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REPORT BY THE U.S.

# General Accounting Office

## Donor Approaches To Development Assistance: Implications For The United States

Over the past 20 years, an increasing number of nations have become major foreign aid donors to the developing world. This report compares the bilateral development assistance approach of the United States with those of five major Western countries and identifies and analyzes the wide variety of operations and procedures that have been tried in selected African recipient countries.

GAO presents a number of foreign aid approaches that have been tried by other donors and some of the dilemmas and trade-offs that accompany each approach.



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To the Chairmen  
House and Senate Committees on Appropriations  
House Committee on Foreign Affairs  
Senate Committee on Foreign Relations

This report compares the United States development assistance approach with those of five major Western nations and discusses how these approaches might affect the programs administered by the Agency for International Development (AID).

We made this study to provide information to the Congress on these alternative approaches and the affect that AID's applying these approaches could have on the U.S. bilateral assistance program, particularly the dilemmas and tradeoffs that could accompany such action. This report should be useful to the Congress, AID, and the International Development Cooperation Agency in considering methods to more effectively deliver foreign assistance.

We are sending copies of this report to the Director, Office of Management and Budget; Administrator, AID; Acting Director, International Development Cooperation Agency; and Secretary of State.

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan  
Director



D I G E S T

Over the past 20 years, an increasing number of nations have become major foreign aid donors to the developing world. While the United States remains a leading donor, its share of the total amount of development assistance has steadily declined, from about 60 percent of the aid provided in the 1960s to about 16 percent today. This decrease is partially due to the growth of programs in other donor countries, and it is this growth that merits study.

COMPARISON OF VARYING APPROACHES  
TO PROVIDING FOREIGN AID

This report is not designed to critically assess the performance of the Agency for International Development (AID), but rather to identify and analyze a wide variety of operations and procedures that have been tried by Canada, France, Sweden, the United Kingdom, and West Germany in selected developing countries of Africa.

AID differs from the primary aid agencies of the other donors studied in a number of ways. Specifically, AID

- has the most extensive program, in terms of dollars allocated, number of personnel, and extent of overseas field offices;
- is generally more accountable to legislative controls and more sensitive to domestic public opinion; and
- focuses its assistance on the rural areas where the largest number of poor reside. (See ch. 4.)

When considering its foreign aid as a percent of the donor country's gross national product, the United States ranked 17th among the 18 major Western donors in 1981.

GAO has selected three issues for comparative analysis among the donors' foreign aid programs.

1. Organizational structure. (See ch. 2.)
2. Provision of different types of aid. (See ch. 3.)
3. Administrative procedures and financial controls. (See ch. 4.)

#### HOW THE AID IS PROVIDED

The donor countries provide aid in two ways: (1) indirectly, through multilateral organizations and (2) directly, through bilateral programs, one country aiding another country. This report addresses the bilateral approach.

The United States and other member countries of the Organization for Economic Cooperation and Development (OECD) consider their bilateral development assistance to be an instrument of foreign policy which advances the political, economic, cultural, and developmental objectives of both the donor and recipient countries. Official Development Assistance is the designation adopted by major Western donors to describe their aid in comparable terms. OECD defines Official Development Assistance as concessional loans and grants provided for the promotion of development. (See app. I.)

#### DONORS USE DIFFERENT TYPES OF AID

Aid is delivered in many forms, including cash payments, technical experts, food and other commodities, and project grants and concessional loans for such activities as building capital infrastructure and rural economic development. Most donors provide at least some of each major type of aid, but the extent and emphasis concerning these different types vary by donor. This variety reflects the donor country's foreign policy and development assistance objectives, the availability of donor financial and organizational resources, and the needs of the recipient. (See ch. 3.)

#### DONOR ADMINISTRATIVE REQUIREMENTS VARY

Donors levy administrative requirements on aid activities to ensure accountability and

control as well as to increase program effectiveness. The stringency and complexity of the procedures to develop, implement, evaluate, and fund aid activities vary according to many factors, including the number of legislative requirements, degree of accountability required, type of aid used, and staff resources available. (See ch. 4.)

#### OBSERVATIONS

In this report, GAO discusses a variety of foreign aid approaches used by other donors and the dilemmas and tradeoffs that accompany each approach. Some possible implications of other donor approaches on programs administered by AID include

- reducing AID's size and geographic dispersion with responsibilities to be assimilated, in part, by the diplomatic personnel of the Department of State;
- reducing AID's presence overseas to a targeted number of countries;
- reducing the number of AID offices overseas, replacing them by periodic visits of negotiating and expert teams to the recipient country;
- lessening the current logistical and administrative support role of the AID offices overseas;
- placing key technical advisors in recipient country government agencies.
- increasing U.S. reliance on another donor's technical assistance personnel in a developing country where the donor has an extensive program; and/or,
- increasing flexibility for AID to respond to the program and funding requirements of the Congress. (See ch. 5.)

GAO does not intend that universally applicable conclusions should be drawn about the AID program from the data presented. GAO's observations are designed only to provide the Congress and the executive branch with information on how changes or modifications might affect the U.S. aid program. GAO does not

offer these observations as models for AID because each donor and recipient country is unique and sovereign, causing many aspects of each development assistance program to vary. It should be noted that officials of other donor and recipient countries commented favorably on many elements of the AID approach.

#### AGENCY COMMENTS

In reviewing this report, AID said it clearly reflected a number of restrictions within which it operates and some of the tradeoffs between accountability and management flexibility. However, AID was concerned that the report did not fully recognize the complexities and numerous factors involved in administering the development programs. It also advised that, because GAO limited its discussion to AID programs only in Africa, no generalities should be drawn from this report about AID programs on other continents. AID questioned whether other donors' modes of operation should be presented as broad models or options for AID. (As noted on p. iii and in ch. 5 GAO does not present these as broad models for AID or the U.S. aid program.) In its comments, AID presented opposing and clarifying views about some of the approaches (see ch. 5) which would affect its field activities and the current U.S. method for providing development assistance. The comments have been incorporated in the report, as appropriate. (See app. V.)

GAO also discussed this report with representatives of OECD's Development Assistance Committee, who said it presents a fair and clear representation of the donor country programs. Additional comments of the Committee have been incorporated in the report, as appropriate.

## C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	How much aid the donors give	1
	Factors affecting donor commitment to development assistance	3
	Objectives, scope, and methodology	6
2	VARIED ORGANIZATION FOR DONOR ASSISTANCE PROGRAMS	9
	General observations on the variety of aid organizations	9
	High administrative costs shape donor organization structure	12
	The United States: an assistance overview	15
	Canada: an assistance overview	21
	France: an assistance overview	24
	Sweden: an assistance overview	27
	The United Kingdom: an assistance overview	29
	West Germany: an assistance overview	32
3	DONORS USE DIFFERENT TYPES OF AID FOR DEVELOPMENT ASSISTANCE	35
	General observations on the variety of types of aid provided	35
	Project and non-project assistance: varying types of aid available to all donors	37
	The United States: numerous small- scale, rural-oriented development assistance projects	38
	Canada: recipient categorization determines type of aid available	40
	France: tailored types of aid to selected recipients	42
	Sweden: being responsive to expressed recipient needs	44
	The United Kingdom: easily adminis- tered types of aid	46
	West Germany: large projects to sat- isfy fundamental development objec- tives	48

## CHAPTER

4	ADMINISTRATIVE REQUIREMENTS PROVIDE PROGRAM ACCOUNTABILITY AND FINANCIAL CONTROL BUT CAN ADD SIGNIFICANTLY TO THE COST OF PROVIDING AID	50
	The programing cycle: a focal point for comparison	50
	General observations on the variety of administrative requirements	52
	The United States: a lengthy and staff-intensive programing cycle	53
	Canada: a highly centralized approach	60
	France: administrative requirements vary by the type of recipient	62
	Sweden: a partnership with the recipient	64
	The United Kingdom: selected application of rigid controls	65
	West Germany: a detailed, rigid, highly centralized approach	67
5	OBSERVATIONS ON THE DEVELOPMENT ASSISTANCE APPROACH OF THE UNITED STATES COMPARED WITH THAT OF OTHER DONORS	70
	Varying donor organizational structures and approaches to development assistance	70
	Possible Implications for the United States	71
	Implications of more flexible forms of aid	74
	Reduced congressional informational reporting to be studied	75

## APPENDIX

I	Definition of Official Development Assistance	76
II	Formulation and review of U.S. development assistance projects by AID	77
III	AID's project statutory checklist	79
IV	Geographic concentration of total official development assistance, annual average net disbursements by donor, 1979-1980	90
V	Agency for International Development comments dated February 14, 1983	91

## ABBREVIATIONS

AID	Agency for International Development
CIDA	Canadian International Development Agency
CIP	Commodity Import Program
CRS	Congressional Research Service
DAC	Development Assistance Committee of OECD
ESF	Economic Support Fund
FAC	Fonds d'Aide et de Cooperation (France)
GAO	General Accounting Office
GTZ	Deutsche Gesellschaft fur Technische Zusammenarbeit (West Germany)
IDCA	International Development Cooperation Agency
IDRC	International Development Research Centre (Canada)
KfW	Kreditanstalt fur Wiederaufbau (West Germany)
ODA	Overseas Development Administration (United Kingdom)
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
SIDA	Swedish International Development Authority



## CHAPTER 1

### INTRODUCTION

Over the past 20 years, one of the clearest trends in the field of international development assistance is the increasing number of nations that have become major donors to the developing world. While the United States remains a leading donor country, its share of the world's total development assistance has steadily declined, from about 60 percent of the total aid provided in the 1960s to about 16 percent today. This decrease is partially due to (1) the growth of donor programs in other countries and (2) the emergence of new donors, e.g. members of the Organization of Petroleum Exporting Countries (OPEC) and multilateral agencies. It is this growth that merits a study on how these donors deliver their aid to the developing world.

The donor countries provide aid in two ways: (1) indirectly, through multilateral organizations, and (2) directly, through bilateral programs, one country aiding another country. This report addresses the bilateral approach. The United States and the other major donors of the Organization for Economic Cooperation (OECD) consider their bilateral development assistance to be an instrument of foreign policy which takes into account political, economic, cultural, and developmental objectives of both donor and recipient countries.

#### HOW MUCH AID THE DONORS GIVE

Official Development Assistance<sup>1</sup> is the designation adopted by major Western donors to describe their aid in comparable terms. OECD defines it as concessional loans and grants to provide for the promotion of development. This assistance is delivered in many forms, including cash payments, people serving as technical experts, food and other commodities, and project grants and concessional loans for such activities as building capital infrastructure and rural economic development.

The Development Assistance Committee (DAC) of OECD was created in 1960 to increase the flow of financial resources to developing countries and to establish common guidelines for implementing the aid programs. When the Committee was first created, its members<sup>2</sup> provided 94 percent of the financial

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<sup>1</sup> For a more detailed definition of Official Development Assistance, see app. I.

<sup>2</sup> Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the Commission of the European Economic Communities.

assistance going to the developing world, with the United States accounting for 56 percent of the Committee's share. However, over the last 20 years, the DAC total has declined to approximately 72 percent, with the U.S. share falling to slightly under one-fourth of the 1981 DAC total. Conversely, non-DAC aid has increased, coming largely from OPEC countries, which in 1981 provided over one-fifth of the world's development assistance compared to negligible amounts 20 years ago. Within the OECD community, traditional European donor programs have grown and assistance from such donors as Japan and the Scandinavian countries has risen rapidly. The majority of the DAC assistance now comes from the European common market countries, which have increased their share from about one-third of the DAC total in the early 1960s to about one-half in 1981. Table 1 compares U.S. Official Development Assistance contribution with those of five selected western donors.

Table 1

Official Development Assistance  
Provided By Selected Donor, 1981 (note a)

<u>Donor</u>	<u>Bilateral</u>	<u>Multilateral</u>	<u>Total</u>	<u>Percent of</u> <u>World Total</u>
	----- <u>(millions)</u> -----			
Canada	\$ 746	\$ 443	1,189	3.3
France (note b)	3,545	632	4,177	11.7
Sweden	599	317	916	2.6
United Kingdom	1,329	866	2,195	6.1
United States	4,317	1,466	5,783	16.1
West Germany	2,244	937	3,181	8.9
Other DAC countries	<u>5,503</u>	<u>2,692</u>	<u>8,194</u>	<u>22.9</u>
Total DAC countries (note b)	\$18,283	\$7,353	\$25,635	71.5
Other OECD countries	-	-	275	0.8
OPEC countries (note c)	6,908	929	7,837	21.8
CMEA countries (note d)	<u>-</u>	<u>-</u>	<u>2,129</u>	<u>5.9</u>
Total assistance (note b)	-	-	<u><u>\$35,875</u></u>	<u><u>100.0</u></u>

a Numbers may not add due to rounding

b Includes approximately \$1.5 billion in aid to French Overseas Departments and Territories.

c Primarily Saudi Arabia, Kuwait, and the United Arab Emirates.

d CMEA - Council for Mutual Economic Assistance; primarily the Soviet Union and Eastern European countries.

## FACTORS AFFECTING DONOR COMMITMENT TO DEVELOPMENT ASSISTANCE

A donor country provides aid to developing countries for many reasons, usually a unique combination of humanitarian, political, economic, cultural, and developmental objectives. Since national self-interest is also a factor, donor countries can use different approaches to best meet their interests. In addition, the form of government and the extent of public awareness and support in a donor country directly affect the donor's commitment to foreign aid.

The extent of donor self-interest in the aid-giving process is dictated by many factors. Aid can be given to strengthen third-world relationships in order to gain access to strategic defense installations or critical raw materials or for such political and ideological purposes as influencing behavior in multilateral bodies. Donors also use aid to strengthen cultural and historical ties, particularly with former colonies, and to introduce into the developing country the social and political values of democracy, private enterprise, and socialism. Development assistance can reflect the donor country's commercial and economic self-interest by requiring the recipient to use the aid for services and commodities provided by the donor; a donor's self-interest is also served when it offers a subsidy to the developing country to purchase the donor's exports.

A humanitarian element figures in the aid programs we studied, with donors espousing some form of an aid policy directed toward meeting the basic needs of the poor in the developing world. In 1977, the DAC members collectively announced their intention for such a policy, calling for assistance to "developing countries which seek to expand their capabilities for meeting more effectively the basic needs of their people." The five donors and the United States have also individually expressed their commitment to this approach. However, within the framework of a basic needs policy, each donor has developed its own distinctive approach, using its own particular set of definitions.

In 1973, the United States Congress passed legislation reorienting U.S. development assistance, which became known as the New Directions Mandate, requiring that development assistance be targeted for the world's poorer population in those countries attempting to satisfy basic human needs. Agency for International Development (AID) loans and grants were to be used for agriculture, rural development and nutrition, population planning, health, education, technical assistance, and special development activities.

The other donors, also pursuing a basic needs strategy, have chosen a somewhat different approach. For example, Canada, the United Kingdom, and West Germany engage in capital development projects that they think provide the essential infrastructure for economic development. France emphasizes education as a

key to development by providing recipients with the knowledge and know-how to help themselves. Sweden stresses non-project assistance, including sector aid and commodity imports, reflecting an attempt to integrate assistance as much as possible into the plans of the recipient.

U.S. form of government and U.S. public opinion uniquely affect foreign aid

The U.S. approach to development assistance is distinguished by its separation-of-powers form of government. Aid activities receive congressional scrutiny and oversight, with congressional committees actively involved in the development assistance program, reviewing and approving project level submissions, setting program priorities, and evaluating results. Because the Congress plays such a substantial role in the oversight of AID activities, the Agency has developed a detailed programming cycle for the delivery of Official Development Assistance. (See ch. 4.)

In comparison, the other five donors that we studied all operate under parliamentary forms of government, in which the legislatures do not play independent roles since the ministers of government also belong to the legislature. In general, the legislatures are informed about specific program details after the program is already committed. To the extent that the parliament has any involvement, it is concerned solely with the overall direction of the program and with large aggregated requests for budget approval. U.S. representatives to DAC and AID officials told us that because parliaments' involvement is limited, few demands or restrictions are placed on the aid agency except to the degree that public awareness of issues places demands on the parliaments.

The limited public knowledge of, and support for, the United States development assistance program is shown by two 1980 public opinion polls. One poll, conducted in January 1980 for the Presidential Commission on World Hunger, indicated that there is virtually no public conception of what proportion of the Federal budget is now spent for development assistance. When asked to give a percentage, only 2 of every 100 Americans correctly identified development assistance as accounting for less than 1 percent of the Federal budget; 76 percent of the public could make no estimate; while slightly more than 1 in 5 estimated proportions higher than the actual amount spent. A second poll, an ABC News-Harris Survey conducted in June 1980, showed that more than 8 of every 10 Americans favored a foreign economic aid cutback, ranking it first on the list of Federal programs that should be reduced. This latter poll contrasts with a 1978 poll which showed that only 41 percent of the respondents favored reductions. In commenting on our report, AID noted that public opinion on aid deviates greatly when specifics are mentioned; e.g., the overall level of aid, which countries will receive assistance, and particular purposes for

the aid. Thus, for example, there is virtually no public objection to emergency aid in response to a natural disaster but aid to controversial recipients is often questioned.

This negative public reaction to foreign assistance reverberates in the political area in battles over aid legislation. Consequently, even though aid appropriations comprise a small percent of the total Government spending, they are sufficiently visible to be challenged and frequently reduced.

Turning aid into a domestic political issue, especially when it lacks public support, affects the operation of the development assistance program. According to AID officials, the Agency's sensitivity to this situation has resulted in an operating style that is excessively cautious to the point of hindering the achievement of U.S. objectives. Because its operations are so rigid and control-minded, field staff is fearful of making mistakes that will be exposed and used as justification to eliminate programs or reduce funding levels. Thus, these officials state, AID has developed exhaustive administrative procedures that attempt to minimize risk and increase chances for program success. What results, these officials pointed out, are procedures that are not always consistent with the often experimental nature of development assistance.

We were told that the other donors, except for the United Kingdom, enjoy better public support for their development assistance programs. This support is explained by many factors, including, in some cases, a colonial legacy, greater public involvement in the aid process, and, according to AID, greater public consciousness of the country's role and responsibility in the international arena.

The aid programs of the United Kingdom and France are largely outgrowths from their colonial experiences and their main recipients are usually former colonies. The French feel a continuing responsibility to follow up the development work begun during the colonial period, resulting in long-standing programs that have remained relatively unchanged. Development issues have maintained a low profile in France, with little active public concern or involvement. However, public support in the United Kingdom has declined recently due to hard economic times.

With some donors, the public, working through a variety of organizations, is actively involved in development assistance programs. In Sweden and Germany, religious organizations, trade unions, political foundations, and other non-governmental organizations are highly active, often playing major roles in formulating policy as well as implementing programs abroad. This involvement has the effect of rallying national support for aid-giving, reducing the need for public information programs. Demonstrating the extent of public support, a 1979 public opinion poll showed that 73 percent of the Swedish population

avored maintaining or increasing the volume of development assistance.

### OBJECTIVES, SCOPE, AND METHODOLOGY

We have issued a number of reports concerning the management effectiveness and operational efficiencies of the U.S. bilateral development assistance program and made specific recommendations for improvement. This report is not intended to critically assess the U.S. foreign aid programs.

The purpose of this report is to compare the developmental assistance approach of the United States with the aid approach of five major Western donors in an effort to identify and analyze the different operations and procedures used. Our intent is to assist the Congress and the appropriate executive agencies in the current reassessment of how the United States provides foreign assistance. This comparative study will present a wide variety of program options that have been tried by other donors as well as some of the dilemmas and tradeoffs that accompany each option.

We set out to ascertain how donor and recipient countries perceive the merits of the donors' foreign aid programs, selecting three issues for comparative analysis.

1. Organizational structure.
2. Provision of different types of aid.
3. Administrative procedures and financial controls.

We determined how the donors approach each issue and identified the reasons for their decisions. We did not attempt to evaluate the effectiveness of a donor's program or the quality of aid provided but focused on the approaches used. Recognizing the diverse factors that affect a donor's approach to these issues, such as historical experience, foreign policy objectives, and extent of legislative involvement, we did not attempt to identify the ideal or best model. To do so would ignore the fact that each donor and recipient country is unique and sovereign, causing many aspects of each development assistance program to vary. Rather, this comparative study highlights the various approaches that are being used. It is not intended to reach universally applicable conclusions, but will instead result in observations which are intended to help the Congress anticipate how changes or modifications could affect the current American development assistance program.

Our observations are further qualified in that, to keep the scope manageable, we focused the U.S. portion of the study on the Official Development Assistance that was provided only by AID. For the other donors, we obtained more general, and thus less focused, information.

We selected five Western donors--Canada, France, Sweden, the United Kingdom, and West Germany--for comparison with the U.S. Development Assistance program. We were informed by the DAC that the selected donors provide a cross-section of programs and approaches found among its 18 members.

To gain a more comprehensive picture of the development assistance approaches, we needed the perspective of the recipient countries. We selected for our purposes five African countries--Cameroon, Kenya, Sierra Leone, the Sudan, and Tanzania--because they reflect

1. an ongoing and large aid program;
2. historical and colonial ties between a donor and recipient;
3. the organizational structure of a donor in the field; and,
4. a number of the donors' foreign policy objectives and tradeoffs.

We reviewed records and reports and interviewed officials of AID and the Department of State. Within AID, we met with officials from the geographic and central bureaus, the East African Regional Economic Development Services Office in Nairobi, Kenya, and AID field offices in the five African countries. Officials included those charged with developing, justifying, and evaluating the annual development assistance program as well as field staff responsible for implementing aid activities. Department of State officials in Washington and the five African recipients provided information on the objectives of the U.S. foreign assistance program and the role that national security interests play in the aid-giving process.

We reviewed comparative and overview studies on donor approaches to development assistance, obtaining the studies from AID, the Department of State, the Office of Management and Budget, the Congressional Research Service, DAC, and The American University.

We visited the five selected donor countries to obtain information on the origin of the programs and current policies and procedures and an understanding of the organizational structures. In each country, we met with representatives of the various aid agencies and, where possible, other related organizations. While we received full cooperation from these agencies, the amount of detailed data available was limited in comparison to the amount of time and access we had with U.S. program data and officials.

In each recipient country, we also met host-government officials responsible for the development process and discussed the advantages and disadvantages of the various donor approaches. However, in most instances, the recipient officials were reluctant to discuss details of the aid activities of other donor nations and, consequently, provided very general information. We also interviewed local representatives of the selected donors to see how their aid programs were implemented and monitored.

We made our study in accordance with generally accepted government auditing standards.

