commensurate in-country presence. In this regard, A.I.D. might examine the Canadian International Development Agency's effort to do just this in Indonesia.

It is recommended, therefore, that A.I.D.'s Directorate for Policy make the development of transition management strategies a major goal and part of bureau goals and guidance, as well as part of country and program performance criteria. Over time, this should decrease host-country dependence, develop a more mature assistance relationship, add an important variable to Mission development strategies, and decrease the level of USDH staffing needed to achieve major program goals.