## CHAPTER 2

### VARIED ORGANIZATION FOR DONOR ASSISTANCE PROGRAMS

Donors provide aid to recipient countries using a wide range of organizational structures. The organization of a donor's aid program and the extent of its presence overseas is affected by many factors, including historical ties between the donor and recipient countries, the amount of resources available to the aid agency, the number of developing countries it is charged to assist, and donor foreign policy and commercial interests in the recipient country. The varied approaches for providing different types of aid and for responding to administrative requirements are discussed separately in chapters 3 and 4, but all factors are interrelated.

#### GENERAL OBSERVATIONS ON THE VARIETY OF AID ORGANIZATIONS

Many factors influence the organization of an aid agency, but two factors are especially important: (1) the relationship of the agency to the foreign ministry and (2) whether or not the donor decides that an aid presence overseas is necessary. Our general observations on the organizational approaches employed by the six donors studied are summarized below.

The United States is unique in concentrating most of the administration of headquarters and overseas development assistance into one agency--AID--organizationally separate from the Department of State. Canada, Sweden, and the United Kingdom also have their development assistance policies and administrations primarily within single agencies but the agencies are responsible to their respective foreign ministers and use their overseas diplomatic structures more extensively than does the United States. West Germany focuses its development assistance policy in a cabinet-level ministry separate from the foreign ministry, but its program is administered by a variety of specialized institutions. France's development assistance program is administered by several agencies, depending on France's colonial connection with the recipient country.

The donors we studied have varying approaches to the substantial cost and need for an overseas organizational structure. Table 2 briefly summarizes their field organization approaches and presents staffing figures for the primary aid organizations. Additional information on the donors and their specific aid agencies can be found in the discussions of the individual countries.

While all donors use their diplomatic staffs somewhat, only France and the United States maintain separate aid missions,

Table 2

Comparison of Donor Aid Organizations

<u>Country</u>	<u>Total recipients</u>	<u>Geographic distribution</u>	<u>Type of field representation</u>	<u>Staff (note a)</u>		
				<u>HQ</u>	<u>Field</u>	<u>Total</u>
Canada	88	Emphasis on 27 program countries	(A) Diplomatic staff or aid personnel assigned to embassy	1,020	100	1,120
France	about 50	Focused largely on former French colonies	(A) 20 countries with permanent field missions of the Ministry of Cooperation and Development. The Caisse Centrale maintains 23 offices in Africa and the Indian Ocean.  (B) Diplomatic staff--embassy commercial and cultural counselor in countries with small and/or non-Francophone programs.	<sup>b</sup> 1,723	<sup>c</sup> 527	2,250
Sweden	about 70	Limited to 19 program countries plus 15 "extended cooperation" countries.	(A) Field missions in 14 of the program countries  (B) Remaining countries handled by diplomatic personnel	358	88	446
United Kingdom	125	Worldwide with concentration in 10 countries--over two-thirds to British commonwealth countries.	(A) Diplomatic staff or aid personnel assigned to embassy  (B) Four regional offices for the Caribbean, East Africa, South Africa and Southeast Asia.	1,370	<sup>d</sup> 120	<sup>e</sup> 1,490
United States	89	Worldwide	(A) Field missions in 48 recipients, small offices in 13 recipient countries, and aid personnel in Embassy sections in 9 countries.  (B) Regional offices.	2,212	1,536	3,748
West Germany	over 120	Worldwide	(A) Diplomatic staff or aid personnel assigned to embassy  (B) GTZ staff assigned to projects in recipient countries for the life of the project.	<sup>f</sup> 1,670	<sup>g</sup> 1,415	3,085

a Only permanent aid staff--foreign nationals, contractors, and consultants are not included.

b Staff from three aid agencies--Ministries of Cooperation and Development, Foreign Affairs, and Economy.

c Staff from Ministry of Cooperation and Development and Caisse Centrale in the French-speaking countries. Does not include diplomatic staff handling aid matters in "other" countries or upwards of 20,000 technical experts and teachers.

d Includes 60 staff in Foreign and Commonwealth office.

e Does not include Crown Agents.

f Staff from three agencies--Ministry of Economic Cooperation, GTZ, and KfW.

g Includes 15 Ministry of Economic Cooperation staff assigned to German embassies, and 1,400 GTZ technical experts hired on a short-term basis (2-3 years)

although the staffs are accountable to the respective ambassadors. The United States has the largest and most widespread field organization strictly for its aid program; however, the other donors rely much more on numerous agencies in their governments for program implementation and, to some degree, aid programing.

Except for the United States and West Germany, the donors have concentrated their aid programs to a select number of countries. The French and British concentrations are clearly related to colonial ties, whereas the Canadian and Swedish emphases on selected countries is based, in part, upon the aid and foreign policy views of their two governments.

The reasons given for, and the perceived advantages and disadvantages of, the varied field organizations that we identified during our review highlight each donor's unique approach to providing aid. The advantage of maintaining an in-country, day-to-day presence is accomplished by the United States with its mission staff. The British and the French do not necessarily need a large aid agency presence, since they think their colonial connections and their large personal service/technical assistance programs serve that purpose. The Canadians and West Germans do not have an extensive field presence, and they, as well as the other European donors in their non-priority recipient countries, provide less staff-intensive forms of aid.

All donors recognized the foreign policy need to have an aid presence in countries where they had neither major investments nor significant opportunities for commercial or political influence. The approach used to maintain this presence, however, appeared to be unique to each donor. In some respects, the recipient countries that the donors emphasize are chosen on the basis of the donor country's foreign policy objectives. However, Sweden, Canada, and the United Kingdom have publicly acknowledged that limits on resources do affect the decisions on which recipient countries to emphasize.

Both the United Kingdom and the United States maintain field offices in Africa to assist their personnel in surrounding developing countries. This approach, which is extensively used by the British, reduced the size of technical expert representation in recipient countries. In comparison, the other donors primarily relied on their headquarters to send technical and administrative support to the recipient countries.

The U.S. field representatives had the most responsibility for project feasibility, planning, monitoring, and, where specifically delegated, project approval. The aid programs of all the other donors vest that authority more directly to their headquarters or use contract services from such public corporation type entities as the United Kingdom's Crown Agents and

France's Caisse Centrale. As discussed more thoroughly in chapter 4, the extensive evaluation and feasibility studies appear to be unique American requirements of field missions, thought necessary to accomplish U.S. development objectives. Furthermore, as discussed in chapter 3, the larger, more commercially related aid projects require less staff time to monitor and can be evaluated on a more technical and quantitative basis than projects devoted to assisting the poorest of the poor.

Host government officials in the five recipients visited told us they prefer a donor to have some permanent in-country representation. They stated that such a presence can contribute to a better understanding between donor and recipient, allowing problems to be resolved at once instead of through sometimes unreliable communication with the donor's aid agency headquarters. They said that AID's large presence is helpful because it allows contact and dialogue at the working as well as policy-making level. However, while donor in-country presence was viewed as desirable, such a presence is not an end in itself and, as noted by a Kenyan official, may not necessarily result in better communication between donor and recipient.

Due to the complexities of the various donors aid procedures and the issues we are addressing in this report, it is necessary that we describe the different management approaches used by each donor.

#### HIGH ADMINISTRATIVE COSTS SHAPE DONOR ORGANIZATION STRUCTURE

The high administrative cost associated with the delivery of foreign aid has, to varying degrees, shaped the donors' organizational structures and the types of aid made available. Table 3 presents the estimated administrative costs incurred by the six donors in providing bilateral Official Development Assistance during 1980 and 1981 and the net aid disbursed by these donors.

In considering the need for a field office structure, officials of all the donor countries recognize that the costs of maintaining staff overseas is significant. These costs are high because, in addition to salaries and benefits, other support costs are also incurred, such as housing, travel and transportation, and office operations. For example, during recent congressional hearings, AID cited the fiscal year 1981 average cost of nearly \$100,000 per year to maintain each direct-hire American employee overseas. This annual cost is expected to escalate to about \$113,000 and \$126,000 in fiscal years 1982 and 1983, respectively. The Canadian aid agency estimates its cost at about \$166,000 to initially place an employee overseas and about \$106,000 annually to maintain each employee overseas.

Table 3

Comparison of Bilateral Aid Disbursements  
and Administrative Costs, 1980 and 1981

Donor	Bilateral	Administrative	Ratio of	Bilateral	Administrative	Ratio of
	aid 1980	costs 1980	aid to costs 1980	aid 1981	costs 1981	aid to costs 1981
	------(millions)-----			------(millions)-----		
Canada	\$ 657	\$ 38.9	17:1	\$ 746	\$ 49.0	15:1
France	3,460	109.0	32:1	3,545	98.3	36:1
Sweden	715	39.2	18:1	599	32.1	19:1
United Kingdom	1,326	69.9	19:1	1,329	67.5	20:1
United States	4,366	320.5	14:1	4,317	<sup>a</sup> 302.8	14:1
West Germany	2,324	49.2	47:1	2,244	43.3	52:1

<sup>a</sup> OECD data not available. This figure represents the actual fiscal year 1981 operating expenses for AID only. Source: AID Congressional Presentation, FY 1983.

Source: OECD Development Cooperation 1982, except as noted.

The increasing costs associated with providing foreign assistance is illustrated by the 36 percent increase in AID's operating expenses since fiscal year 1979. Citing the high cost of field missions and the exceptionally high inflation rates in most developing countries, AID has received \$335 million for fiscal year 1983 operating expenses. Past and projected funding levels for AID's operating expenses are presented in table 4.

Table 4

AID Staffing and Operating Expenses  
by Location, Fiscal Years 1979-83

	1979	1980	1981	1982	1983
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>
<u>Operating expenses</u>	------(millions)-----				
AID Washington	\$100.9	\$104.9	\$113.2	\$118.3	\$124.6
Overseas	160.0	179.5	189.6	213.8	231.0
Total	<u>\$260.9</u>	<u>\$284.4</u>	<u>\$302.8</u>	<u>\$332.1</u>	<u>\$355.6</u>
<u>Staff size (note b)</u>					
AID Washington	2,223	2,112	2,501	2,252	2,212
Overseas	1,504	1,472	1,516	1,494	1,536
Total	<u>3,727</u>	<u>3,584</u>	<u>4,017</u>	<u>3,746</u>	<u>3,748</u>

<sup>a</sup> As discussed in the text, AID received \$335 million for fiscal year 1983 operating expenses.

<sup>b</sup> Includes U.S. direct-hire personnel onboard at the end of 1979 and 1980 and full-time equivalents (work years) for the other fiscal years.

The United States provides several types of bilateral foreign assistance; however, the primary types are Development Assistance, the Economic Support Fund (ESF), and the Food for Peace (Public Law 480) programs. As discussed on pages 16 and 38, each type of aid is designed to satisfy specific U.S. foreign policy objectives and requires varying levels of resources to disburse. This variance ranges from the slow-disbursing, staff-intensive Development Assistance type of aid to the more flexible, less staff-intensive ESF. As shown in table 5, at the AID missions we visited, staffing, the amount and types of aid administered, and mission operating expenses varied greatly. Regarding the latter, the most striking example of the cost of providing assistance existed in Cameroon where approximately \$1 is spent to disburse every \$3 in economic assistance. The more efficient ratios of the Sudan and Kenya are directly related to the large ESF programs administered by AID.

Table 5

Program Levels, Operating Expenses and Staffing  
for Selected AID African Offices, FY 1983

<u>Recipient</u>	<u>Economic Assistance Program</u> (note a)				<u>Mission Operating Expenses</u>	<u>Ratio of aid to expenses</u>	<u>Staffing</u>	
	<u>DA</u>	<u>ESF</u>	<u>P.L. 480</u>	<u>Total</u>			<u>U.S.</u>	<u>FSN (note b)</u>
	------(millions)-----							
Cameroon	\$17.0	\$ -	\$ 1.2	\$ 18.2	\$5.8	3:1	27	22
Kenya	30.0	30.0	18.5	78.8	7.5	11:1	31	60
Sierra Leone	1.0	-	4.4	5.4	0.8	7:1	4	4
Sudan	29.0	95.0	50.7	174.7	5.2	34:1	29	12
Tanzania	10.2	-	7.8	18.0	3.4	5:1	24	25

Notes

<sup>a</sup> Economic assistance activities cited are Development Assistance, Economic Support Fund, and the Food for Peace (Public Law 480) program.

<sup>b</sup> Foreign Service Nationals--locally hired employees.

It should be noted that the size of an overseas mission is affected by many factors which may not be reflected in the absolute dollar amount of aid being provided. These factors often include the number and types of projects being undertaken, the complexity of field activities, and the broad objectives of a donor's development cooperation program.

## THE UNITED STATES: AN ASSISTANCE OVERVIEW

### History, objectives, and primary delivery organizations

The United States foreign economic assistance program can be traced to the World War II era and the Marshall Plan; however, it did not formally become a program aimed at development until 1950. The aid program during this period was developed in response to the devastation of World War II and was aimed at forestalling Communist gains. Although administered by several agencies during the 1950s, the development assistance program as we know it today originated with the Foreign Assistance Act of 1961. This Act, as amended, establishes the currently operable framework for the U.S. foreign economic assistance program. Under its authority, AID was created with the responsibility for administering the bilateral aid program.

In 1979, the International Development Cooperation Agency (IDCA) was created to coordinate U.S. development policies. Through subsequent delegations of authority, the Administrator of AID, who reports to both the Director of IDCA and the President, has been charged with the central direction and responsibility for the U.S. foreign economic assistance program. The dichotomy between IDCA and AID is more apparent than real, since the Administrator of AID is also the (Acting) Director of IDCA and many IDCA functions are being performed by AID personnel.

AID headquarters is organized both by central functional bureau (e.g., External Relations, Private Enterprise, Program and Policy Coordination, etc.) and by geography (e.g., Africa, Asia, etc.). Most of AID's projects are carried out through contractors (e.g., consulting firms, universities, and host government organizations) and private voluntary organizations. AID's estimated employment for fiscal year 1983 is 5,432 employees, with 2,212 in its Washington, D.C., headquarters and 3,220 overseas in 71 countries. The overseas staffing figure includes 1,536 U.S. and 1,684 foreign national employees.

Until the early 1970s, AID followed the traditional strategy of development that advocated concentrating assistance in those economic sectors with the greatest potential for growth. Proponents of this approach argued that the economic benefits of growth would "trickle down" through all levels of society, eventually to the rural poor. AID and its predecessor agencies translated this strategy into an emphasis on such large infrastructure projects as dams, roads, buildings, and industrial plants.

In response to the perception that economic benefits were not reaching the poor rural majorities, a major reorientation of the U.S. aid policy was undertaken during the early 1970s. In what has become known as the "New Directions" mandate for development assistance, this reorientation was first expressed in law

as part of the 1973 Foreign Assistance Act. Modified to some degree by subsequent legislation, the New Directions policies of the past decade have represented a turnaround from the "trickle-down" theory. The legislation emphasizes activities that directly address the basic needs of the poor, specifying such areas as nutrition, literacy, employment generation, population planning, rural development, and small farm food production. As part of this basic human needs orientation, extensive field-based research on the technological, environmental, and social factors associated with most development initiatives has been conducted. According to AID field and headquarters staff we contacted, these provisions led to a rural-oriented development assistance program delivered primarily through a large number of discrete, small-scale projects.

#### Major types of bilateral aid provided by the United States

The United States provides three primary types of bilateral foreign assistance: Development Assistance, ESF, and the Public Law 480 food aid. AID administers the Development Assistance and ESF programs and works with the Department of Agriculture in administering the Public Law 480 program.

Development Assistance is provided in the form of loans and grants to help nations address the institutional and structural economic problems which inhibit growth and set the stage for social and economic instability. Development Assistance is directed primarily to "overcoming severe constraints in such areas as agriculture, energy, health and family planning, and in building the institutions necessary for sustainable growth."

The Economic Support Fund, formerly designated Security Supporting Assistance, is a flexible assistance tool used to promote the economic or political stability of countries in which the United States has special security or foreign policy interests. Although ESF allocations are made according to political criteria, the program is nevertheless economic and developmental in nature as the Congress has required that ESF assistance be directed, to the maximum extent possible, toward basic human needs and development goals. However, since immediate economic aid, rather than long-term development, is the primary concern, ESF may include balance-of-payments support, commodity import programs, and financing of infrastructure and other capital projects.

From the mid-1960s until the early 1970s, ESF was focused on East Asia, primarily South Vietnam, but in recent years the majority of funds has been shifted to the Middle East, with Israel and Egypt receiving about three-fifths of the fiscal year 1983 ESF appropriation of approximately \$2.6 billion. As shown in table 6 and the graph on page 18, the amount of ESF funding has steadily increased in recent years. Furthermore, the number of countries receiving bilateral ESF assistance has increased

from 12 in fiscal year 1979 to a proposed 35 in fiscal year 1983. The largest number of proposed fiscal year 1983 recipient countries will be in Africa, where 13 bilateral recipients will share \$298 million in ESF funding. It should be noted that 17 of the proposed ESF recipients also receive Development Assistance funding and 15 receive all three primary types of U.S. bilateral aid.

Since 1954, the Public Law 480 program has been used to finance U.S. food exports to developing countries through grants and concessional term loans. The Congressional Budget Office has reported that although recent legislation emphasizes the developmental purposes of the program, the goal of establishing and maintaining commercial markets for U.S. products remains the underlying objective of the food aid program. AID's fiscal year 1983 congressional presentation calls for a total of 65 Public Law 480 bilateral recipients during the fiscal year.

The Overseas Private Investment Corporation was created in 1969 to stimulate U.S. private sector investment in developing countries through the use of loan guarantees, direct loans, political risk insurance, and pre-investment assistance to U.S. business. Organized as a public corporation, with the AID Administrator as chairman of the Board, the Corporation has been making a profit and receives no congressional appropriations.

The Peace Corps, established in 1961 in the Department of State, is now an autonomous executive agency with a primary goal of providing "trained manpower to help people living in the poorest areas of developing nations to meet their basic needs." As an agency providing volunteers to requesting developing countries, the Peace Corps, funded at a level of \$105 million during fiscal year 1982, had about 5,200 volunteers in 63 countries during that year. The agency is independent of day-to-day U.S. foreign policy interests, off-limits to intelligence activity, and has an "arms-length" administrative relationship with AID. The Peace Corps also cooperates with AID on some projects in developing countries and some of its activities are financed from AID funds.

Table 6 presents the actual and requested funding levels for the three main components of the U.S. bilateral aid effort for fiscal years 1979-83.

Table 6

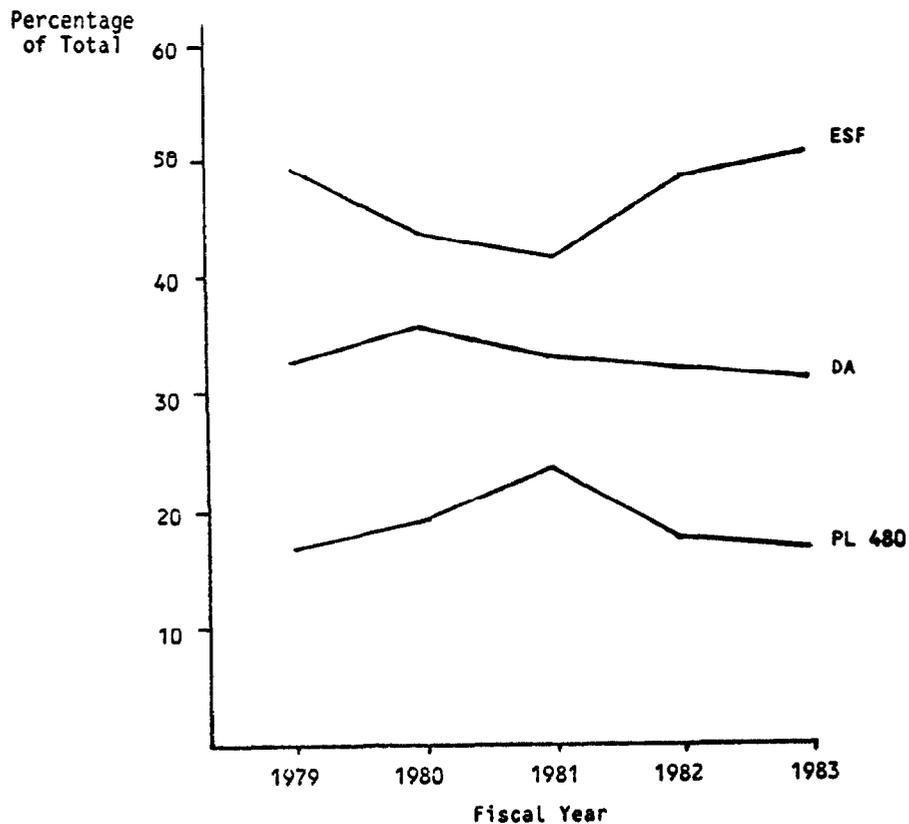
Major U.S. Bilateral Aid Programs

	Fiscal Years				
	1979 <u>Actual</u>	1980 <u>Actual</u>	1981 <u>Actual</u>	1982 <u>Approp.</u>	1983 <u>Request</u>
	(millions)				
AID Development Assistance	\$1,560	\$1,602	\$1,712	\$1,800	\$1,836
Economic Support Fund and Peacekeeping Operations	2,321	1,972	2,135	2,715	2,929
Public Law 480	806	886	1,229	1,000	1,028

Source: IDCA Congressional Presentations for fiscal years 1981-1983.

The graph below illustrates recent trends in the emphasis placed upon these three types of bilateral aid.

Funding Trends For The Three Primary  
Types of U.S. Bilateral Assistance



## Overseas organizations and activities

AID uses an extensive network of field missions to administer its overseas programs. As of June 1, 1982, AID had 95 overseas posts, broken down as follows.

- 48 missions - organized with a Mission Director and U.S. staff which includes at the minimum a comptroller, program and project officers, and technical experts.
- 13 offices.
- 9 sections of Embassies.
- 4 multicountry service offices, which include the Regional Economic Development Service Office staffed with technical experts.
- 21 remaining overseas offices used for coordination, administration, and Inspector General activities.

Focusing on sub-Sahara Africa illustrates the staff-intensiveness of AID's field network. AID administers bilateral economic assistance programs in 34 African countries, 29 of which have AID missions or offices with a total of about 400 U.S. direct-hires and 390 foreign nationals. Supplementing the individual field offices, AID also operates two Regional Economic Development Services Offices in Africa--Abidjan, Ivory Coast, in the west and Nairobi, Kenya, in the east. These offices, now staffed with over 70 U.S. direct-hire and about 30 foreign national personnel, were established to backstop the bilateral programs in their geographic areas. Initially, many of the programs in these countries had two or fewer in-country staff and relied heavily on the regional offices. However, as the volume of development assistance to Africa increased and with the passage of the New Directions legislation, individual missions and offices were established in most countries. The regional offices have subsequently evolved into support operations, providing missions in the individual countries with technical advice and back-up services in such areas as legal, contracting, and procurement. They also assist smaller country offices in developing, implementing, and evaluating project activities. The regional office in Nairobi also manages the ESF programs in the Seychelles and Mauritius, two countries without an AID presence.

The in-country AID mission staff develops a strategy for reaching the poor and usually designs projects which, if approved after the mission and headquarters administrative review and budgetary process, are generally implemented by recipient country agencies and/or contractors. The mission staff is involved in visiting project sites, helping solve problems as

they arise, and assuring that project resources are put to their intended use. AID missions also administer small development assistance programs in neighboring countries which lack an AID presence. For instance, the AID Mission to Cameroon also administers the small programs (each costing about \$1 million in fiscal year 1982) in the neighboring countries of Equatorial Guinea and the Central African Republic, in the latter case with the support of Peace Corps staff and volunteers. The AID Mission in Zaire manages a \$1 million program (fiscal year 1982) in the Congo.

### Why does the United States have an overseas presence?

According to a 1981 Congressional Research Service (CRS) analysis<sup>1</sup>, since 1973, prior to passage of New Directions legislation, AID's field organization has grown from 37 missions (excluding South Vietnam) to 62 at present, with the largest gain being made in Africa. During this period, AID's headquarters and field staffs have been reduced from 5,105 U.S. national employees in fiscal year 1973 to a proposed level of 3,748 in fiscal year 1983.

The CRS analysis, along with comments by AID field officials, points to several reasons for maintaining an in-country AID presence. First, project design takes longer because of the New Directions' extensive development criteria. Design requires extensive economic, social, and environment analysis and necessitates extensive review by AID headquarters to ensure that the mandate's development criteria have been considered in the project proposals. The World Bank, in a 1981 study entitled "Accelerated Development in Sub-Saharan Africa: An Agenda for Action" noted that the design of such New Directions-type projects often requires "location-specific data generated over a long period" (e.g., labor utilization patterns, such as the division of labor between men and women). Second, in both the design and implementation stages, New Directions projects require extensive interaction with host-government ministries and project beneficiaries and an indepth knowledge of a recipient's development needs and capabilities. AID officials think that such insight can be gained only through field offices whose staff is in day-to-day contact with host-country counterparts and organizations. A third reason cited by a State Department official was the political advantages of having an in-country AID presence in countries with small AID programs. The official noted that such a presence shows the smaller developing countries that the United States equates them with larger, more important aid recipients. Furthermore, an AID presence in these countries is often instrumental in obtaining their support in such bodies as the United Nations.

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<sup>1</sup> "The New Direction Mandate and the Agency for International Development," July 1981.

Another aspect of AID's strategy which requires a resident country presence is AID's increasing involvement in helping achieve changes in recipient government economic policies. Field offices are being directed to work with host governments in revising economic policies which adversely affect recipient economic performance. Inappropriate subsidies, price and wage controls, and similar forms of interference with market forces are examples of these types of policies. AID officials described this policy dialogue as sensitive and time-consuming, requiring the close and frequent contact possible only through resident country presence.

Ensuring program and financial control and accountability is another function of field posts. In-country staff are responsible for seeing that assistance funds are used properly and that projects are reaching the intended beneficiaries. Also, even though host-government agencies or contractors perform most project implementation functions, AID field personnel are needed to support and monitor ongoing activities. Chapter 4 discusses some of the various accountability requirements levied by the Congress and by AID headquarters on field missions.

#### CANADA: AN ASSISTANCE OVERVIEW

##### History, objectives, and primary delivery organizations

Canada's bilateral development assistance program began with the 1950 Colombo Plan Conference of Commonwealth countries where Canada agreed to join the other countries in extending food and other assistance to the newly independent nations of India, Pakistan, and Ceylon (Sri Lanka). Before 1950, such assistance was administered by a network of committees representing the various Canadian Government agencies. In the late 1950s Canada extended aid to the Caribbean and in 1960 joined Britain, Australia, and New Zealand with aid to Africa. Also in the early 1960s, Canada began bilateral assistance to the Francophone (French-speaking) African nations. During this period, the responsibility for administering the Canadian development assistance program centered in an External Aid Office of the Department of External Affairs, which in 1968 became the Canadian International Development Agency (CIDA). There is no specific enabling legislation for this program, only estimates of the program budget that are developed by the Cabinet for Parliamentary Review.

CIDA is the primary agency for planning and managing Canada's development assistance programs. It also participates in foreign policy formulation involving international development and long-term Canadian interests. CIDA has the status of a government department, and its President reports directly to Canada's Secretary of State for External Affairs. Interdepartmental coordination of aid policy is conducted through a committee of deputy ministers on foreign and defense policy. Aid policy receives daily attention in a subcommittee at the assistant

deputy minister level on economic relations. The overall direction and volume of the aid program is determined by the Cabinet, with all programs and projects subject to the approval of the Secretary of State for External Affairs. As of February 1982, CIDA had a staff ceiling of 1,050 employees, with 996 in Canada and 54 overseas in 28 field offices. In addition, employees of the Ministry of External Affairs, located in Canada and at overseas embassies, provided about 50 staff years of support to CIDA activities during 1982. To increase program planning, implementation, and monitoring, CIDA's plans to increase its overseas staff by one-third (from 54 to 72).

A second channel for the transfer of bilateral assistance is the International Development Research Centre. This public corporation was established in 1970 to provide an alternative to the traditional bilateral aid approach and to encourage and support research on behalf of developing countries. Although funded by the Canadian Government, the Centre's direction and control is the responsibility of an autonomous and international board of governors.

A third channel for the transfer of bilateral aid is a public corporation, Petro-Canada International. Created in November 1980 as part of Canada's National Energy Program, it is a subsidiary of Canada's government-owned oil company, Petro-Canada, designed to help oil importing countries reduce or eliminate their dependence on imported supplies. Independent of CIDA, and funded at a level of approximately \$209 million for the period of 1982-87, Petro-Canada International was reported in late 1982 to have signed four agreements (with Jamaica, Barbados, Tanzania, and Senegal) for which expenditures will total about \$450,000.

#### Categorization of recipients and concentration of resources

As a result of past administrative, management, and budgetary problems, Canada has divided potential aid recipients into three distinct categories, with country placement based on a blend of historic, humanitarian, developmental, political, and commercial considerations. This approach reportedly allows Canada to relate CIDA's programming to the level of development of the recipient as well as Canadian objectives for each category of recipient.

Category I countries are those with which Canada intends to have a continuing and extensive aid relationship and are viewed as essential to Canada's overall relationship with the Third World. These countries are eligible for all types of assistance, subject to long-term planning, and are assigned 5-year indicative planning figures that indicate the future level of assistance. There were 27 Category I countries in 1980, and they received 76 percent of all bilateral aid disbursed during that year.

Category II countries are not subjected to long-term planning, are not assigned indicative planning figures, and the types of assistance available to them are limited. Category II countries are treated on a case-by-case basis in response to official requests for assistance. While Category II recipients are not normally eligible for traditional project assistance, they are eligible for such types of aid as developmental lines of credit, parallel financing, technical and industrial cooperation, and other types which do not place a heavy demand on CIDA's administrative resources. Category II countries, of which there were 29 in 1980, received 20 percent of all bilateral aid disbursed during that year.

The remaining 31 recipients during 1980 were classified as Category III countries and received assistance through private voluntary organizations and funds administered by the Canadian embassies or missions.

Overseas aid organizations and activities  
are determined by the type of recipient

Canada uses a centralized organizational structure in providing aid, with its overseas aid representatives having limited decisionmaking authority and no operational responsibility. While direct project implementation is the responsibility of CIDA headquarters, overseas representatives are primarily assigned to monitor projects and act as troubleshooters.

The Canadian assistance program to Cameroon, a Category I recipient (country of importance to Canada), and one in which Canada is the third largest bilateral donor after France and West Germany, effectively illustrates Canada's field structure. According to the Canadian ambassador to Cameroon, Canada has been providing \$16 million to \$20 million annually in aid for the planning and implementation of several capital infrastructure projects over the past few years. When we made our April 1982 visit, the two countries were negotiating a 5-year development program involving approximately \$100 million, which will parallel Cameroon's 5-year planning cycle. The planning and discussion of aid programs and projects was conducted by a five member team of CIDA officials from Canada who were sent to Cameroon for a 3-week visit. The team prepared a package of programs and projects which, following agreement by the team and Cameroon officials, was submitted to the CIDA Board of Directors for approval.

The two CIDA representatives in the Canadian embassy monitor the aid activities but only to the degree agreed to with the Cameroon Government. CIDA reports go to CIDA headquarters and the ambassador. The Canadian-supported projects are implemented by about 30 Canadian contractors and, according to the ambassador, these contractors receive only minimal consular support (e.g., processing contractors through customs and assisting in emergencies). Project evaluations are done by CIDA headquarters

and not by the in-country representatives. CIDA may send a team to Cameroon to prepare the evaluation, but this is not usually the case.

Officials of the Canadian High Commissioner's Office in Kenya described a field structure for organization and responsibilities similar to that of Cameroon, noting again that aid officials spend most of their time in monitoring, not planning, of projects. Their opinion was that the Canadian system of assigning the headquarters project officers to the beginning and end of a project is "less effective" than the U.S. AID system of having project officers in-country.

In response to complaints that overseas employees were reporting directly to their respective headquarters and not necessarily through the in-country ambassador, and in an attempt to prevent duplication and clarify reporting channels, the Canadians have recently transferred approximately 200 overseas employees to the Ministry of External Affairs. This transfer involves both CIDA field representatives and those officials representing other government agencies with a presence overseas. Commenting on this consolidation, DAC noted that CIDA's policy and program responsibilities for the aid program will remain intact, and CIDA will take the form of a more centralized, home-based administration.

#### FRANCE: AN ASSISTANCE OVERVIEW

##### History, objectives, and primary delivery organizations

The French aid-giving structure evolved from France's colonial experience and is characterized by the distinction it makes between French-speaking former colonies and other independent countries.<sup>2</sup> This arrangement has resulted in different agencies and organizations administering aid to the two categories of countries. Although France provides assistance to a large number of countries, the bulk of its aid goes to about 25 former colonies in sub-Saharan Africa. France is usually the dominant donor in French-speaking countries and typically has significant commercial and cultural connections with the recipient, amounting to a "special relationship" that has endured since colonial independence. The intent of French aid in these countries is to maintain and extend France's culture, language, and political/economic influence.

The volume of assistance to other countries is generally less (\$5 million or less) than to former colonies, with France

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<sup>2</sup> France also has another set of agencies and organizations which provide development assistance to its overseas departments and territories; this category of recipient is not discussed in this report.

usually not ranking as a leading donor. French aid-giving objectives are usually limited in these countries, emphasizing such commercial activities as financing capital projects (e.g., factories, dams, and airports).

The Ministry of Cooperation and Development,<sup>3</sup> whose responsibilities include both technical and capital aid, is responsible for most of the aid given to the former colonies. In terms of technical assistance, it controls the activities of over 10,000 personnel who work as teachers or are engaged in medical, social, or cultural activities. With regard to capital assistance, the Ministry administers the Fonds d'Aide et de Cooperation (FAC), which provides grants primarily for capital aid projects and for assisting recipient government agencies to administer projects. This fund is directed by a managing committee, which is chaired by the Minister of Cooperation and Development and includes some members of the French Assemblies, other concerned government ministries, and the Caisse Centrale de Cooperation Economique. The Ministry has about 20 field offices in recipient countries.

It is important to note that capital aid provided in the form of loans is not directly administered by the Ministry of Cooperation and Development but by the Caisse Centrale. This organization is 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 and Development. The Caisse Centrale has a supervisory board with a membership that includes officials of the Ministries of Cooperation and Development, the Economy, and Foreign Affairs, as well as experts from French academia and banking. It maintains 23 field offices in Africa and the Indian Ocean region.

For the other developing countries receiving French assistance, aid is divided on functional lines between two ministries, with the Ministry of Economy providing loans and food aid and the Ministry of Foreign Affairs responsible for technical assistance, administering a staff of about 7,000 persons. The French embassy diplomatic staffs in the non-French-speaking countries have responsibility for the development programs.

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<sup>3</sup> Subsequent to our fieldwork, we were informed that French aid activities had been recently reorganized, with the Ministry of Cooperation and Development being absorbed by the Ministry of Foreign Affairs. However, according to French representatives to DAC, this reorganization has not affected the overall operation of the aid program, only "changed the name of the actors."

Overseas aid organizations and activities  
are determined by the type of recipient

The field structure of the French bilateral aid program is markedly different in French-speaking countries than in other developing countries. This can be illustrated by two programs we observed in Cameroon, a French-speaking former colony, and the Sudan.

France is the primary donor to Cameroon and has a six-member Caisse Centrale field office and a six-member FAC office in-country. In April 1982, we visited Caisse Centrale officials in Cameroon who disclosed that they administer loans primarily for large projects, e.g., dam and road construction, with disbursements of about \$65 million annually over the last 4 years. Projects of this type are initiated, in theory, by a Cameroon Government agency. After such a request, a feasibility study is performed by a Caisse Centrale-Paris team with some involvement by the in-country Caisse Centrale staff. The feasibility study report on the loan, if approved, sets the conditions and requirements for the project. The local office of Caisse Centrale will then certify and make all loan disbursements either to the Cameroon 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 Cameroon agency, and with teams of experts from Paris occasionally make technical assistance visits to the project site.

The FAC office in Cameroon administers an annual \$45 million program, with about \$30 million going to support the approximately 650 French technical experts (e.g., doctors, teachers, and air traffic controllers, etc.) residing in the country. After the recipient proposes a project, the FAC appraises the concept using local headquarters or French research institute personnel. The local office monitors the project implementation and has the authority to redirect approximately one-quarter of its funds, consistent with the generally approved scope of its activities.

In a non-French-speaking country, such as the Sudan, French capital and commodity assistance activities, totaling about \$31.7 million, are administered by the commercial attache of the French embassy. Representatives of the commercial attache hold preliminary negotiations with the Government of the Sudan and send a list of desired commodities and projects to Paris, where final negotiations are undertaken. The commercial attache officials make monitoring visits of a general nature to the contractors implementing the projects and administer any funding changes directed by Paris. In the Sudan, there is a Ministry of Foreign Affairs' program of 20 technical experts and teachers and about 10 French scholarships, also administered by the cultural attache.

## SWEDEN: AN ASSISTANCE OVERVIEW

### History, objectives, and primary delivery organizations

Sweden, a neutral country with no history as a colonial power, traces its Official Development Assistance program to 1962 when the Swedish parliament incorporated the activities of private groups (e.g., church and trade union organizations) that had been involved with various developing country problems since the early 1950s. The primary bilateral aid agency, the Swedish International Development Authority (SIDA), was established in 1965 and subsequently placed under the Ministry of Foreign Affairs in 1970. SIDA is headed by a Board of Directors which includes members of parliament, representatives of trade unions, industry, religious groups, and civil service employees. It has about 350 staff with about 85 overseas in 14 recipient countries.

In an attempt to have the maximum impact for its assistance, considering its limited budgetary and staff resources, Sweden has concentrated its bilateral aid to a limited number of "program" countries. These recipients, which presently number 19, are targeted for assistance because they pursue priorities that are in broad agreement with Swedish aid goals (i.e., economic growth, social justice and the distribution of resources, economic and political independence, democracy, and human rights). Sweden considers these recipients to be primarily responsible for planning their own development while, as a donor, it provides financial resources and some technical assistance. Sweden is usually a major donor in its "program" countries while maintaining long-term relationships with these recipients. In providing assistance to these countries, Sweden generally uses a full range of aid types, including projects, sector support, technical assistance and commodity aid, and cash payments. Every 3 years, the Swedish parliament determines the financial framework for supporting each country based on recommended levels from the Ministry of Foreign Affairs and SIDA.

In 1976, the Swedish Commission for Technical Cooperation was established to provide bilateral aid to developing countries other than those categorized as "program" recipients. The main activities of this organization are to support feasibility studies, conduct training programs, and facilitate cooperation between Swedish institutions and those in the developing world. It grants concessional loans to (1) support the economic and social development of the recipient countries and (2) contribute to a closer relationship (commercially) between Sweden and these countries. Countries selected are of the middle-income level and have a better creditworthiness than "program" countries. Sweden's aid relationship with these recipients is more limited in objective, as well as in types and volume of aid made available. Basically, this concept is an attempt to extend limited aid relationships beyond program countries without taxing the

foreign assistance budget and diluting staff resources. Ten countries are presently eligible for this type of assistance.

Sweden also has a separate entity devoted to promoting research that can assist the developing countries in achieving a greater measure of self-reliance and economic and social justice--the Swedish Agency for Research Cooperation with Developing Countries.

#### Overseas aid organizations and activities

Swedish aid activities in 14 of the 19 program countries are administered by local Development Cooperation Offices attached to the Swedish embassies. These Offices have wide responsibilities, ranging from identifying new projects, monitoring ongoing activities, and maintaining recipient dialogue, to providing technical expertise. The Development Cooperation Offices have permanent in-country staffs of 3 to 15 persons. The local offices are supplemented by aid experts from Stockholm and short-term consultants.

Sweden's provision of technical assistance often involves recruiting, and sometimes training, personnel to work in a variety of capacities in developing countries. For example, in Kenya, SIDA has 40 to 50 contract personnel working in several government ministries. With regard to the staff of Swedish development projects, a Kenyan ministry official noted that Sweden allows the recipient government to hire the best experts available (regardless of country nationality). The official stated that for one AID project, the Kenyan Government was unable to hire an Australian specialist because of U.S. hiring inflexibility. An AID headquarters' official stated that this must be an isolated case since the agency need not show such inflexibility and that the mission could make such a change if it made sense. In commenting on this report, AID informed us that its procurement regulations generally prohibit spending funds for goods and services from developed countries (i.e., Europe, Canada, and Japan); however, if properly justified, waivers could be obtained.

Tanzania, the largest of Sweden's "program" recipients, enjoys an association with Sweden which dates to colonial days when Lutheran missionaries were active in East Africa. Sweden's aid is intended to support the country's self-reliance, commitment to development, and the programs of President Nyerere. The bulk of Sweden's approximately \$75 million in aid falls into two categories--sector support and balance-of-payment/commodity aid. Sweden also provides general institution building support in public administration as well as acting as a project's co-financer with other Nordic nations.

When we visited Tanzania, the Development Cooperation Office was staffed by 15 SIDA personnel. This staff consisted

of a director, a deputy and import support officer, an economist, seven program officers, and five administrative staff. The role of the program officer is to

- analyze conditions in an assigned sector such as agriculture, study new proposals, and generate new ideas;
- supervise financial disbursements based on actual activities and recommend disbursement to the Director; and
- provide general oversight on two levels--individual activities and general policy dialogue.

Meetings are held quarterly with the relevant Ministry and annual reviews are conducted. The staff also makes frequent trips to project activities.

#### THE UNITED KINGDOM: AN ASSISTANCE OVERVIEW

##### History, objectives, and primary delivery organizations

The British aid program is largely shaped by its colonial legacy and, today, by its Commonwealth connection. Britain provided bilateral aid to 125 countries in 1981, but the majority of this aid was concentrated in 10, mainly Commonwealth, countries. (See app. IV.) The importance of Commonwealth nations in the United Kingdom's bilateral aid program is illustrated by the fact that two-thirds of British bilateral aid allocable by country went to ex-colonies, present colonies, and dependencies in 1981.

The primary policy formulation and management of Britain's development assistance program was consolidated in 1964 with the creation of the Overseas Development Ministry. Responsibility for British aid programs presently lies with the Overseas Development Administration (ODA), which is part of the Foreign Office, with the Minister for Overseas Development reporting to the cabinet-level post of Foreign Secretary.

Other British entities which assist in the bilateral aid program but are not directly part of ODA include (1) four "Special Units" which provide technical assistance to developing countries, (2) the British Council and the Technical Education and Training Organization for Overseas Countries, which carries out most of the technical cooperation programs in the education sector, (3) the Crown Agents, a unique British institution, which helps with procurement and disbursement of ODA funds, and (4) the Commonwealth Development Corporation, which provides loans on more commercial criteria but selects projects chosen for their development value rather than for profitability.

The Crown Agents has 16 overseas offices and provides technical assistance and procurement services to over 100 countries in connection with both the British aid programs and several multilateral aid agencies.

The Commonwealth Development Cooperation, with seven overseas offices, is responsible for investing funds to assist the economies of developing countries that promise reasonable returns on investment. Its operations cover the Commonwealth countries that have achieved independence since 1948, the remaining territories dependent on Britain, and 17 other countries.

#### Overseas aid organizations and activities

The administration of development assistance overseas is the responsibility of the British ambassadors or high commissioners<sup>4</sup> in the developing countries. In countries with relatively large aid programs, there are usually one or more members of the embassy or high commission who specialize in development assistance. There are about 60 ODA staff assigned to British embassies and high commissions and development divisions overseas. ODA development divisions are generally responsible for assisting in planning and executing programs in the developing world. The divisions cover the Caribbean, East Africa, Southern Africa, and Southeast Asia.

The Kenyan aid program is the largest of the eight British aid programs in the East African Region and illustrates the British overseas presence. Aid matters in Kenya are handled by three diplomatic service staff of the High Commissioner's Office and two Crown Agents, with eight specialists/advisors of the development division, also located in Kenya, providing technical assistance. Also, about 40 British advisors and specialists, such as technical cooperation officers, are assigned to the Kenyan Government, universities, etc. In addition, the British subsidize the salaries of about 300 British supplemental officers in the Kenyan Government. British aid officials told us this level of manpower/technical assistance reflected the colonial experience in providing aid.

The diplomatic staff responsible for the aid program stated that its involvement was in government-to-government negotiations, programing, and general program monitoring. They added that the development of project ideas came from the Kenyans and the local British aid staff, not from the periodic visits of the ODA headquarters officials.

The Crown Agents, in addition to reimbursing claims made for British aid program and project expenditures, handle a large

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<sup>4</sup> A high commissioner is the title of a British ambassador to a Commonwealth country.

share of the ODA and Kenyan project accounting and procurement. The High Commissioner's staff stated that without the Crown Agents, the British aid program for Kenya would need three additional staff.

Regional offices as an alternative  
to an in-country presence

The United Kingdom is unique among donors in its use of regional development divisions. British aid officials think that this regional structure is logical and cost-effective for a moderately sized, widely dispersed aid program. This management approach is a compromise between the need for technical expertise in each recipient country and what is considered to be a prohibitive expense in maintaining field staff in Britain's more than 120 recipient countries.

Six of Britain's largest recipients are in sub-Saharan Africa and, since most embassies do not have aid specialists, the regional development offices advise and assist in the planning and execution of the aid program. Worldwide, there are four regional offices--two in Africa--each staffed with a small number of specialists (ranging from 9 to 15) in such fields as education, engineering, natural resources, and economics. The offices assist in identifying projects, negotiating agreements, supervising aid activities, and evaluating results.

The regional development division staff in Kenya advises the high commissioners and ambassadors in countries in its region on how best to divide the negotiated amount of aid among various types of assistance. This staff noted that it monitors and provides technical expert assistance to projects at a "common sense" level, and is able, with additional technical experts from ODA-London, to address problems as they arise. It added that responsibility for project implementation belongs to the recipient government or consultants.

In 1980, the Foreign Affairs Committee of the House of Commons conducted an inquiry into the efficiency and cost-effectiveness of the regional development offices. The study concluded that maintaining resident staff in individual countries that have a full complement of professional advisors could probably not be justified except for very large recipients where there are massive programs. However, there appears to be widespread agreement that regional offices offer distinct advantages over centralized management operating from London. The report described the regional approach as a "useful and economical halfway house" between visits from London and maintaining residence in individual countries. A consideration in determining staff placement, the Committee's report said, is the type of aid being delivered. The report stated that program aid, in which the use of funds is largely left to the recipient, and major industrial or infrastructure projects requiring specialist

attention can be designed and supervised by visits from headquarters and the use of consultants. Consequently, such aid activities are not to be a primary concern of the regional office.

## WEST GERMANY: AN ASSISTANCE OVERVIEW

### History, objectives, and primary delivery organizations

Partially in response to pressure from its allies to share in development assistance responsibilities, West Germany<sup>5</sup> established its aid program in 1960. Organizationally, the administration of Germany's development assistance is characterized by a separation between aid policy decisionmaking and aid policy implementation, the latter being the responsibility of several specialized institutions. The Ministry of Economic Cooperation formulates German aid policy, which is subsequently circulated among various interdepartmental committees. Interdepartmental consultation and coordination is also required for most actions, including proposed budget authorization and new policy initiatives.

While Germany provides aid worldwide to over 120 countries annually, 12 recipients receive almost half of all German aid. According to Ministry officials, much of the aid to smaller nations is short-lived and thus the number of recipients fluctuates annually; however, there are some nations with which Germany has maintained long-term aid relationships--primarily India, Turkey, Pakistan, and Afghanistan. Aid to the African continent now accounts for the largest portion of German bilateral assistance.

Implementation of German development assistance is primarily performed by two German organizations--one for the provision of financial assistance (the Kreditanstalt für Wiederaufbau or KfW) and one for the provision of technical assistance (the Deutsche Gesellschaft für Technische Zusammenarbeit or GTZ).

The KfW was founded in 1948 as an agency responsible for projects promoting the German economy as well as for export financing. According to KfW officials, the agency is responsible for implementing and delivering German financial assistance, which takes the form either of loans or grants depending on the economic condition of the recipient. The assistance can be extended as either project or commodity aid. It should be noted, however, that the Ministry of Economic Cooperation and/or parliament determine the type of aid provided to a recipient, not the KfW. The KfW has about 200 aid personnel in its headquarters and retains 100 technical experts. The KfW Board of

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<sup>5</sup> Referred to hereafter in this particular discussion as Germany.

Directors is chaired by the Federal Minister of Finance and its membership includes other federal ministers, members appointed by the upper house of parliament, and representatives of banking, trade unions, and industry.

The GTZ is an autonomous German Government agency created in 1975 through the consolidation of two previously existing organizations. The agency provides technical assistance for such sectors as agriculture, forestry, science and education, industry, vocational training, and social services. The GTZ has about 800 personnel in its German headquarters, about 1,400 personnel overseas, mostly working under short-term contracts. The chairman of the GTZ supervisory board is the Minister of Economic Cooperation and the board's membership includes other members and ministers of parliament, engineering consultants, officials from the Ministry of Foreign Affairs, and GTZ employees.

### Overseas aid organizations and activities

Although the German aid program is widely dispersed, the activities of the Ministry of Economic Cooperation are highly centralized, with only about 15 full-time Ministry officials working overseas as part of the embassy staff. The diplomatic staff has the in-country responsibility for the aid program, but it has virtually no decisionmaking authority and functions largely as a conduit of requests to headquarters. In those few countries where Ministry officials are present, their main role is to help recipients prepare aid requests, assist in project implementation, support technical assistance experts, and select scholarship holders.

Lacking permanent full-time overseas staff, the GTZ uses short-term contract personnel (2 to 3 years) while the 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 development countries, which during 1979 accounted for 54 percent of German aid. These types of projects do not require aid specialists so much as technical experts that are needed only for the life of the projects.

Overseas staffing is an unsettled issue among the German aid agencies. Ministry of Economic Cooperation and GTZ officials told us the GTZ has requested that more staff be placed overseas, but the Ministries of Foreign Affairs and Finance have denied these requests on policy and cost grounds. In response to the need for overseas representation, the GTZ has informally established several permanent administrative liaison offices in Africa, providing support to ongoing projects. For example, it has a seven-member office in Kenya that provides administrative and procurement support to GTZ projects in East Africa. GTZ

officials in Tanzania noted that this "pooling" of administrative support for the smaller projects allows the GTZ project staff to concentrate on providing the needed technical assistance.

German embassy officials that we visited stated that their responsibility is to maintain contact with the recipient government and conduct general monitoring of the aid programs. They noted that the GTZ personnel and KfW consultants were responsible for managing and monitoring their respective projects once the projects were underway.

## CHAPTER 3

### DONORS USE DIFFERENT TYPES OF AID

#### FOR DEVELOPMENT ASSISTANCE

There are many types or forms of aid available to donors, each with different administrative and staff requirements and having foreign policy, commercial, and developmental impact. Most donors provide at least some of each major type of aid, but the extent and emphasis of these different types vary by donor. This variety again reflects the donor countries' foreign policy and development assistance objectives, the availability of donor financial and organizational resources, and the needs of the recipients.

#### GENERAL OBSERVATIONS ON THE VARIETY OF TYPES OF AID PROVIDED

All the donors studied provide a variety of types of aid, but they emphasize different priorities when determining the aid to be made available to the recipient countries. The donors, except for West Germany, have chosen to limit the full use of the types of aid to certain countries. Canada and Sweden concentrate a full range of types of aid to "program" countries or countries of importance, while limiting the availability of aid to so-called "non-program" countries. France to a large degree and the United Kingdom to a limited degree provide more types of aid to their former colonies. The United States provides a wider range of types of aid to the recipient countries it has determined are strategically important, via the Economic Support Fund, and has limited the type and purpose of assistance to non-ESF countries.

From a development assistance standpoint, having available a variety of aid types allows a donor to focus on the variety of recipient government's development priorities. For example, the Sudan and Tanzania, two recipients eligible for the full range of types of aid provided by the United Kingdom, were provided with mainly infrastructure projects because, according to British officials, this represented a meshing of British aid objectives and the recipients' highest priorities. When meeting donor country foreign policy objectives, France's extensive technical assistance program is designed, in part, to promote the goal of spreading the French language and culture. All the other donors we studied provide increased types of aid to countries viewed as important to the donors, while fewer varieties go to countries where the donors maintain a limited presence.

Serving the donors' commercial objectives are various forms of capital-intensive assistance, including infrastructure projects and the provision of commodities and equipment. These types of aid, which are emphasized by West Germany and the

United Kingdom, result in domestic economic benefits, including increased export and employment opportunities.

A clear reflection of a donor's self-interest in providing aid is the procurement "tying" provision that the donor attaches to its aid (e.g., the recipient is required to use the funds for purchases in the donor country). While international pressure may be one reason a developed country implements a foreign aid program, tying may help that country minimize the domestic costs for such a program. For example, the interests of local industries which produce the goods and services used in the aid program are favored, often at the expense of the recipient. Procurement tying is affected by formal, informal, and indirect means or through the direct provisions of goods and services.

Each donor studied has some formal requirements for tying the aid that is provided. However, as shown in Table 7, the proportion of "tied" aid from each donor varies from the more stringent approach of the Canadians to the more lenient approach favored by the Swedes.

Table 7

Tied Bilateral Grants and Loans, 1981  
(percent of gross disbursements)

	<u>Percent of all grants</u>	<u>Percent of all loans</u>
Canada (note a)	83.7	80.2
France	47.2	53.4
Sweden	16.1	0.0
United Kingdom	78.3	75.4
United States	54.7	72.4
West Germany	34.4	16.3

a OECD estimate.

Source: OECD, Development Cooperation, 1982

In addition to formally tying aid through the use of regulations, some donors have used informal means to ensure that the aid they provide flows back into their economy. For example, OECD reported that almost three-quarters example, the French, with the French culture and language remaining in most of their recipient countries, have a unique means to support their commercial interests. Donor countries also may informally encourage recipients to expend aid on donor country goods and services. West Germany and Sweden have been able to encourage recipients to purchase and use their goods and services for most of the development assistance provided. For example, OECD reported that almost three-quarters of West Germany's bilateral Official Development Assistance was provided in "untied" form during 1981; however, 58 percent of this aid led to procurement in Germany. Sweden, which tied only 16 percent of its grants

estimates that one-half the aid it provides is spent on Swedish goods and services.

PROJECT AND NON-PROJECT ASSISTANCE:  
VARYING TYPES OF AID AVAILABLE  
TO ALL DONORS

For the purposes of this study, we discuss two types of aid--project and non-project. A general DAC definition of project aid is that it represents an investment of assistance aimed at specific development objectives with fixed resources for a given timeframe. This aid provides all or part of the financial cost of a single identifiable activity and can range from developing a rural cooperative of small farmers to constructing large capital infrastructure, such as a railroad or power plant. This limited scope is intended to allow more effective donor and recipient country agreement to direct the use and purpose of this aid. Project aid is favored by bilateral and multilateral donors as it enables the donor to select, control, and identify specific projects. Bilateral donors can thus ensure that the aid they provide is being spent in demonstrable ways.

Non-project or program assistance, for which there is no general definition, covers a wider variety of forms of assistance, including food and commodities, debt and disaster relief, and general balance-of-payments support for geographic or financial sectors. Non-project assistance, in addition to grants and loans for specific program purposes, can be provided in the form of foodstuffs, mechanical equipment and spare parts, fertilizer, and cash transfers for general non-specific, balance-of-payments support. Aid recipients favor non-project aid but there are several constraints on its use, including (1) donor government and public prevailing sentiment that this form of aid may be less effective in promoting long-term development and (2) concern that non-project aid is not adequately accountable and is vulnerable to being preempted for other than agreed uses. OECD has reported that, in some instances, more administrative time is required to prepare, implement, and monitor non-project aid than project aid.

Balance-of-payments difficulties confronting developing countries and AID's role in providing assistance to solve these problems is discussed in our recent report to the Secretaries of State and Treasury and the Administrator of AID.<sup>1</sup>

The connection between a donor country's aid program and its foreign policy and commercial interests is clearly reflected by the conditions attached to its assistance. Such conditions can include (1) the tying of aid, (2) a commitment of recipient

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<sup>1</sup> "U.S. Development Efforts and Balance-of-Payments Problems in Developing Countries," Feb. 14, 1983 (GAO/ID-83-13).

country resources to the development activity, and/or (3) an agreement by the recipient country to institute official policies consonant with the donor country's point of view concerning development needs; i.e., donor insistence that the recipient country comply with International Monetary Fund conditions.

In commenting on our draft report, AID felt that a more balanced comparison of the management implications of project and non-project assistance was warranted. Therefore, this section was revised to present the advantages and disadvantages of each type of aid.

THE UNITED STATES: NUMEROUS  
SMALL-SCALE, RURAL-ORIENTED  
DEVELOPMENT ASSISTANCE PROJECTS

The United States provides both project and non-project assistance to recipients. As part of its overall bilateral assistance program, Development Assistance funded activities are usually project aid, often for small-scale projects. Non-project aid is primarily provided through ESF and Public Law 480 Food for Peace programs. In its 1981 submission to DAC, the United States reported that approximately 70 percent of its ESF assistance was "non-projectized," divided between commodity import assistance (16 percent) and cash transfers (53 percent).

As discussed on page 16, AID followed the traditional strategy of development until the early 1970s when a major reorientation of U.S. aid policy occurred. Under the New Directions mandate, emphasis was placed on those activities that directly addressed the basic needs of the poor. This emphasis, according to AID officials, has resulted in a rural-oriented development assistance program delivered primarily through a large number of discrete, small-scale projects.

Management problems and  
subsequent solutions

According to AID's fiscal year 1981 Portfolio Supervision Report and comments by AID officials in Kenya, Tanzania, and Cameroon, the emphasis on many discrete, small-scale projects has placed a management burden on AID field missions. In recent years, the number of projects has been increasing, rising from 1,550 in fiscal year 1975, to 1,970 in fiscal year 1980. Concern over what the AID Portfolio Report characterizes as a trend toward project proliferation was expressed in a report on the 1982 Foreign Assistance and Related Programs Appropriation Bill in which the House Appropriations Committee questioned whether the large number of projects represented a wise use of limited administrative resources. AID headquarters has recently issued guidance encouraging field missions to concentrate on fewer, but larger, projects and to limit new project starts. As a result, the number of new project authorizations has begun to decline, with field missions increasingly applying their allocations to

partially funded ongoing projects instead of initiating new projects. According to AID's Portfolio Report, these efforts, along with a shift toward non-project assistance, will help streamline AID's programs so they are more in keeping with current staffing levels.

In a deliberate attempt to streamline its program, the AID mission in Cameroon reduced the number of projects in its portfolio from 56 in September 1980 to 19 in April 1982. Although the AID program has been increasing in volume and still emphasizes rural development, it now features larger projects. This will result in management benefits, an in-country AID official noted, in terms of spending less time on the administrative tasks associated with individual projects. The U.S. Ambassador said that concentrating resources on these larger projects gives AID--and thus the United States--an identifiable, as opposed to diffused, image and allows more potential for policy leverage. Similar views were expressed by the Deputy Chief of Mission of the U.S. Embassy in Tanzania.

According to officials at AID headquarters and field offices in Kenya, Tanzania, and Cameroon, emphasis on small-scale projects designed for the basic human needs of the rural poor often limits the mission response to recipient needs as well as U.S. foreign policy interests, sometimes resulting in unduly high administrative costs to achieve very limited political or developmental objectives. These officials think that AID may have been excessive in its response to the New Directions mandate by tending to exclude from its Development Assistance program other developmentally sound activities which, in practice, are now mostly accepted only under the ESF program.

For example, AID officials in Cameroon think that reaction to the mandate has discouraged using other types of aid in the Development Assistance program. For instance, in 1978, AID committed \$7.6 million to a \$66-million phase of a multidonor railroad construction project in Cameroon, known as Trancam III. However, despite the Cameroonian Government's expressed desire for continued AID participation in the project and the success of the previous phases, the AID mission decided not to participate in the next phase on the basis that this infrastructure project would be perceived in AID headquarters as inconsistent with New Directions and thus not worth the effort to design or justify.

#### More flexible forms of aid are available

According to AID field officials assigned to three countries visited, commodity import programs (CIPs) address one of the most pressing problems of the developing world--a shortage of foreign exchange. CIPs can offer developmental benefits by providing the recipient with the raw materials and spare parts needed to keep its economy moving, allowing for the prospect of development. Examples of CIP fiscal year 1982 activities

include a \$10-million program in Kenya which primarily provides fertilizer to increase agricultural production and a \$100-million program in the Sudan which includes agricultural commodities, power generating equipment, and spare parts. The commodity imports provided to these recipients are funded through ESF and not Development Assistance. In both countries, commodity imports are also used to promote the economic reform considered necessary for development. According to AID field officials, CIP assistance can be readily targeted to critical areas and, unlike project aid, can be introduced, increased, or terminated with relative ease. AID officials in three of the countries we visited stated that they could administer this more flexible form of aid to attain the goals established by the New Directions mandate.

Both infrastructure projects and CIPs offer several advantages from development considerations, AID field officials said. First, because of its flexibility, CIP assistance is especially suited for achieving political objectives (e.g., seeking access to military facilities) and also through the visibility offered by infrastructure projects, which can serve as a constant reminder of U.S. assistance. Second, when U.S. sources are used, infrastructure projects and CIP activities offer commercial advantages, providing export opportunities and opening potential future markets. Finally, as compared with small discrete rural development projects, non-project assistance can be administered with relatively few staff. For example, the \$100-million CIP program in the Sudan is managed by one supply management officer and a local national. This compares with the approximately 12 project officers required to administer the mission's \$22.9-million Development Assistance program. In commenting on our report, AID cited some of the "hidden" management costs associated with non-project assistance which are not necessarily reflected in non-project related staffing figures (e.g., administration of local currency generation and economic expertise required to promote policy reform).

#### CANADA: RECIPIENT CATEGORIZATION DETERMINES TYPE OF AID AVAILABLE

The Canadian bilateral aid program can best be described as project-oriented grants provided to a select group of developing countries. The types of bilateral aid available range from supporting the recipient government's budget (as the French have done in their former colonies) to funding multifaceted, integrated development projects. In all, Canada has more than 20 different types of bilateral aid at its disposal. However, as discussed in the preceding chapter, the specific type of aid allocated to any given recipient depends on that recipient's categorization or importance to Canada. While all types of aid are made available to the 27 countries considered to have "special importance," the types of aid allocated to the remaining 60 recipients are limited.

The composition of Canada's bilateral aid program reportedly reflects the current and future needs of the recipient, Canadian capacities, and, in the interest of efficiency, the Canadians' desire to limit the number of sectors supported. Consequently, the Canadians think they have the necessary expertise and capability to best assist agriculture and activities directly related to food production, energy, and human resource development. Canada anticipates that 80 percent of its bilateral aid will be programmed to these areas from 1982 through 1987.

Almost two-thirds of the bilateral aid disbursed by Canada during 1981 was in the form of grant assistance and, in those instances when loans were involved, the financial terms varied according to the recipients' economic conditions. Since 1977 all bilateral aid to "least-developed countries" has been provided on a grant basis and all outstanding loans to this group of countries (\$273 million) were converted to grants during 1978.

#### Independent research assistance available to all recipients

As discussed on page 22, bilateral research assistance is provided by the autonomous International Development Research Centre (IDRC). Although funded by the Canadian Government, IDRC is directed and controlled by an international board of governors, each with a scientific background or interest. Other factors cited by IDRC officials as contributing to the independent nature of this organization are that IDRC (1) is able to fund research projects in any developing country and is not restricted by recipient categorization or geographic location, (2) is exempt from Canada's 5-year development assistance planning cycle and procurement tying regulations, and (3) employees are not members of the Canadian civil service.

With its primary purpose to provide a basis for research in developing countries, IDRC funds projects by individual scientists and not those from universities or institutions. Funds provided to these individuals, according to IDRC officials, are for research equipment, transportation, etc., and not for salaries. For the year ending March 31, 1982, IDRC was funded at approximately \$44 million, with IDRC officials expecting funding to double by 1985. Although IDRC funded over 1,200 projects between 1970 and 1981, the general lack of an educational base has reportedly hindered its efforts to find "meaningful projects" in Africa.

#### Conflicting views on Canadian procurement tying requirements

Canadian procurement regulations require that 80 percent of all bilateral aid be tied to the procurement of Canadian goods and services. While CIDA officials we contacted acknowledged

that these regulations have caused some delays in project design, and implementation, they said that, overall, the tying provisions are advantageous since they apply to the bilateral program as a whole rather than to individual projects. Consequently, Canada is reportedly able to tailor specific projects to recipient requirements rather than to donor regulations, and such flexibility permits room for timely and responsive decisionmaking. In recent years, according to one Canadian official, the government has interpreted the tying requirements more leniently and has not allowed them to become an overriding obstacle to meeting the needs of the recipient.

FRANCE: TAILORED TYPES OF AID  
TO SELECTED RECIPIENTS

The French bilateral aid program is characterized by an emphasis on non-project technical assistance for traditional, mainly French-speaking, recipients and the use of easily administered aid types for the other recipients. The composition of the French program reflects a tailoring of aid types to France's aid-giving objectives and to the limited availability of administrative resources.

Non-project aid: the provision of  
expertise and financial assistance

According to French aid officials in Paris and available documents from the DAC, France's technical assistance consists primarily of teachers, experts, and advisors often working in recipient institutions or seconded to the host government. For the traditional, mainly French-speaking recipients, about 12,000 such personnel are provided, primarily teachers at the secondary school and university levels; other personnel include agricultural, communications, and medical experts, as well as those engaged in social or cultural activities. In Cameroon, for example, France provides over 700 technical assistance personnel, mainly teachers, but including about 70 doctors and several air traffic controllers and other specialists. Similar technical assistance is provided for non-French-speaking recipients, but the number of personnel sent abroad is smaller, with a greater emphasis on scholarships for training in France. For example, the technical assistance program in the Sudan, a non-French-speaking recipient, consists of 10 scholarships for post-graduate studies in France, 10 language teachers, and 10 experts in health, agriculture, and geology.

DAC concurs with the conclusions of various independent analyses that France's technical assistance is geared to spreading the French language and culture and, for the French-speaking recipients, maintaining close ties with the former colonies. A French foreign ministry official noted there are long-term commercial benefits to be gained from a program that can make a recipient familiar with the French language and culture and gain its trust through the close, ongoing working relationships that

are characteristic of a technical assistance program. From a strictly developmental standpoint, French officials state that technical assistance allows for "institution building," or the transfer of skills necessary for the recipient to eventually undertake development activities on its own. On the other hand, the concentration of French technical assistance on, and the large French influence in, formal education was criticized by an American University study<sup>2</sup> as irrelevant to the needs of many recipients and has resulted in a diffused aid program in such sectors as health and rural development.

The administration of France's technical assistance program is largely centralized and personnel are recruited in Paris. This emphasis on technical assistance, according to DAC, minimizes the administrative burden on both the recipient and French authorities, and allows for a quick disbursing program. Discussions with French officials in four recipients visited indicate that their day-to-day involvement with the technical assistance program is limited, with little in-country monitoring or administrative support required. For the non-French-speaking recipients, technical assistance is handled in-country by the embassy's cultural attache, with no separate aid presence required.

Another type of non-project aid used by France is the budgetary assistance provided to recipients experiencing balance-of-payment difficulties. According to a French submission to the DAC, such assistance can be either general in nature or limited to specific items; e.g., operating costs for a particular ministry. By its nature, budgetary support is to be quickly disbursed. This non-project aid type is available only to traditional French recipients.

Besides the relatively small technical assistance programs administered by the embassies' cultural attaches, France's other non-French-speaking recipients receive various forms of capital assistance.

#### Project aid: the use of semi-public organizations in development

Project assistance for the traditional recipients<sup>3</sup> emphasizes capital infrastructure activities. Projects are carried out in conjunction with one of a wide range of local bodies, including private contractors, local development banks, and

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<sup>2</sup> Arnold, Steven H., "A Comparative Study of Five European Development Assistance Programs," The American University, Washington, D.C., Feb. 1982.

<sup>3</sup> For purposes of this discussion, the term "project assistance" excludes any project carried out under mixed credit financing.

semi-public organizations responsible for a given sector, such as electricity or food processing. The DAC has recognized the "institution-building" benefits of this approach, despite the fact that in most cases it is a French company that actually executes the project.

In its DAC submissions, France indicates that its capital projects are more difficult to administer than technical assistance. Although feasibility studies are performed by headquarters staff or hired consultants, French aid officials in Cameroon are involved in both project identification and appraisal, holding informal talks with the recipient concerning project potential and providing input to the visiting consultant or headquarters team. During implementation, the in-country aid staff in Cameroon oversees the financing of the project and monitors its technical progress through reviewing periodic progress reports and visiting the project site. It was noted that infrastructure projects were easier to visit since they are usually near cities, whereas rural development activities tend to be scattered throughout the country.

#### SWEDEN: BEING RESPONSIVE TO EXPRESSED RECIPIENT NEEDS

The Swedish aid program uses a wide variety of aid types, which in 1978 consisted of one-third project aid; about one-third general support, which included commodity imports and cash transfers; and the balance consisting of sector support, which is a compromise between project and non-project aid and humanitarian and emergency relief aid.

#### Project aid: a response to an articulated need

Sweden's use of project aid includes basic human need type activities (i.e., health, rural development, and agriculture) as well as large-scale industrial undertakings. The type of project involvement is largely determined by the recipient since Sweden's philosophical approach is to respond as quickly as possible to articulated needs. Consequently, on occasion, Sweden may undertake a large infrastructure project that has questionable developmental value. Persuading the recipient to request a different type of project, Swedish aid officials said, infringes on the country's sovereignty. According to SIDA officials, Sweden has recently shifted away from project aid because it does not sufficiently involve the recipient in the development process. These projects, the officials stated, tend to be executed in isolation from other developmental activities, resulting in aid programs that lack integration.

Sector support: a compromise between project and non-project assistance

Sweden defines sector support as providing financial assistance to a needy area (e.g., forestry or health) without pre-termining the specific activities or projects to be funded. This allows both donor and recipient the flexibility to select what activities should be undertaken to develop a given sector. SIDA officials said that ideally Sweden's financial contribution can be integrated into the recipient's development plan, enabling the recipient to use its own judgment to identify and implement specific activities. SIDA officials also said that sector support provides budgeting flexibility by allowing funds to be shifted within the sector as the need arises without donor administrative involvement. In Tanzania, we found such shifting of funds from project aid to commodity imports. SIDA headquarters officials consider sector aid a middle ground between the narrow scope of projects and the transfer of resources using cash payments or commodity imports.

As part of its \$75 million 1981 program, Sweden provided Tanzania with several sector support grants. One grant, involving \$4 million for the Tanzanian forestry sector, illustrates how this type of assistance is used. While not identifying the specific activities to be supported within the forestry sector, the grant was allocated based on the recipient's development plan. The responsible recipient ministry will administer grant-funded activities, with monitoring by the SIDA development cooperation office. SIDA officials stated that this integrated approach allows the host government to assume greater responsibilities than would be found using the discrete project approach.

Officials at SIDA headquarters said they advocate the sector support approach for many reasons. First, it is administratively flexible and suited for adaption to many situations and conditions. It has budgetary flexibility allowing for reallocation of funds among the different activities as the need arises. Second, it enables greater recipient involvement, resulting in greater commitment and a sense of responsibility. This allows the recipient to integrate the donor's contribution into its overall planning process. Finally, sector support is administratively more efficient for the donor since it requires a smaller in-country presence. However, the officials admit that with these advantages the donor must accept less program accountability and control.

Non-project aid: budgetary and commodity import support

Sweden provides general support using budgetary assistance and commodity import support. Budgetary assistance usually involves cash transfers and can be used to finance local recurring costs. Support for commodity imports finances not only

food and fuel, but also equipment and raw materials. According to Swedish aid officials, commodity import support is largely tied to the procurement of Swedish goods and services. The director of the SIDA development cooperation office in Kenya stated that Sweden provides the Kenyan Government with railroad cars and fertilizer under this program. The director stated that the tying of commodities to Swedish sources illustrates the growing commercial emphasis within the Swedish aid program.

THE UNITED KINGDOM: EASILY  
ADMINISTERED TYPES OF AID

Senior ODA officials said that the composition of the United Kingdom's bilateral aid program is determined by recipient needs, aid objectives, and concern over limited administrative resources. During 1980, 63 percent of Britain's bilateral aid consisted of financial assistance (mainly infrastructure projects and non-project aid), while the remaining 37 percent consisted of technical cooperation (the provision of experts and training.)

Non-project aid: provision  
of expertise and resources

Britain's technical cooperation program is intended to develop the technical know-how and expertise necessary for a recipient to eventually assume responsibility for the development process. In 1980, this program provided 1,670 fully funded and 4,841 partially funded personnel, which included teachers, administrators, and technical experts, some under contract to the recipient governments, and a grant supporting 1,100 volunteers. Technical cooperation also financed about 15,000 recipient students, primarily in Britain, and funded various scientific organizations performing research to support overseas development activities.

The expertise provided is often considered a precondition for a successful program of financial aid or investment. Also, according to British ODA headquarters officials, technical cooperation lends itself to centralized management from London, posing a minimal administrative burden on in-country staff. For example, British High Commission officials in Sierra Leone stated that they have only limited responsibility for the 48 technical experts assigned in the country, 18 of whom are fully funded experts on 2-year contracts serving in various advisory roles throughout the Sierra Leone Government. Responsibility for recruiting and training these 18 technical experts rests with ODA in London. The host government recruits and hires the remaining 30 officers, whose salaries are supplemented by ODA. The High Commission is responsible only for ensuring that performance appraisals are completed, facilitating clearance of household goods through customs, and other administrative chores. Britain's technical cooperation program in Sierra Leone amounts to about \$3 million annually.

Within its financial assistance program, the United Kingdom provides non-project aid for such general economic support areas as import financing, food aid, and debt relief. It recently agreed to provide \$9.6 million in aid for food and balance-of-payments support in response to a short-term crisis in the Sudan. Non-project financial aid also provides the raw materials and spare parts necessary to expand or maintain productive capacity, such as the road building equipment and related spare parts provided to Sierra Leone.

British aid agency officials in London said that non-project financial aid, like technical cooperation, requires relatively few in-country staff with a limited need for appraisal and monitoring. ODA officials in the field and headquarters cited advantages of flexibility and quick disbursement as well as export opportunities created through providing British-produced commodities. However, they said that the impact of such aid is difficult to measure and accountability is equally difficult to maintain. Finally, a senior British aid official noted that, while non-project financial aid is best for countries capable of administering such assistance, those recipients with the least administrative capability often have the greater need for the commodities and other imports that non-project aid provides.

Project aid: contracted activities  
necessary for development

Project assistance provided by the United Kingdom is primarily concentrated in the building of recipient infrastructure in such areas as transportation and power generation facilities. This concentration is based on a number of considerations. From a developmental standpoint, British aid officials in Tanzania and the Sudan stated that such activities were a high recipient need, adding that essential infrastructure is required before other developmental activity can be effective. British infrastructure in Tanzania focuses on an \$82-million road building project, while in the Sudan the emphasis is on a \$128-million grant to increase power generation capability. Headquarters and field officials also pointed out that the commercial benefits of this type of aid include domestic employment and export opportunities in the United Kingdom, as most infrastructure projects are undertaken by British contractors.

British officials both in London and in Africa said that, administratively, infrastructure projects require a relatively small in-country presence as implementation can be readily contracted out, with administrative costs built into the contract. In Sierra Leone, where project assistance has recently shifted from rural development to bridge building and road construction, High Commission officials said that infrastructure activities offer relatively greater accountability, i.e., more assurance that funds are properly used, and quicker disbursement. The shift to infrastructure projects in Sierra Leone also reflected

an attempt to limit staff levels, since this is a recipient for which Britain's small aid program has limited objectives.

As discussed earlier, both commodity aid and infrastructure projects were said by British aid officials to provide benefits to the British economy. Therefore, these types of aid appear consistent with what aid policy officials described as Britain's increasing attention to its economic objectives for providing aid. These officials claimed this policy was articulated in a February 1980 statement before the House of Commons in which the Minister of Overseas Development referred to a need to give greater weight to "political, industrial and commercial considerations" in allocating British aid. Even before this statement, attention to economic objectives was reflected in what is known as the "Aid and Trade Provision," an amount set aside in the aid budget for commercially important development projects in countries where Britain normally does not provide aid or the planned allocation is already committed. Established in 1977, this provision is made available in association with other export credits to help British exporters match aid-assisted bids by their foreign competitors. The annual amount set aside for this provision has been increasing in recent years and amounted to \$97 million for 1982.

#### WEST GERMANY: LARGE PROJECTS TO SATISFY FUNDAMENTAL DEVELOPMENT OBJECTIVES

West Germany's bilateral aid is delivered primarily in the form of discrete individual projects, with an emphasis on large-scale capital aid, mainly such infrastructure projects as dams, roads, and other power and transport facilities. Project aid also includes smaller scale rural development and other activities which involve providing experts to recipient institutions. These types of financial cooperation accounted for about three-quarters of West Germany's 1981 bilateral aid commitments; non-project aid accounted for the remaining quarter, used mostly for providing experts tied to specific projects of West Germany.<sup>4</sup>

#### Project aid: commercially advantageous for meeting developmental needs

According to German aid officials at the headquarters level and in the Sudan and Kenya, capital assistance aid, which is implemented by the KfW, is based on fundamental development objectives. These objectives are reflected in a KfW appraisal checklist for capital project proposals in which satisfying basic human needs is set forth as an explicit criterion along with employment generation, recipient developmental priorities, the living conditions of the majority populations, and the environmental and socioeconomic impact of the proposed activity.

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<sup>4</sup> Referred to hereafter in this particular discussion as Germany.

Capital assistance also serves what aid headquarters officials acknowledge as Germany's significant commercial objectives in providing aid. Although aid is generally not tied to the use of German products or contractors, as much as two-thirds of Germany's capital assistance flows back to the domestic economy. For example, in its management support of Sierra Leone's Road Transportation Corporation, Germany provides Mercedes-Benz buses. Similarly, a German firm is handling a \$71 million harbor construction project in the Sudan.

German aid and embassy officials of three of the recipients visited noted that implementing infrastructure projects is almost entirely handed over to consultants or contractors, with administrative requirements built into the contracts. Discussions with embassy officials stationed in four recipients visited indicated that German involvement in such projects is limited to occasional site visits and keeping an "overall watch" for any irregularities. According to KfW officials, capital assistance projects are generally provided on a loan basis; however, a number of "least-developed countries" receive grant assistance for these projects.

According to discussions with headquarters officials, most of Germany's technical cooperation is in the form of relatively small-scale projects financed by grants from the GTZ. The projects provide about 1,350 technical experts on 2-to 3-year contracts, who often work through local recipient institutions. Another 30 to 40 experts are seconded to recipient governments. Sometimes a technical expert will be assigned to a capital infrastructure project.

Embassy or aid officials in four recipients we visited maintain that technical cooperation projects are not as easy to administer as compared to what one German official in the Sudan described as the more "self-contained" capital assistance projects.

Non-project aid: technical experts  
and more liquid forms of aid

According to KfW officials, about 20 percent of that organization's program consists of non-project aid, usually provided as balance-of-payments support or commodity imports to countries selected on the basis of political considerations. Non-project financial aid is usually given when the recipient is in extreme need of foreign exchange or if no satisfactory projects can be found but Germany, nevertheless, wants to provide aid. The advantages cited for this type of aid include its efficient administration and quick disbursement. Aid officials in Germany stated that no appraisal is performed for non-project financial aid and that monitoring and evaluation are very limited.

## CHAPTER 4

### ADMINISTRATIVE REQUIREMENTS PROVIDE

#### PROGRAM ACCOUNTABILITY AND FINANCIAL CONTROL

##### BUT CAN ADD SIGNIFICANTLY TO THE COST OF PROVIDING AID

Donors levy administrative requirements on aid activities to ensure accountability and control as well as to increase program effectiveness. The stringency and complexity of the procedures used by the donors to develop, implement, evaluate, and fund aid activities vary according to many factors, including the number of legislative requirements, degree of accountability required, type of aid used, and staff resources available.

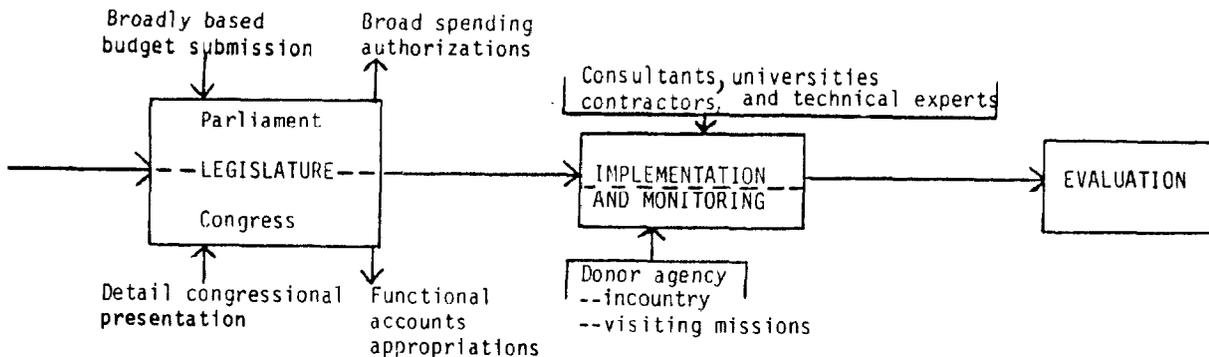
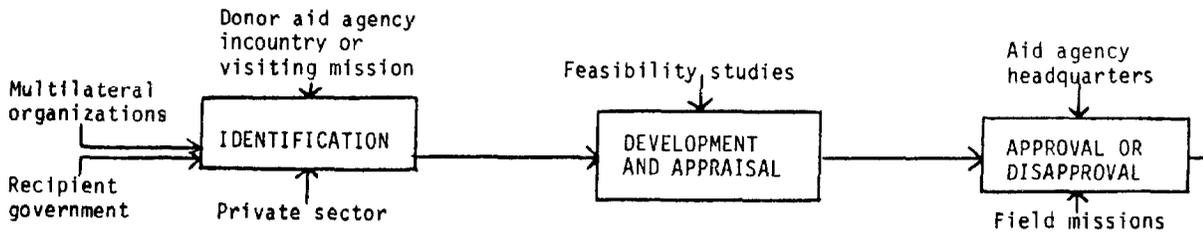
Even though some donor administrative procedures are characterized as being excessively rigid, these procedures are at least partially offset by using certain types of aid (e.g., capital infrastructure or commodity import programs) that are not as complex or difficult to design or implement. Also, some donors levy rigorous procedures during selected stages of the programming process and relax them elsewhere. Nevertheless, the varying approaches illustrate the different tradeoffs that donors have made to increase efficiency, timeliness, and responsiveness while lessening the degree of administrative complexity.

We received full cooperation from the five donors visited, but the amount of detailed data available was limited compared with our greater access and time spent with U.S. program data and officials. Furthermore, much data for other donor activities resulted from external independent studies, statements of donor officials, and select internal documents presented by donor aid agencies and officials. Consequently, in some instances, information presented is the result of uncorroborated statements by donor officials and documents which were made available to us.

##### THE PROGRAMING CYCLE: A FOCAL POINT FOR COMPARISON

As used in this discussion, the term "programming cycle" refers to the process by which an aid activity progresses from conception to eventual implementation and evaluation. The basic elements of the programming cycle are the same for all donors and consist of project identification, development, and approval; legislative authorization; implementation and monitoring; and evaluation. Procedures and terminology vary among the donors, but the following diagram presents the basic sequence of events in a programming cycle.

Development Assistance Programming Cycle



Development activities are initially identified by many groups, including recipient government officials, donor officials in-country or visiting from headquarters, representatives from multilateral organizations, and members of the private sector. After an activity has been identified, the donor appraises the concept's viability, assessing technical and economic feasibility. This appraisal is then reviewed and a decision (approval/disapproval) is reached by either the headquarters or field staff, sometimes depending on the donor's specific procedures, the size of the activity, and/or value. Legislative approval and funding can either be perfunctory or consist of detailed scrutiny. Implementation is generally processed through such intermediary organizations as contractors and universities, private voluntary organizations, or individual technical experts. However, actual donor involvement usually involves monitoring and, in some cases, providing administrative support during the implementation stage. Once completed, an activity may receive a formal evaluation, but there is considerable variation among the donors regarding the objectives and coverage of evaluation.

## GENERAL OBSERVATIONS ON THE VARIETY OF ADMINISTRATIVE REQUIREMENTS

The United States and other donors we studied use a wide variety of administrative procedures, some more burdensome and time-consuming than others, to implement their respective development assistance programs. The differences between the donor approaches reflect many variables, including the extent of legislative oversight, types of aid used, and availability of administrative resources.

AID's demanding approach to the programming cycle is attributed to a combination of congressional and agency concerns for accountability and control and the difficulty and complexity in developing and implementing New Directions-type projects. Mission officials feel constrained by congressional requirements and AID procedures that have to be observed during the project design stage and view the benefits resulting from these requirements and procedures as marginal. They further said that, simply by their nature, projects designed to address such basic needs as nutrition, literacy, and employment are slower to disburse and implement than infrastructure projects or non-project resource transfers.

Congressional involvement through the programming cycle is one of the unique characteristics of the U.S. aid program. The Congress exercises detailed control and scrutiny of the aid-giving process by placing demands on AID in terms of project justification and approval. These demands are said to increase the staff and calendar time required to develop and implement the development assistance program. The level of legislative scrutiny varied among donor countries. Except for the United States, donors provide considerable discretion to aid agencies for program monitoring and evaluation and more flexibility to shift funds among programs and recipients.

West Germany and the United Kingdom stress the project appraisal stage of the programming cycle and relax requirements elsewhere. West German aid officials cite their aid agency's centralized organizational structure as requiring a rigid and rigorous appraisal system because they are unable to have close and frequent monitoring during implementation. British aid officials emphasize the importance of the appraisal stage and the need to reduce, later in the cycle, the administrative burden on both donor and recipient. France is able to relax monitoring and evaluation because of long-term and enduring relationships with its former colonies. These donors also emphasize those types of aid that do not impose the same administrative burden for which rural development projects have been cited. France and the United Kingdom use a high proportion of non-project technical assistance that does not require the rigorous appraisal process normally associated with project aid. West Germany concentrates on project aid, but stresses infrastructure

projects that are more cut and dried and predictable than rural development activities, which results in a simplified programing cycle.

The Swedish approach, described as the most innovative among the donors studied, emphasizes the role of the recipient, an approach designed to create a sense of self-reliance and responsibility on the part of the recipient while relieving the donor of certain administrative burdens. Recently the Swedes have increased their involvement, citing the limited capabilities existing among most underdeveloped countries. The flexibility to shift funds varies from the rigorous limits placed on the U.S., French, and West German programs to the flexible Swedish approach of being able to shift funds between projects and types of aid. The requirements to obtain such flexibility to respond to changing conditions in the host country range from an Act of Congress, prior approvals from a central headquarters agency such as the German Ministry of Finance, to the Swedish field office notifying SIDA of what action is being taken.

#### THE UNITED STATES: A LENGTHY AND STAFF-INTENSIVE PROGRAMING CYCLE

AID's approach to the programing cycle has been reviewed by the DAC, which characterized it as being rigorous and time-consuming. AID staff in Washington and the field and an AID-contracted study attribute the stringency of these procedures to the complexity in developing and implementing New Directions projects and congressional and agency desire for control and accountability. The AID programing cycle is intended to provide for legislative scrutiny. AID officials and studies have recently reported that many of the administrative procedures designed to enhance program effectiveness and avoid abuse are costly to administer and may have limited positive results.

The project development and approval process represents a complex and varying set of activities to which AID devotes a considerable portion of its time and effort. This process--the steps leading from identification to project authorization--is intended to ensure both soundness in design and adherence to policy and developmental objectives. An AID-contracted review, "Study of Selected Aspects of the Project Assistance Cycle" by Booz-Allen and Hamilton, Inc., in 1978<sup>1</sup> supports the observation that this stage of AID's programing cycle is time-consuming

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<sup>1</sup> Although this study is somewhat dated, AID officials involved in the programing cycle stated that the process it describes is basically unchanged. Recently approved recommendations involving the programing cycle had not fully been implemented at the time of our review. However, AID reported in November 1982 that it had reduced the time for processing project identification and approval documentation. (See p. 59.)

and staff-intensive, requiring extensive documentation and multiple levels of review. It cites the technical complexity of international economic assistance, New Directions-type projects, and the various legislative and agency accountability requirements as major factors contributing to an elaborate project documentation and review process. Appendix II presents the Study's description of AID's project development and approval process.

#### Why is the programing cycle so elaborate?

The AID mission officials that we visited cited several reasons for their elaborate programing cycle, including the

- extensive AID analytical and informational requirements (e.g., economic, social, and environmental), including the difficult-to-obtain or unavailable data required for New Directions projects;
- need to respond, in the project design, to congressionally directed special interest requirements; and
- numerous exchanges of communications needed to respond to headquarters follow-up questions on mission-submitted projects.

Project officers at three AID missions described the project development and approval process as cumbersome, consuming a considerable portion of the mission's staff resources. While not questioning the need and importance of having proper project development review and approval procedures, field staff was concerned about the drain the current system places on mission resources with only marginal beneficial returns. The Kenyan AID mission, in response to the extensive requirements imposed on project development, established a project division in 1981 composed of a director and three staff members to prepare the necessary documents and ensure that all requirements are met and the information is presented in the proper format. The director stated that many of the requirements resulted in few benefits for ultimate project implementation, but rather, he presumed, were imposed to give AID headquarters and the Congress oversight and control.

#### Conflict over the origin of the rigid programing requirements

According to the study by Booz-Allen, a DAC review, and the CRS study, it is unclear to what extent the rigor of AID's project development requirements is legislatively mandated or Agency imposed. The studies state that the extensive process probably results from a combination of congressional legislation

and a concern for AID's interpretation of New Directions policies and desire for program accountability. The congressional involvement has had a direct impact on project development requirements and, reflecting this, AID has compiled a statutory "checklist" of issues that must be addressed during project development. (See app. III.) The list covers areas of congressional interest as cited in the legislation over the past 20 years. Some examples of the issues to be addressed in this checklist include: how will development assistance encourage private trade and investment abroad? to what extent will the poor be involved in development? and how will women benefit from the development assistance activity? Other donors do not require this type of information from their aid agencies.

AID field staff in three missions visited stated that centralized control over mission-level resources is based on the project-level detail of the submissions that the Congress receives as part of AID's budget request. These officials stated that missions are required to conform to project information as set forth in the congressional presentation and that deviation from this presentation requires a separate justification to both AID headquarters and the Congress. According to field officials, the delay and work associated with these procedures, coupled with a reluctance to expose to congressional review any initial misjudgment in project design, discourages modifications of any project in need of redesign, rescheduling, or other changes. They said that reluctance to seek congressional approval for changes can be particularly damaging because of the long lead time--2 to 3 years--between project identification and implementation. According to AID officials, this early "locking in" may result in a mission implementing projects no longer relevant or meaningful to either the recipient's plans or U.S. foreign policy interests.

In commenting on this report, AID noted that the congressional notification "is generally not considered burdensome in terms of time or work required." Notifications are forwarded to the Congress, which has 15 days to question all significant project changes and all new projects. Regarding the latter, AID said that this procedure was instituted because "it is recognized that substantive changes are likely to be required between the time the Congress is initially informed of a planned activity and the time when the activity is approved."

#### Congressional oversight and budgetary restrictions

The Congress exercises detailed oversight control over the aid program during the annual budget process. AID, like other Federal agencies, is required to make yearly budget submissions/appropriation requests to Congress. This annual presentation contains the Agency's program for the coming year classified by region, country, and specific project. According to a DAC review, the Congress, unlike other donor legislatures, not only

approves overall appropriations for AID but also reviews and comments in detail on programs, sets limits on the nature, purpose, and scale of projects, and authorizes revisions or new development undertakings not included in the annual budget submissions. Thus, after the budget submission, there is an approximately 5 to 6 month period during which the Congress submits the annual presentation to intensive examination. Meanwhile, AID prepares and submits special background papers and other supplemental materials to satisfy congressional informational needs. The appropriations resulting from this process constitute approval for all projects in the congressional presentation.

The Congress has appropriated development assistance funds by sector or "functional account." The 1973 legislation establishing the New Directions mandate also set out new budget categories, enabling Congress to direct AID on program priorities and emphasis and to ensure that project selection is based on basic human needs, a New Directions criteria. The Congress has appropriated development assistance by five specified sectors or accounts: agriculture, rural development and nutrition; population planning; health; education and human resources development; and by energy, private voluntary organizations, and selected development activities. The appropriation process has restricted the amount that AID can spend in each category. Senior officials in AID headquarters maintain that this functional account appropriation system, while designed to ensure congressional control and direction over the use of development assistance funds, limits the Agency's ability to respond to changing developmental needs.

Field officials at two missions stated that this broad functional approach may be inconsistent with the projects and programs developed at the mission level and may result in projects which, because the money is available, are often hastily developed in low priority sectors or in projects rewritten to fit the sectors. For example, the AID Kenya program officer described a case in which the functional account appropriations did not allow funding of a high-priority Government of Kenya agriculture project but did make funds available in the health area, where the mission had not proposed any project; the mission quickly developed a health project to meet funding availability, even though this sector was not being emphasized.

At three missions, field staff cited limitations on their ability to reobligate funds. It is generally required that once funds for a project are obligated, any undisbursed portion cannot be deobligated in later years and supplied to other projects but must be returned to the Treasury. According to these field officials, the requirement to return deobligated funds to the Treasury serves as a disincentive to terminate projects that are progressing unsatisfactorily or that no longer meet developmental needs. They stated that both the mission and the recipient government may be reluctant to identify such a project,

since keeping a project which is achieving only part of its objectives may be preferable to losing all the funds for one that is terminated.

On the other hand, as GAO has pointed out,<sup>2</sup> the authority to reobligate funds which have been deobligated offers little incentive for careful programing and reduces congressional budgetary control. A senior AID official told us that the Agency will be seeking more flexibility regarding reobligation of deobligated funds. Potential improvements that could be made in AID's deobligation process was discussed in a recent GAO report to the Administrator of AID.<sup>3</sup>

### AID's monitoring and evaluation activities

According to the 1981 CRS study, program implementation for AID officials now largely means monitoring the work of the contractors and private voluntary organizations that put the projects into effect. Monitoring activities include visiting a project site, ensuring regulations are observed, and writing periodic reports. AID's role during implementation also involves providing logistic and other administrative support. In general, AID field officials state that stationing staff in recipient countries for monitoring purposes is particularly needed for the type of rural development activities called for under the New Directions mandate because these activities are so complex and difficult to implement. The officials think in-country staff provides the capability to keep abreast of the implementation progress, identify and resolve project problems, and maintain necessary contact with local institutions.

Evaluation is an integral part of AID's overall system for planning and managing its foreign assistance program. Reflecting concern for accountability, AID places high emphasis on evaluating and auditing aid activities, partly because of the New Directions mandate, which has resulted in many small projects which are more difficult to audit. The need for program oversight is further supported by the fact that AID works in a high-risk environment with a high vulnerability to waste, fraud, and inefficiency.

AID conducts two types of evaluations--project and impact. Ongoing project evaluations are usually conducted at the mid-point of a project's life and are intended to examine progress and identify needed changes. These evaluations are suggested by the local missions, whose staffs usually participate in the

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<sup>2</sup> GAO testimony was provided to the Subcommittee on Foreign Operations, Senate Committee on Appropriations, June 18, 1973. See also B-115398, Aug. 15, 1978.

<sup>3</sup> "Potential for Improving AID's Deobligation and Project Analysis Process," Jan. 3, 1983 (GAO/ID-83-25).

efforts. In fiscal year 1981, AID conducted 369 ongoing project evaluations. In 1979, AID initiated impact evaluations which are performed on mature or completed projects and focus on topics of interest to higher management in its forward planning and policy formulation. AID conducted 18 impact evaluations in fiscal year 1981.

AID activities are also reviewed by its Office of the Inspector General, which is responsible for auditing and investigating the efficiency, effectiveness, and integrity of AID's programs and operations. The activities of the AID Inspector General and problems it has encountered in carrying out its responsibilities for auditing and investigating AID's worldwide programs and projects is discussed in our recent report to the Administrator of AID.<sup>4</sup>

#### Recognition of the problems and corrective action initiated by AID

AID has recently recognized the burden and the questionable effectiveness of its design and approval process. A 1982 study contracted by AID's Office of Evaluation stated that "inadequate project development is the single most important underlying cause of implementation delays despite the disproportionately large amount of time AID spends on project design exercises." The study concludes that projects are judged on criteria unrealistic in terms of implementation and are approved as long as they are well articulated and presented in the proper "form." The AID Administrator, in a recent communication to the field offices, acknowledged the criticism that, in the past, the program design process had become an end in itself rather than a tool with which to achieve development objectives. Also, in September 1981, the Administrator agreed to review whether missions had sufficient flexibility to alter project paper requirements, especially for marginal items.

During 1981, AID established a task force to review and make recommendations on how to improve AID's programing and implementation process. As a result of the task force's recommendations, AID has reportedly embarked on a more decentralized style of management and has increased delegations of authority to the AID field missions. In its 1982 review of U.S. development efforts and policies, the DAC notes that AID Mission Directors now have authority to

--approve up to \$20 million for the life of a project (previous authority was limited to \$10 million);

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<sup>4</sup> "Review of Inspector General Functions in Agency for International Development," May 21, 1982 (GAO/ID-82-9).

--amend projects to increase funding by 100 percent of the original authority, up to a ceiling of \$10 million (previous authority was limited to amending only projects approved by the regional bureaus and only minor amendments to projects authorized by the AID Administrator); and

--authorize projects with a length-of-project life of 10 years (previous authority was limited to 5 years).

An internal AID study prepared in November 1982 shows in graphic form (figs. 1 and 2) the agency's progress since 1978 in reducing document processing time for headquarters review and approval of project identification documents, which present the project concept, and project papers, which present the detailed design and implementation plan.

Figure 1  
Average Time for Headquarters  
Review and Approval of the  
Project Identification Document

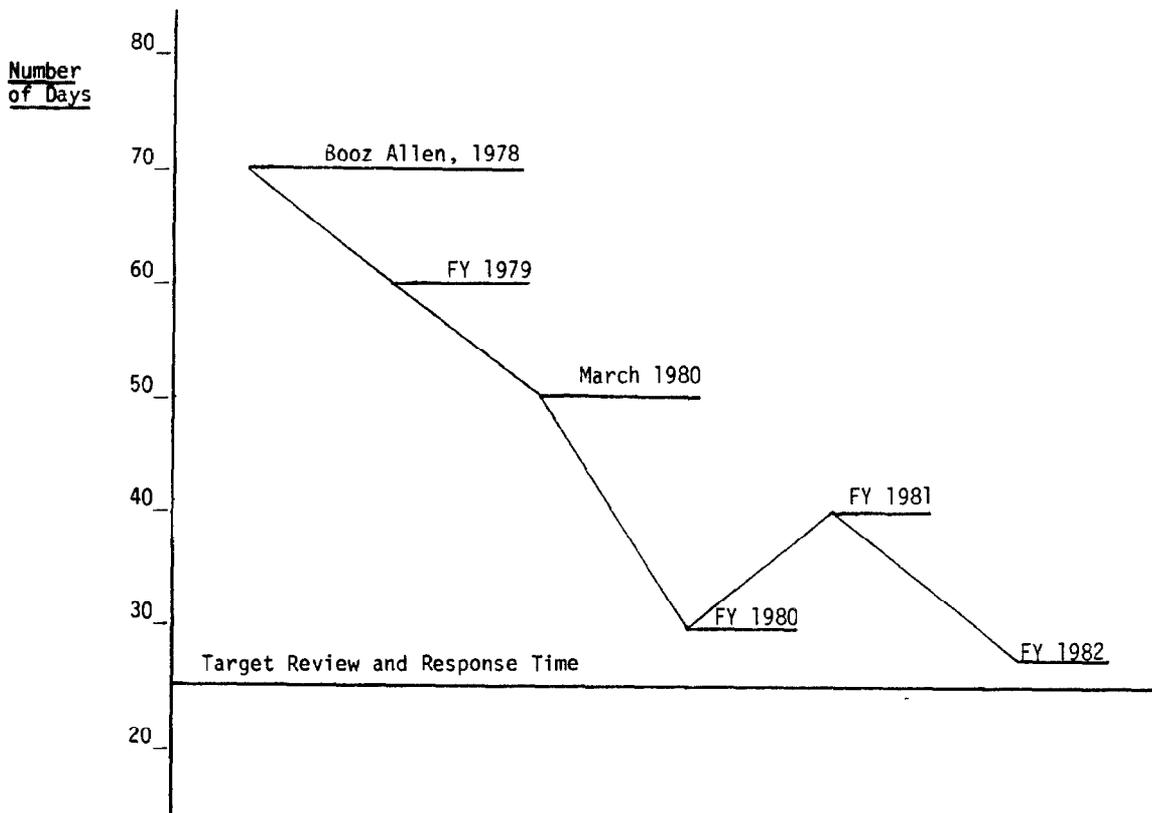
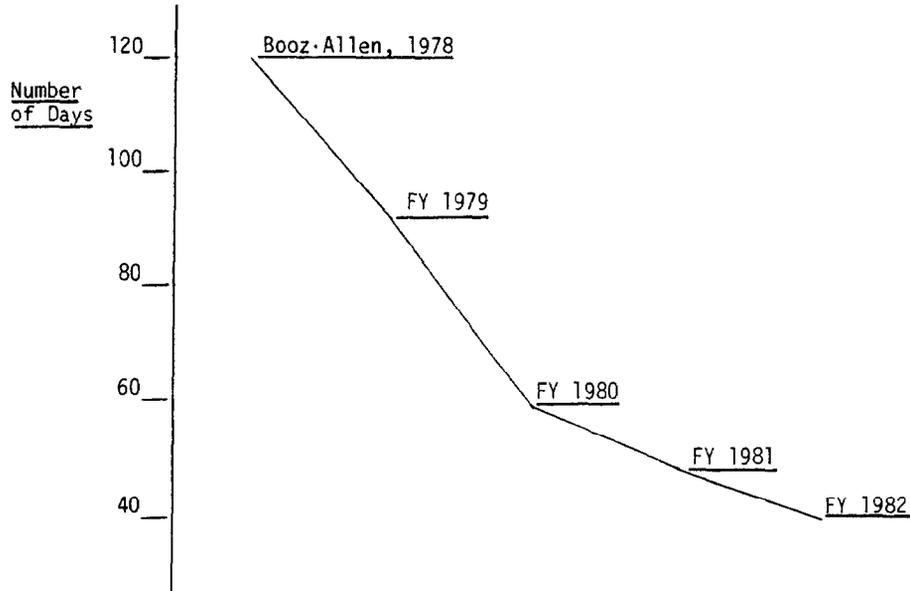


Figure 2  
Average Time for Headquarters  
Review and Authorization  
of Project Papers



It should be noted that the statistics cited reflect only the AID headquarters review and approval process and not the amount of time incurred by the AID missions in developing the project identification document and the project paper. For example, AID data shows that from the time a project identification document was approved until the project paper was received at AID headquarters 1,052 and 997 days elapsed for two agricultural projects in Cameroon, and 1,016 days elapsed for an agricultural project in Tanzania.

#### CANADA: A HIGHLY CENTRALIZED APPROACH

Overall, the Canadian approach to the delivery of bilateral aid is somewhat unique in that Canada has been able to effectively incorporate several implementation features which have been disadvantageous to other aid donors. For instance, Canada provides assistance to a large number of recipients through a highly centralized organizational structure that delegates only limited program responsibility to field representatives.

#### Minimal field responsibility

Within CIDA's organizational structure, the 54 field representatives act as advisors to the resident ambassador on developmental matters, provide a conduit for information between Canada and the recipient, and concentrate on economic and project reporting, program planning, and coordination with other donors.

A CIDA field representative contacted during our review noted that his office spent the majority of time monitoring, not planning, projects. However, he added that most of this monitoring was superficial since the mission lacked the capability for technical monitoring. Another CIDA field representative expressed the opinion that in-country staff should be given increased program responsibility but, due to the government's desire to limit the size of field staffs and the highly centralized nature of CIDA, he did not foresee any increased field programming responsibility.

Prior to 1981, a great deal of confusion reportedly existed as to who was responsible for specific aid projects (i.e., the ambassador, on-site contractors, in-country CIDA representatives, or CIDA headquarters program managers). An official of Canada's Department of External Affairs attributed this confusion to the cognizant Canadian ambassadors' reluctance to assume project responsibility and the government's failure to force such responsibility onto them. This official concluded that presently no one is responsible or accountable for the efficient implementation of CIDA projects. CIDA officials told us this problem continues to exist, but that solutions are "being worked out."

#### Monitoring and evaluation activities are very limited

Until recently, project evaluation has not been an integral part of Canada's aid program. Several CIDA and Canadian government officials told us that, in the past, the primary emphasis of the Canadian program was to disburse funds, with little attention to the results or impact of projects. The Auditor General's 1979 report to the House of Commons said that within CIDA's bilateral programs branch were "major deficiencies in program management and control systems" and "a lack of preciseness in the methods used to evaluate the effectiveness of projects." Primary causes for the general lack of accountability in the Canadian aid program, as cited by various CIDA and Canadian Government officials, include the absence of enabling legislation that would govern CIDA activities, political pressure to attain previously announced aid levels, lack of clear lines of responsibility for field activities, and conflict within CIDA and its operating branches over the role of the evaluation process in the project cycle. CIDA's current approach to project evaluation, according to one agency official, centers on the end results and the lessons that can be learned from ongoing projects. However, it should be noted that CIDA's evaluation unit consists of only nine professional staff members. Subsequent to our February 1982 fieldwork in Canada, the DAC secretariat reported "CIDA is currently reassessing the scope and function of its evaluation activities \* \* \* evaluation is now seen as having a broader role than before in aid management, over-all."

During our fieldwork in Canada, we attended parliamentary hearings on a recently terminated CIDA rural development project in Haiti. The project involved approximately \$18 million and reportedly suffered from recipient mismanagement and insufficient donor monitoring. Canadian officials noted this was the first project terminated by CIDA and represented a milestone in parliamentary oversight, since the legislative body had not previously involved itself in such matters. Unlike the United States, no organization or agency outside CIDA is responsible for monitoring CIDA-funded projects. Canadian auditor general officials noted that audits of individual projects were not currently possible and could be undertaken only by broadening the Auditor General's mandate and by increasing the staff.

FRANCE: ADMINISTRATIVE REQUIREMENTS  
VARY BY THE TYPE OF RECIPIENT

France's administrative procedures vary depending upon the category of recipient. For the traditional, largely French-speaking recipients, French procedures reflect the donor's long-standing, colonial-based relationship and an emphasis on easily administered, non-project technical assistance. For the other recipients, administrative requirements are deliberately kept to a minimum, primarily through the use of aid types requiring no separate in-country presence. France's administrative procedures also reflect a limited degree of parliamentary scrutiny.

DAC analyses and the American University study cite several factors which minimize the administrative burden on French aid in the 25 French-speaking countries receiving the bulk of that aid. First, identifying new aid activities is helped by France's longstanding relationships with these recipients and its extensive field mission network. Second, providing technical experts, which constitutes a large portion of French aid, appears to involve relatively little administrative burden, with less planning than would be involved under a capital project of equivalent size. In addition, the ongoing, recurrent nature of most aid activity in the French-speaking recipients results in less administrative burden than if new programs were continually initiated.

During our visit to Cameroon, discussions with French aid officials illustrate how the enduring relationship between the two countries facilitates the aid-giving process, reducing the need for stringent administrative requirements. According to the aid officials, the Cameroonian Government, as a former colony, was created along similar lines as French institutions, often with the assistance of French experts. Consequently, Cameroon's governmental procedures and legal system largely mirror those of France, making it simpler to harmonize aid relationships between the two countries. Also, the close, long-term relationship between the two countries provides France with an in-depth knowledge of the problems and capabilities of Cameroon, enabling the identification of the most effective projects.

France's role as the dominant donor in the country provides considerable influence over the policies and programs of Cameroon. These factors--stemming from the colonial background--make the French aid process more effective than if Cameroon were not a former colony.

For France's other recipients, aid is handled by diplomatic staffs, with no separate aid agency present. According to French diplomatic personnel assigned to three recipient countries that are not former colonies, administrative requirements are deliberately kept to a minimum, thus reducing the burden placed on the limited staff. This is primarily accomplished by using commercially oriented, concessional Treasury loans for purchasing capital equipment, which typically can be handled by a contractor. The embassy staff participates in preparing the financing document, but the rest of the transaction is performed by the involved commercial parties and the recipient government. For example, in Kenya, the bulk of French aid involves two loans--one for the purchase of commodity handling equipment for the port of Mombasa and the other for communication equipment. According to the French ambassador to Kenya, this aid is handled as a commercial transaction.

Monitoring and evaluation activities are very limited

According to the DAC, monitoring and evaluation are not emphasized in the French system and are not carried out systematically. French aid officials stated that their long-term relationship with the recipients and the continuing nature of the programs reduce the need for formal monitoring and evaluation. The officials said that it is not always cost effective for a thinly stretched field staff to be involved in extensive formal monitoring and evaluation when the staff could more profitably use its time to address problems as they arise.

Limited field flexibility to shift funds

According to the American University study, the French parliament's involvement in the aid program is hindered by its organizational complexity and the large number of ministries and agencies involved. Although the parliament formally approves the aid budget, it is received by the parliament in piecemeal fashion and with little detail, making it difficult to gain any overall perspective. Once the aid program is set, there is minimal in-country flexibility to shift funds among activities; approval must be secured from Paris. However, according to French aid officials in Cameroon, this lack of flexibility is mitigated by the relatively close headquarters/field relationship.

## SWEDEN: A PARTNERSHIP WITH THE RECIPIENT

Sweden's administrative procedures reflect an emphasis on recipient involvement and responsibility and the use of a high percentage of non-project assistance. Sweden has moved away from the traditional model of assistance which involves rigorous preappraisal of individual activities and stringent legal and accounting requirements. The project/program cycle has become so flexible that the distinction between the various stages is now blurred, making it difficult to identify when the cycle begins and ends.

The Swedish development assistance program operates on the principle that planning, implementing, and evaluating projects and programs are primarily the concern and responsibility of the developing country itself. Sweden attempts to integrate its resources with those of the recipient through simplifying requirements and procedures, which reduces the burden both for the aid agency and the recipient.

### Non-project aid minimizes administrative requirements

Sweden relies heavily on non-project types of aid which normally take less administrative work than individual projects. By emphasizing sector support and balance-of-payment aid, SIDA officials think they avoid the lengthy and cumbersome development and approval process normally associated with project aid. According to a DAC review of SIDA's development assistance procedures, the heavy use of non-project aid is partially the result of recent increases in aid volume that were not matched by an increase in aid personnel. There has been a rapid increase in the Swedish aid budget since 1968 when the parliament set a goal of annually appropriating one percent of Sweden's gross national product to development assistance. In order to disburse these amounts, increased non-project aid and liberal procedures for aid processing became almost a necessity.

SIDA officials in Tanzania emphasized that the approach of involving the recipient to the maximum extent possible in identifying, developing, and implementing aid activities lessens SIDA's administrative burden as well as develops self-reliance and a sense of responsibility for the recipient. However, the assistance director of SIDA's Tanzanian development cooperation office admitted that this hands-off approach has led to problems when the recipient does not have the administrative capacity to undertake the tasks necessary. According to this official, the government eventually approached the development cooperation office and requested more technical and administrative assistance to complement the financial transfers that were occurring. This official noted that a modification of the policy to one of "concerned participation" or greater involvement evolved from this situation.

## The Swedish parliament and budgetary matters

SIDA officials said that although the Swedish parliament plays an important role in formulating aid policies and the budget, its involvement does not restrict actual program implementation. Once the budget is submitted to parliament, hearings are normally held by the committee on foreign Affairs, with its findings being reported to and debated by the parliament. Following the debate, the parliament adopts resolutions, which include allocations to individual countries and general guidelines for development assistance policy. The American University study states that occasionally there may be some differences of opinion on general guidelines and country emphasis, but overall they have been minor, and once the budget is approved, the aid agency retains considerable flexibility in implementation.

According to Swedish aid officials, a benefit of SIDA's budgetary system is its internal flexibility to shift funds between aid activities. Officials in the two development cooperation offices we visited said they have the ability to shift funds, when headquarters is notified, between projects as well as between types of aid. In Tanzania, for example, several SIDA projects were suffering from a foreign exchange shortage which prevented the purchase of needed spare parts. Instead of continuing to fund these stalled projects, the development cooperation office had the authority to shift already budgeted funds into a commodity import program for purchase of needed foreign originated spare parts. The office's assistance director thinks that if a donor has a field office, the staff working from that field office must be provided with the authority to act on changing local conditions.

## Evaluation activities are very limited

Sweden places a low priority on evaluation, maintaining a small staff (two or three professionals) with limited responsibility. Basically, Sweden views evaluation as the responsibility of the recipients and has tried to encourage them to undertake it. Also, the non-project character of Swedish aid makes traditional evaluation difficult. According to the chief of SIDA's evaluation unit, evaluations are not conducted systematically but rather ad hoc, as interest arises. To date, the unit has conducted only a few evaluations.

## THE UNITED KINGDOM: SELECTED APPLICATION OF RIGID CONTROLS

The British approach to aid management has been characterized by the DAC secretariat as combining high standards of financial control and accountability with a sense of realism about the administrative burden that can be reasonably imposed

on recipient governments. This approach contains a high proportion of non-project aid and decentralization of authority to field representatives, which has been cited as expediting aid implementation. This firm but pragmatic approach has been adopted in implementing the British aid program.

#### Project appraisal varies by type of assistance

British bilateral aid is distinguished by its high proportion of non-project aid which, according to British aid headquarters officials, places fewer administrative demands on the staff than does project aid. ODA staff said that Britain's technical cooperation and program aid (e.g., budgetary support) do not require detailed project development, justification, and approval. They stated that only a broad macroanalysis is needed to initiate non-project financial and technical cooperation and monitoring and evaluation is minimal. The officials said that the less-demanding administrative requirements associated with non-project aid influences, to some extent, the type of aid Britain is providing today in light of its declining staff resources.

The administrative procedures used for project aid are rigid but are selectively applied. Since project aid usually involves infrastructure projects, Britain has decided to concentrate its review on the appraisal stage while relaxing the other requirements, especially monitoring and evaluation. The theory is that if a project is properly designed, the chances for future problems will be less. A British submission to the DAC states that "careful project appraisal, in particular, is essential both from the point of view of the recipients and that of the British Government to ensure that resources are not wasted on investments with poor return." British officials admitted that their approach to project appraisal imposes a considerable burden on recipient governments in terms of the information required but that the benefits are worth the tradeoff.

#### Project monitoring through British contractors

Arrangements for monitoring vary widely, including visits from diplomatic missions, technical cooperation officers, ODA advisors, and outside consultants. British aid officials in London told us that in 1980 extensive guidelines were issued for recipient and ODA monitoring and reporting requirements. Recently, according to the officials, ODA concluded that the monitoring guidelines were too elaborate and cumbersome and is now in the process of reducing the requirements to minimize the administrative burden on the in-country staff. Officials said that such formal monitoring procedures may not be a productive use of time.

During our visit to the British high commission in Kenya, officials responsible for the aid program described how they use consultants to actually supervise and monitor the work of the

project contractor, which reduces their administrative burden. Although implementation is always the responsibility of the recipient government, actual execution is usually performed by British contractors, who typically have a long-established presence in the major recipient countries. A typical arrangement for capital infrastructure projects is to hire a firm of consultants to visit the work site, prepare progress reports, and resolve technical problems when they arise. The high commission's monitoring role is limited under this arrangement to "looking over the consultant's shoulder" and intervening only when major problems arise. A U.S. AID official from the mission in Kenya described the role of a British consultant as being the same as that of an AID direct-hire project officer permanently assigned to the country.

Evaluation efforts are relatively limited, concentrating on end-of-project results. A three-person evaluation unit supervises about 25 to 30 studies each year, usually conducted by outside experts. The evaluation unit is not intended to audit activities but rather to assess their general effectiveness and suggest lessons learned for the improvement of future projects.

#### Flexibility in funding

Although the British budgetary process is characterized as maintaining tight financial control, the system allows sufficient flexibility to respond to changing conditions. The parliament approves the aid budget, designating only the countries that should receive aid and not approving funds according to sectors or aid types. Even the country designation is not restrictive because a portion of the aid budget is on "unallocated reserve" to react to unexpected developments.

Discussions with British aid officials in Kenya illustrated their discretion in shifting funds between program activities. According to a high commission official in Kenya, after the basically political decision is made on how much an individual country will receive, the local representatives are assigned to develop an implementing strategy. However, if conditions change, the representatives can alter the program, when headquarters is notified. An official stated that if a road-building project was prematurely terminated or scaled down, the left-over funds could be reprogrammed by the high commission, with concurrence from London, into new activities within the county program.

#### WEST GERMANY: A DETAILED, RIGID, HIGHLY CENTRALIZED APPROACH

The West German aid program has been characterized by the DAC as highly centralized with rigid budgetary procedures, detailed legal agreements, and rigorous project appraisals. According to West German aid officials, this approach at least

partially reflects the desire to maintain program control and accountability without having overseas field missions. AID officials also maintain that West Germany's ability to manage a worldwide program with a limited overseas presence is, in part, made possible by its emphasis on capital infrastructure projects which can be easily implemented through contracts.

The American University comparative study characterizes West German aid procedures as being highly centralized, with limited decisionmaking authority delegated to the field. This structure requires project development teams to periodically visit recipient countries to appraise and monitor projects. The KfW--responsible for the capital assistance portion of the German program--conducts, largely through visits from its West Germany headquarters, what it considers very thorough and systematic project appraisals. Although the criteria used to appraise project proposals emphasize economic return and technical feasibility, KfW officials stated that consideration for basic human needs is also stressed. Consequently, even projects without economic viability may be approved if they have sufficient social benefits.

#### Administrative requirements allow for centralized management

KfW officials in West Germany<sup>5</sup> cited several administrative requirements which allow the agency to manage a worldwide aid program with an active staff of 200 employees in Germany. First, all recipients are required to hire KfW-approved consultants (who are usually German) for project management. Typically, the KfW requires, quarterly, or in some cases monthly, progress reports from both the contractor and the recipient. KfW staff make semiannual or annual site visits to monitor project progress. Second, all financial disbursements go directly from the KfW to the contractor or supplier, based on voucher submissions. In certain cases, the KfW will request the local German diplomatic staff to verify unclear requests in the field. Third, although project appraisal involves sending a team to the recipient and approval must take place in Germany, decentralization of approval authority within headquarters accelerates the decisionmaking process. Consequently, small- and medium-scale activities can be approved at relatively low levels at headquarters without going through a time-consuming committee system of review. According to KfW officials, the rigor of the administrative requirements levied on KfW project assistance (e.g., detailed appraisals) at least partially compensates for not having permanent detailed field representation.

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<sup>5</sup> Referred to hereafter in this particular discussion as Germany.

Active parliamentary involvement in  
funding and the types of aid provided

According to the American University study, the German parliament takes a fairly active role in determining values and types of assistance. In addition, the budgetary system is rigid, breaking down the program into many specific categories. However, the study indicates that parliament's involvement is usually supportive, actually authorizing more assistance than the government proposed in recent years. Also, the system provides some flexibility for the aid agency to shift funds among recipients. However, procedures for transferring funds between aid types are strict, with the Ministry of Finance responsible for authorizing such transfers, which it does sparingly. KfW officials stated that this is not a limiting factor, because their strict project appraisal procedures usually lessen the need to shift funds between projects.

## CHAPTER 5

### OBSERVATIONS ON THE DEVELOPMENT ASSISTANCE

#### APPROACH OF THE UNITED STATES

#### COMPARED WITH THAT OF OTHER DONORS

As indicated in the prior chapters, all the donors studied provided their Official Development Assistance through a wide variety of forms and organizational structures. When comparing the foreign aid program of the United States to that of the other donors, it is important to note that these differences are due to several interrelated factors, such as the unique foreign policy considerations of each donor and the varying approaches used in the delivery of aid.

AID, as the primary agency responsible for the bilateral Official Development Assistance of the United States, differs from the primary aid agencies of the other donors we studied by being the

- most extensive, in terms of dollars allocated,<sup>1</sup> number of personnel, and extent of overseas field offices;
- most sensitive to domestic public opinion and most accountable to legislative controls;<sup>2</sup> and
- most emphatic in designing programs for assisting the underdeveloped world's poor majority.

#### VARYING DONOR ORGANIZATIONAL STRUCTURES AND APPROACHES TO DEVELOPMENT ASSISTANCE

All of the donors have structured their aid programs to favor recipient countries with which they have special relations.

- France and the United Kingdom concentrate on their former colonies.
- Canada concentrates on "program" countries, stressing the Commonwealth or French-speaking connection.

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<sup>1</sup> The comparison of dollars allocated is based on absolute amounts. For foreign aid as a percent of GNP, the U.S. ranked 17th among the 18 DAC donors for 1981. This comparison also recognizes that the number of personnel in the primary aid agencies does not include all donor country nationals providing technical assistance in the recipient countries.

<sup>2</sup> As discussed in chapter 1, the checks-and-balance approach to government is unique to the United States as a donor country.

- Sweden delivers aid to "program" countries with priorities that are in broad agreement with Swedish aid goals.
- The United States, through the ESF program, provides a greater variety of aid to those countries that it thinks will help maintain international security and economic stability.
- West Germany's foreign aid is widely disbursed, concentrating its long-term aid in selected countries which satisfy a blend of humanitarian, commercial and political objectives.

Thus, all the donor aid programs operate to achieve a mix of humanitarian, foreign policy, commercial, and development assistance objectives. However, when comparing the approaches of these donor programs, questions are raised as to how, with a minimum of financial and political cost, a foreign aid agency can (1) maintain a positive donor image in the developing world and provide the maximum feasible donor influence with recipient countries, (2) promote the donor countries' commercial interests, and (3) meet the basic needs of the poorest populations in the developing world and the economic development needs of the recipient countries.

#### POSSIBLE IMPLICATIONS FOR THE UNITED STATES

We present a wide variety of foreign aid approaches that have been tried by other donors and some of the dilemmas and tradeoffs that accompany each approach. Our observations are intended to provide the Congress and the executive branch with information on how changes or modifications implied by the other donor approaches could affect the aid program of the United States. We make no attempt to identify the ideal or best model or to reach universally applicable conclusions. It should be noted that officials of both other donor and recipient countries commented favorably on many elements of the AID approach.

#### Concentration of AID resources and programs

One approach would be to concentrate AID personnel and financial resources in any country considered key to U.S. foreign policy, maintaining a limited bilateral aid presence via projects, programs, or technical assistance through the U.S. Embassy staff in any other nation that might benefit from bilateral aid.

This approach is generally used by the French, British, and Swedes and to some extent by the Canadians, who cite the cost savings of concentrating aid resources. It is not clear, however, whether this would result in cost savings for the United States because of the unknown costs incurred in increasing the responsibilities of the State Department and Embassy staff. In

commenting on this report, AID concurred with our observation and noted that "unless the nature of the programs were very different this alternative would only transfer A.I.D.'s staffing needs to State."

Concentrating AID resources in certain recipient countries also means the United States would maintain the advantage of having a significant aid agency presence in those countries. The benefits of this approach include the opportunity to maintain a daily dialogue with officials of the recipient country, on-the-spot capability to monitor and report on project progress and resolve program problems, and sufficient time on-site to assure the attention needed for the often complex projects directed toward the poor majority. The tradeoff for any possible cost savings would be the loss of such on-site and agency leverage in nations that are not receiving as much U.S. foreign aid. Concerning this latter point, the present widespread AID presence is considered to be an advantage by AID officials and by officials in most other developing countries, since the in-country representatives can devote full-time attention to development assistance needs and programs versus foreign aid being a part-time duty of a diplomat.

In response to our report, AID stated that reducing its field staff and concentrating resources into a limited number of developing countries would hinder its ability to achieve its development objectives; i.e., policy dialogue between donor and recipient, promotion of private initiatives and enterprise, institutional development, and the transfer of technology. Achieving these objectives, according to AID, demands a field presence with an ongoing interpersonal relationship between development specialists and host-country personnel. AID viewed permanent in-country missions as the "underpinning" for understanding a developing country's needs and for planning and implementing U.S. aid programs. Regarding the concentration of financial resources in any country considered key to U.S. foreign policy, AID responded that smaller recipients have developmental concerns that are as "legitimate" as those in larger countries. In fact, AID said, the developmental programs in a smaller recipient country are sometimes even more complex.

#### Increased field visits by headquarters staff in lieu of a large field presence

One approach often used by the other donors in lieu of maintaining in-country aid offices is to sponsor an exchange of visits between aid officials of the donor and recipient countries. The British modify this approach by locating aid experts in regional offices near groups of developing countries. The United States currently maintains field and regional offices and sponsors visits.

The existence of an AID office may, in fact, invite more visiting teams and appears to have created a support responsibility for the AID overseas offices similar to the role of "travel agent." Another function unique to the United States, when compared to other donors we visited, is the extensive logistic and administrative support provided by an AID overseas post to contractors implementing AID projects. By reducing the amount of this support and including the cost for such services in the respective contracts, AID field representatives would be freed to direct their energies to primary development assistance tasks. This field office role should be viewed as one of shifting cost options--that is, should the United States maintain a direct presence and incur the cost of supporting staff in-country or should the logistical cost for visiting personnel be included in the amount of grants, loans, and prices of contracts? A disadvantage of this approach is that each contractor would be required to establish its own administrative support activities and some duplication of effort would occur. The DAC secretariat commented that, compared with the United States, other donors receive less "development for their dollar" from contractors because they are required to spend too much time "reinventing the administrative support wheel."

In commenting on our report, AID stated that "without a field presence there would be no policy dialogue and it is difficult to see how periodic flying teams would carry out the other three initiatives." Regarding the amount of logistical support provided by field missions, AID added that such support is only one of several functions carried out by the missions.

#### The provision of technical advisors to recipients

Another means to establish the physical presence of Official Development Assistance without extensive aid agency field offices is to allow nationals from a donor country to serve as technical advisors to key government officials of the recipient country. The British, French, and to a limited extent, the Swedes use this approach in recipient countries where they have special relationships. The United States limits its direct use of this approach since, according to AID, the "high political profile" of Americans is viewed as a primary disadvantage. AID further notes that it "has concluded, based on many years experience, that U.S. technical assistance and advice is more effective and of greater impact when provided in a project context rather than in providing expatriate personnel to fill government slots in recipient countries." A primary U.S. technical assistance program, the Peace Corps, is designed to operate somewhat separately from U.S. foreign policy concerns and from official recipient government agency activities. AID noted that, in general, the Peace Corps supplies technical assistance at a much lower level in terms of expertise and experience than the technical assistance provided by other donors.

Another option for reducing in-country staff presence could be to direct assistance to a recipient country that already has a large number of nationals from other donors serving in key technical assistance positions. With this approach, the United States could utilize the other donor nationals and provide less staff-intensive forms of assistance, such as program funds and commodities.

#### IMPLICATIONS OF MORE FLEXIBLE FORMS OF AID

All donors have flexibility in the type of aid they provide which can range, for example, from providing straight cash transfers for balance-of-payment support (which requires very little donor administrative cost and in-country presence) to designing, directly assisting, and training recipient country personnel to operate and maintain irrigation projects (which generally requires an in-country presence of aid agency technical personnel and supplies).

AID, in comparison to the other donors studied, administers foreign aid using substantial resources, with some flexibility for types of assistance under ESF, and with a development assistance program directed and controlled to meet the needs of the world's poor. It also appears to have the most comprehensively documented and evaluated aid program. Throughout our study, we were informed about the restrictions placed on AID's management options for more flexible forms of development assistance and for reducing administrative requirements. This is due to the perception that the objective of the New Directions mandate restricts the type of aid that can be delivered to non-ESF countries, which has been interpreted to mean that non-ESF countries cannot receive capital infrastructure grants or commodity import assistance. AID officials told us these restricting views, to a degree, are self-imposed.

Our work in Africa indicated that there are opportunities for AID to use more types of aid in meeting the economic development objectives of a recipient country. The current U.S. approach of primarily providing assistance to rural development activities through project aid has resulted from the perception that U.S. foreign aid did not help the poor majority and contributed little to sustain long-term economic growth. The United States is the major bilateral donor presently willing to lead and devote resources to emphasize this humanitarian goal. In considering a more flexible approach, the issue should not be whether the United States should be committed to New Directions but whether more flexible programs can and should be designed to meet this commitment.

REDUCED CONGRESSIONAL INFORMATIONAL  
REPORTING TO BE STUDIED

The U.S. form of Government provides for checks and balances that establish oversight and accountability mechanisms-- chapter 4 shows the extent to which AID has administratively responded to congressional concerns. Clearly, options to reduce AID's administrative workload should consider whether more discretion could be allowed without significantly reducing program quality or the information needs of the Congress and the U.S. public. Since it is essential to respond to the U.S. budgetary process, much of AID's data generation involves projections into future years. This may commit the Agency to establish a project that may not be as relevant to the recipient country's needs as was thought when initially presented to Congress.

The U.S. development assistance program is authorized on an annual basis whereas other donors use a multi-year approach. With donor multi-year funding and/or unallocated reserve commitments, long-term planning by the donor enhances economic benefits for both the donor and recipient. The other donors, which concentrate their development assistance funding and program decisions depending on the recipient country, indicate that their programs can more readily meet the recipient countries' development needs. The U.S. approach of annual funding by specific functional account created some development assistance projects that may not coincide with the priority economic and social development needs of the recipient countries. Officials from other donor countries did not report the existence of similar situations in their recipient countries.

Other donors do not maintain, as does AID, a worldwide system of data collection on all issues and all countries that are being assisted. Changing the comprehensive U.S. system should not be done without a study of how effectively AID's data is being used by both AID and the Congress. We plan to initiate such a study this year.

DEFINITION OF OFFICIAL DEVELOPMENT ASSISTANCE

Official Development Assistance is the designation used by OECD's Development Assistance Committee to uniformly describe aid. For the flow of foreign aid to be counted as Official Development Assistance, as defined by OECD, it must:

1. Go to a country on the OECD list of less-developed countries or to a multilateral institution that provides development assistance to such countries. (All proposed fiscal year 1983 U.S. development assistance funds will go to such institutions and countries.)
2. Be provided to promote economic development and welfare. Any aid that is clearly to be used for military weapons or for military purposes is not included.
3. Be concessional in character, containing a "grant element" of at least 25 percent. The grant element is the difference between the face value of a financial loan commitment and the discounted present value (using a 10 percent discount rate) of the service payments the borrower will make during the lifetime of the loan, expressed as a percent of the face value.

Official Development Assistance includes both bilateral and multilateral aid and most frequently is discussed in terms of net disbursements; i.e., minus principal payments on aid loans.

All U.S. food aid counts as Official Development Assistance, as does the Economic Support Fund. A very small amount of U.S. foreign economic assistance does not count as Official Development Assistance--the U.S. contribution to the U.N. forces in Cyprus and the Multinational Force and Observers in the Sinai (\$43 million for fiscal year 1983), the subsidy paid to the U.S. Merchant Marine for transporting Public Law 480 commodities (approximately \$120 million in fiscal year 1983), and a few loans that are provided on terms that are insufficiently concessional to qualify (an estimated \$5 million to \$10 million for fiscal year 1983).

FORMULATION AND REVIEW OFU.S. DEVELOPMENT ASSISTANCE PROJECTS BY AID

AID's project development and approval process represents a complex and varying set of activities to which AID devotes a considerable portion of its time and effort. This process--the steps leading from the identification of a project to its authorization--is intended to insure both soundness in design and adherence to policy and developmental objectives. An AID-contracted review entitled "Study of Selected Aspects of the Project Assistance Cycle," conducted by Booz•Allen and Hamilton, Inc., in 1978,<sup>1</sup> supports our observation that this stage of AID's programming cycle is time-consuming and staff-intensive, requiring extensive documentation and multiple levels of review. It cites the technical complexity of international economic assistance, New Direction-type projects, and the various legislative and agency accountability requirements as major factors contributing to an elaborate project documentation and review process. The following discussion presents the Study's description of AID's project development and approval process.

Developing an AID project consists of the preparation of a project identification document, project paper, and finally the project authorization. AID field missions are primarily responsible for preparing the initial identification document, which briefly presents the project concept, assesses its impact, proposes an implementation plan, and anticipates design and implementation issues. The field mission reviews the document internally, possibly making several revisions before submitting it to AID headquarters. When headquarters receives the project identification document, it is reviewed by a committee composed of representatives from a variety of offices, including the responsible geographic bureau, the country desk, general counsel, and various bureaus concerned with policy coordination and management services. If the review committee approves the project idea, the mission is informed of the decision and of any issues that must be addressed in the project paper. Recent trends in the time required to approve the project identification document are presented on page 59.

The project paper is the detailed design and implementation plan for the proposed activity. This paper is basically prepared by field mission staff; however, because of the complexity and magnitude of the task, a project design team is often assembled to provide additional expertise. The team may be composed

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<sup>1</sup> Although this study is somewhat dated, AID officials involved in the programming cycle stated that the process it describes is basically unchanged. Recently approved recommendations involving the programming cycle had not been implemented at the time of our review.

of specialized consultants and AID headquarters technical experts in addition to field mission staff. Also, during the preparation of the project paper, other studies may need to be conducted to resolve major issues that may have surfaced. These additional studies may delay completing the project paper. As with the project identification document, this paper is reviewed internally by the design team prior to submission to Washington and may go through extensive revision before it is finalized. The AID headquarters review procedures parallel those of the identification document but may be expanded to include different or additional review committee members to address new issues that have arisen. After committee approval, the project paper is forwarded to the assistant administrator of the responsible geographic bureau. If approved at this level, the proposal must go through several more headquarters clearances, including those dealing with environmental impact, women in development, and human rights. If the proposed activity has a life-of-project cost of over \$20 million, it must also be approved by the AID Administrator, with separate legal and policy clearances. The approval process is completed when AID headquarters signs the project authorization and the field mission prepares and negotiates the project agreement with the host country. Recent trends in the time required to approve project papers are presented on page 60.

The Booz·Allen Study calculated that an average of 19.7 months elapse for project development and approval and that over 400 staff years are annually consumed in the process. The Study showed that 65 percent, or 12.8 months, of this time is spent on the various aspects of design, including preparing the identification document and the project paper.

AID's PROJECT STATUTORY CHECKLIST

The following statutory checklist, taken from AID Handbook 3, "Project Assistance," is used to ensure that AID Development Assistance and ESF project activities conform to existing public laws. The checklist includes the applicable criteria from the Foreign Assistance Act of 1961, as amended ("FAA"), the International Security and Development Cooperation Act of 1981 ("ISDCA of 1981"), and the Foreign Assistance and Related Programs Appropriations Act, 1982, Public Law 97-121 ("FY 1982 Appropriations Act"). AID guidance notes that these checklists "do not purport to list every conceivable statutory provision which might be relevant, but are intended to provide a convenient reference for provisions which may be of more frequent or more significant relevance."

The main checklist is divided into three parts: the country, the project, and the standard item checklists. The country checklist (see pp. 80 to 82) is composed of items affecting the eligibility of a recipient and is prepared at the beginning of each fiscal year by AID headquarters. The project checklist (see pp. 83 to 86) focuses on statutory items which bear directly on the project. AID guidance notes that, while this checklist should be prepared in the field, information may be requested from Washington whenever necessary. The standard item checklist (see pp. 87 to 94) provides condensed coverage of statutory matters routinely covered in the project agreement (i.e., 50/50 shipping, etc.) and is intended to be a working tool rather than an appendix to the project paper.

It should be noted that AID has a separate checklist for those activities involving non-project assistance.

## 5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?
2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?
3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?
4. FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?
5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.
6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)
11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?
14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)
16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)
17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.
- B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY
1. Development Assistance Country Criteria.
- a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?
2. Economic Support Fund Country Criteria
- a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?
- b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?
- c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

## 5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from BSP.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).
  - (a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
  - (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,00, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

B. FUNDING CRITERIA FOR PROJECT1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are

generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

2. Development Assistance Project Criteria (Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?
- c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic or political

stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?
- c. FAA Sec. 534. Will ESP funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

## 5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise - eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas?
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?
8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used?
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

3. FAA Sec. 620(b). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

d. FAA Sec. 662. For CIA activities?

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?

h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

GEOGRAPHIC CONCENTRATION OF TOTAL OFFICIAL  
DEVELOPMENT ASSISTANCE, ANNUAL AVERAGE  
NET DISBURSEMENTS BY DONOR, 1979-1980  
(percent of total ODA)

CANADA		FRANCE		GERMANY, Fed. Rep.	
Multilateral ODA	48.8	Multilateral ODA	18.3	Multilateral ODA	37.0
Bangladesh	6.6	Reunion *	12.6	Turkey	10.2
Pakistan	4.8	Martinique *	12.3	Egypt	3.5
India	3.0	New Caledonia *	5.0	Bangladesh	3.1
Tanzania	2.7	Guadeloupe *	4.5	Tanzania	2.4
Sri Lanka	2.5	Polynesia, French *	4.4	Israel	2.1
Egypt	2.4	Morocco	3.2	India	1.9
Cameroon	1.8	Ivory Coast	3.0	Peru	1.7
Ghana	1.7	Guiana, French *	2.9	Sudan	1.6
Indonesia	1.3	Senegal	2.7	Kenya	1.6
Malawi	1.3	Cameroon	2.3	Cameroon	1.6
Upper Volta	1.2	Algeria	2.2	Thailand	1.5
Mali	1.2	Tunisia	2.0	Indonesia	1.5
Ivory Coast	1.2	Central African Rep.	1.6	Brazil	1.3
Zambia	1.1	Congo	1.4	Burma	1.2
Total of above (%)	81.7	Egypt	1.3	Tunisia	1.0
Total ODA \$ mill.	880.0	Upper Volta	1.3	Upper Volta	0.9
		Madagascar	1.3	Zambia	0.9
		Niger	1.3	Zaire	0.9
		Total of above (%)	83.4	Mali	0.8
		Total ODA \$ mill.	3 483.5	Portugal	0.8
				Morocco	0.8
				Total of above (%)	78.9
				Total ODA \$ mill.	3 289.3

\* - French Overseas Departments and Territories.

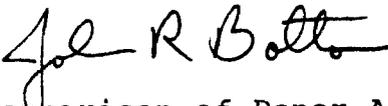
SWEDEN		UNITED KINGDOM		UNITED STATES		TOTAL DAC	
Multilateral ODA	34.2	Multilateral ODA	40.7	Multilateral ODA	32.4	Multilateral ODA	34.2
Tanzania	10.0	India	10.9	Israel	18.6	Egypt	4.8
Vietnam, Soc. Rep.	9.1	Bangladesh	4.7	Egypt	14.0	Israel	4.5
India	8.4	Tanzania	3.3	Turkey	3.4	Bangladesh	3.6
Mozambique	4.6	Zambia	2.9	Bangladesh	3.2	Indonesia	3.2
Bangladesh	3.9	Sri Lanka	2.8	Indonesia	2.9	India	3.1
Sri Lanka	3.4	Pakistan	2.6	Pacific Isl. (U.S.)	2.1	Turkey	2.6
Zambia	3.2	Kenya	2.4	India	1.7	Tanzania	2.2
Kenya	3.1	Sudan	2.1	Portugal	1.3	Reunion	1.9
Ethiopia	3.0	Egypt	1.8	Nicaragua	1.0	Martinique	1.9
Angola	2.1	Malawi	1.6	Philippines	1.0	Pakistan	1.7
Total of above (%)	84.8	Zimbabwe	1.6	Peru	0.9	Pakistan	1.7
Total ODA \$ mill.	854.8	Ghana	1.6	Total of above (%)	82.8	Thailand	1.3
		Nepal	1.1	Total ODA \$ mill.	5 191.0	Kenya	1.2
		Solomon Isl. (Br.)	1.1			Papua New Guinea	1.2
		Indonesia	1.0			Sri Lanka	1.2
		Botswana	1.0			Burma	1.1
		Total of above (%)	83.2			Zambia	1.0
		Total ODA \$ mill.	1 802.1			Sudan	0.9
						Vietnam	0.8
						Philippines	0.8
						Morocco	0.8
						Cameroon	0.8
						Peru	0.8
						New Caledonia	0.8
						Senegal	0.7
						Guadeloupe	0.7
						Tunisia	0.7
						Polynesia, French	0.7
						Ivory Coast	0.6
						Upper Volta	0.6
						Total of above (%)	81.4
						Total ODA \$ mill.	22 851.0

Source: OECD, Development Cooperation, 1982

14 FEB 1983

MEMORANDUM

TO: IG/PPP, Mr. Leo L. LaMotte

FROM: AA/PPC, John R. Bolton 

SUBJECT: GAO Draft Report, "A Comparison of Donor Approaches to Development Assistance; Implications for the United States

As requested, the following are our comments on the subject report.

Within the scope of the report, we find it to be an interesting and useful comparison of the aid programs and management styles of the U. S. and selected other donors. The report clearly highlights a number of the constraints within which A.I.D. operates and some of the trade-offs between accountability and management flexibility/staff size.

We are concerned, however, that attempts to generalize may obscure full recognition of the complexities and numerous factors involved in administration of development cooperation programs, especially the U. S. aid program. While the report's sampling of other donors is fairly representative of the 16 other DAC donors, the limited coverage of actual developing country programs (restricted to Africa only) may be too small -- especially if conclusions are extended to all A.I.D. programs. Certainly, the issues with which A.I.D. deals and the circumstances in which we work in other regions such as Asia can often be quite different from those in Africa.

We question whether it is accurate to present other donors' mode of operation as broad models or options for A.I.D. without giving greater weight to the differences between the U. S. and other donor aid programs and the variations of emphasis in their development cooperation objectives.

As the report variously points out and implies, a great many factors affect a donors style of aid management (e.g., headquarters versus field concentration of staff) and staffing requirements (for both program management and implementation). It is also important to note before going further that the

- 2 -

report limits its focus to the mechanics of aid administration rather than considering the quality of development assistance. Permanent in-country missions are the underpinning of understanding LDC needs and our ability to work effectively with host country governments to plan and implement U. S. aid programs. The magnitude of aid financial flows from respective donors is often a poor yardstick in and of itself for gauging optimal donor staff size. Taken in isolation, the dollar value of a given aid program or project is not an adequate basis for judging the appropriateness of the number of people needed to implement a specific program and to accomplish other broad objectives of development cooperation.

The report touches on but does not fully explore the current thrust of U. S. development cooperation objectives and the associated staffing implications: i.e., policy dialogue between donor and recipient, promotion of private initiatives and enterprise, institutional development, and the transfer of technology. While integrally linked in many instances to individual projects, achievement of these objectives demands an ongoing interpersonal relationship between development specialists and host country personnel and a field presence. It clearly goes beyond the number of personnel required to implement a specific number of bilateral assistance projects per se..

From the discussion, one is left with the impression that the authors of the report believe the only function of field staff vis-a-vis visiting headquarters teams is one of logistical support, rather than a combination of program management (including logistical support) and the usual joint cooperative undertakings that benefit from the experience and knowledge of the field presence. Of course, without a field presence there would be no policy dialogue and it is difficult to see how periodic "flying teams" would carry out the other three initiatives. Unfortunately, the report does not examine the MDB approaches in Africa, so that the MDB headquarters visit mode cannot be compared with the bilateral approaches which are examined. Incidentally, the report does not really define what size is a "large" field staff.

The alternative of managing A.I.D.'s programs through concentration of resources in a few countries and reduced field staff has implications for A.I.D.'s ability to achieve its development objectives. The report should point out the development trade-offs implicit in the recommendation that A.I.D. concentrate resources in key countries and rely on in-country State Department diplomatic corps personnel to administer aid elsewhere. Unless the nature of the programs were very different this alternative would only transfer A.I.D.'s staffing needs to State. Also our development concerns

- 3 -

in the smaller program countries are as legitimate and our programs sometimes even more complex as those in the larger countries. We are as concerned with the impact of a dollar spent in one as in the other

The report furthermore seems to us to exaggerate the management benefits of non-project assistance over project assistance. It gives an example of a \$100 million CIP program in Sudan managed by one supply management officer and a local national as compared to 12 project officers required to manage Sudan's \$22.9 million development assistance program. This example leads one to believe that the report has overlooked some of the "hidden" management costs normally associated with non-project assistance (e.g., administration of local currency generation, economic expertise required to promote policy reform usually related to non-project assistance). A more balanced comparison of the management implications of project versus non-project assistance seems warranted.

A third approach is very much tied to the African experience. It would have A.I.D. providing "key" advisors to host governments. This approach may be a viable one for the French and British who have practiced it successfully in many of their former colonies, and continue to do so. It is, however, seldom a viable approach for the USG. The USG's world leadership role affords Americans a high political profile, a disadvantage for technical advisors dealing with important but politically sensitive issues such as pricing and credit policies. Many developing countries find it easier to use foreign technical advisors from former metropolises, smaller donors, or multilateral organizations. A.I.D. has concluded, based on many years experience, that U. S. technical assistance and advice is more effective and of greater impact when provided in a project context rather than in providing expatriate personnel to fill government slots in recipient countries.

The following are comments on specific points in the report.<sup>1</sup>

Page ii, paragraph 1: Suggest deletion of "options." No problem is stated and we believe other donor programing approaches were not selected from a set of "optional procedures." We would prefer use of "different aid management" procedures and related program mechanisms as a more accurate term than "options."

Page ii, paragraph 2: Comment: It should be noted that while A.I.D. does have a larger staff than other donor aid agencies, other donors rely to a much greater extent on numerous agencies in their governments for program implementation and to some degree, aid programing. Thus it is misleading to compare the

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<sup>1</sup> GAO Note: Page numbers referred to in AID comments may not correspond to those in the final report.

size of A.I.D. to the BMZ in Germany or even to ODA in the United Kingdom.. Also it would be desirable to be more specific regarding sensitivity to public opinion. Does this mean greater public awareness, concern, and/or involvement with aid in the U. S. compared to other donor countries?

Page 1, paragraph 3: Note also should be taken of the emergence of new donors, e.g., OPEC bilateal and multilateral agencies, which have contributed significantly to the flow of aid to LDCs.

Page 4, paragraph 1: Use of the term "donor country's form of government" may be too vague. Suggest text be more explicit by stating that in other donor countries, with their parliamentary form of government, the legislatures are much less involved (than Congress) in detailed aspects of aid programs and have considerably fewer controls and reporting requirements than in the U. S. The report clarifies this point later on, but it would be better if done the first time the subject comes up.

Page 5, paragraph 2: Note should be made that in addition to administering the functional development assistance programs, A.I.D. is also responsible for implementation of the ESF program. Reference should be made that for the functional accounts, "project selection is based on basic human needs, a New Directions criteria."

Page 6, paragraph 1, sentence 2: Revise to read: "This form of government not only results in ... aid activities, but the Congress is also actively ..."

Page 6, paragraph 2: Add to the last sentence: except to the degree that public awareness of issues places demands on parliament.

Page 6, paragraph 3: Additional text should be inserted noting that the U. S. public generally knows little of the magnitude of the U. S. aid program. (Information on U. S. public opinion was provided by A.I.D. in a letter to GAO).

Page 7, paragraph 2, sentence 2: Revise to read: "According to A.I.D. officials ... in an operating sytle that is cautious to the point of hindering the achievement of U. S. objectives, ... mistakes that will be used to discredit or eliminate the entire program or to reduce funding levels."

Page 7, paragraph 3, sentence 2: Revise to read: "This support including a greater public awareness of the country's involvement and responsibility in the international arena, " Also it should be noted that other donors tend to expend a much larger effort to educate their publics on the international economy, especially economic interdependence and the needs of developing countries.

- 5 -

Page 8, paragraph 2: Reference should be added to the effect that: public opinion on aid varies a great deal on specific aspects, e.g., the overall level of aid, assistance to specific countries, and for particular purposes. Thus for example, while there is virtually no public objection to emergency aid responding to natural disasters, aid to controversial recipients is often questioned.

Page 9, paragraph 3: It should be noted that a donor's selection of organization structure, types of aid, and administrative procedures cannot be viewed as totally separate and distinct elements.

Page 16, paragraph 3: Add to the end of the first sentence: "as well as for project approval wehre specifically delegated."

Page 20: The statistics should be corrected as follows

	<u>Staffing</u>		<u>PL 480</u>
	<u>U.S.</u>	<u>FSN</u>	
Tanzania	22	28	7.6

Page 24, paragraph 1, last sentence: Add "although it does cooperate with A.I.D. on projects in developoing countries and some of its activities are financed from A.I.D. funds." Also note should be made in the Table "Major U. S. Bilateral Aid Programs" that Peace Corps activities, which range about \$100 million annually are part of U. S. bilateral assistance.

Page 28, paragraph 1: Add to end of sentence 2: "and assure that project resources are put to their intended use." Also insert in the last sentence after "Central African Republic": "in the latter case with the support of Peace Corps staff and volunteers in the CAR".

Page 29, paragraph 1: It should be noted that the A.I.D. field staff is now smaller than in previous years. Also we suggest some indication of what is meant by "Large in-country A.I.D. presence." Presumably this means compared to other donors rather than in some absolute sense of the word "large."

Page 29, last paragraph: Since the office of the Kenyan official referred to does not have responsibility for implementing projects, it is logical to assume that the official does not frequently see many A.I.D. personnel. (Narrative deleted)

Page 30, paragraph 2, sentence 2: Delete "reversing" and insert "revising."

Page 46, paragraph 2: Note should be added that A.I.D. procurement regulations generally prohibit funding for goods and services purchased from other developed countries (e.g., Europe, Canada, and Japan). However, if properly justified, waivers can be obtained.

Page 59, last sentence: The meaning "small-scale projects" should be defined. (The average cost of the 20 projects for Tanzania listed in the FY 1983 CP exceeds \$8.0 million.) The Tanzania program is in a period of consolidation of activities. Its project portfolio will be reduced substantially in FY 1983 and 1984. There will remain three major long-term activities with a combined funding of \$41 million. These activities will focus on rural areas where 80% of the population resides. Our strategy is to increase food production and assist the Government in developing a cadre of trained mid-level personnel. The Arusha Regional Planning Village Development project contains a road component and upgrading of farm to market roads as well as road repair. A better description of the Tanzania program than the one cited would be that projects include varied activities focused on the rural areas of Tanzania and strengthening the institutional capability of these areas in support of the Government's goal of decentralization.

(Narrative deleted)

Page 79, paragraph 1, last sentence: We question the use of "efficiency" as a trade-off for accountability and control. A better term would be "reduced administrative complexity." Reducing accountability and control surely does not automatically increase aid "efficiency."

Page 81: Describes the Tanzania Farming Systems Research project approved in FY 1982. The information in this paragraph does not reflect the facts. The project was late in obtaining approval primarily because the life-of-project funding was significantly reduced from \$25 million to \$8.3 million. This reduction required significant redesign of the project, and this fact rather than required analytical and information studies delayed the review and approval process. The three years is exaggerated. It was approximately two years. The project was designated a Title XII effort. Our documents do not support the \$250,000 figure for project preparation cited in the report. We believe a figure of \$155,000 should replace the \$250,000.

(We were unable to resolve the conflicting statements of the AID field and headquarters officials. Therefore, the narrative has been deleted.)

The report states (on page 87 and elsewhere) that field staffs are reluctant to make needed modifications to projects, since doing so would lead to additional work and delays resulting from the requirement to notify Congress of changes. First of all,

- 7 -

the process of a Congressional Notification (CN) is generally not considered burdensome in terms of time or work required. A CN should be a brief and succinct statement of what significant changes are required and why. Congress is given 15 days to raise any questions regarding a CN. Second, all new projects automatically require a CN once the Project Paper is approved. This procedure became effective in FY 1982, primarily because it is recognized that substantive changes are likely to be required between the time Congress is initially informed of a planned activity and the time when the activity is approved.

Page 115: The reference to the Peace Corps in the paragraph headed "The provision of technical advisors to recipients" should be expanded to note that: The Peace Corps in general supplies technical assistance of a much lower level in terms of expertise and experience than the Technical Assistance provided under other donor technical assistance (as opposed to volunteer) programs.

Pages 116-117: The discussion regarding a more flexible approach to aid in relation to the New Directions mandate is somewhat confusing. There are several points which might be recognized in the report including the following:

- The New Directions mandate reflected the concern that the aid effort of the 1960's which focused most heavily on capital infrastructure projects and balance of payments support had failed to have measurable impact on the lives of the poor majority in developing countries.
- A.I.D. has been and continues to be most concerned with longer-range development problems. We have looked to the IMF and secondarily to the IBRD as the major sources of short-term assistance, especially to meet balance of payments and foreign exchange needs and more generally to meeting LDC financial needs or needs for large capital projects. Thus we have maintained a complementarity of approaches which we feel are most effective in promoting development.
- A.I.D.'s Development Assistance is only one form of bilateral assistance. We have the largest food aid program of any bilateral donor and through PL 480 and ESF we are able to augment IMF/IBRD short-term financial needs. While Development Assistance funds are not used in the main for short-term problems, this does not mean the needs they address are less important to a country's development.

- 8 -

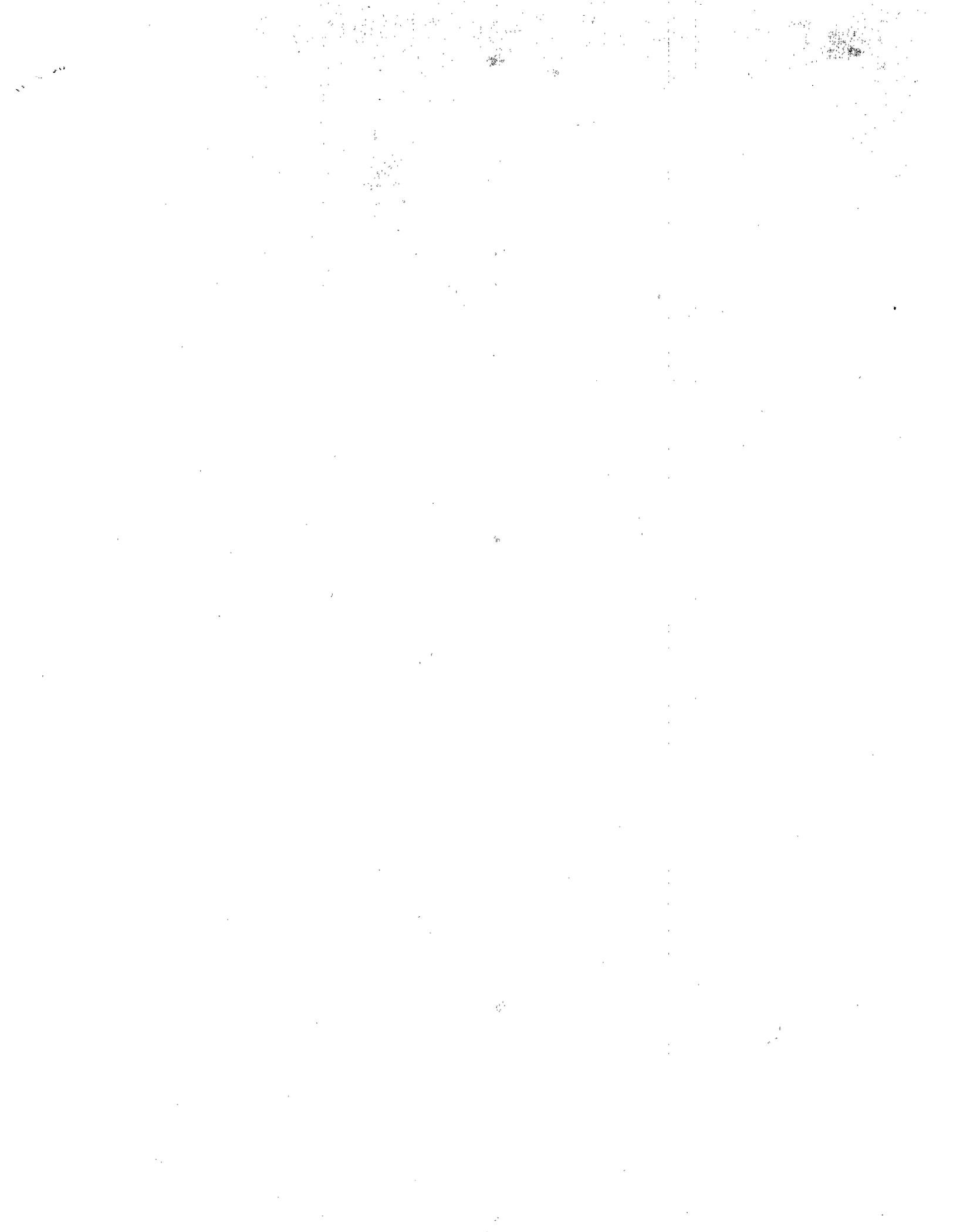
- Programing of U. S. aid, bilateral assistance (DA, ESF, and PL 480) carefully takes into account IMF and IBRD assistance. Where appropriate and useful, A.I.D. funds are used to directly support or augment multilateral efforts. Thus, we believe A.I.D. Development Assistance should remain primarily focused on long-term problems while other aid funds and multilateral donors are best suited to respond to short-term problems.

Clearance:

PPC/IA:JDudik-Gayoso (draft)

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