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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-200438

JANUARY 6, 1981

Mr. David A. Raymond
Acting Director, Trade and
Development Program
International Development
Cooperation Agency



114084

Dear Mr. Raymond:

Subject: [Increased management action needed to
help TDP meet its objectives] (ID-81-20)

We have reviewed the International Development Cooperation Agency (IDCA) Trade and Development Program (TDP). The objective of our review was to assess TDP effectiveness in achieving its dual objectives to (1) foster development overseas and (2) promote U.S. exports of technology and services for development projects. We found that

- with available data it is difficult to demonstrate the extent to which TDP has contributed to development in developing countries or to increased U.S. exports;
- more systematic data collection and evaluation procedures are required;
- coordination between TDP and other trade and development agencies requires strengthening; and
- TDP personnel problems could affect program effectiveness.

If TDP is to effectively achieve its objectives, increased management attention should be focused on solving the above problems. Some problems were aggravated when TDP became a separate component within IDCA, but none of these problems are new. Action is especially important because future funding may be made contingent upon whether TDP proves that it is meeting its objectives and is operating effectively.

We have discussed the above matters with program officials and have incorporated their views where appropriate. We look forward to hearing what actions you plan to take in

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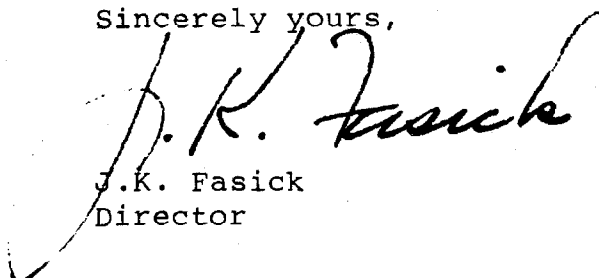
resolving the issues outlined in this letter. Our recommendations to you begin on page 15. We appreciate the consideration and cooperation given our staff during the review and will be happy to discuss any of the matters contained in this letter with you.

This report does not focus on (1) the appropriateness of the past program organizational changes or its current or possible future organizational location or (2) the U.S.-Saudi Arabian Joint Commission on Economic Cooperation, which involves a large reimbursable program separate from that of TDP. (See the GAO report "The U.S.-Saudi Arabian Joint Commission on Economic Cooperation," ID-79-7, March 22, 1979.)

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter to the Chairmen of the four above-mentioned committees; the Chairman, Senate Committee on Foreign Relations; the Chairman, House Committee on Foreign Affairs; the Chairman, Senate Committee on Banking, Housing and Urban Affairs; the Chairman, House Committee on Banking, Finance and Urban Affairs; the Chairman, House Committee on Ways and Means; the Director, Office of Management and Budget; the Director, International Development Cooperation Agency; the Administrator, Agency for International Development; and to the President, Overseas Private Investment Corporation.

Sincerely yours,


J.K. Fasick
Director

Enclosure

COUNTRIES SERVED BY THE
TRADE AND DEVELOPMENT PROGRAM

SECTIONS 607a and 661

Australia	Lebanon
Argentina	Liberia
Algeria	Libya
Bahrain	Malaysia
Bangladesh	Mexico
Bermuda	Micronesia TT
Barbados	Morocco
Bolivia	New Zealand
Brazil	Nicaragua
Botswana	Nigeria
Canada	Norway
Chad	Oman
Chile	Pakistan
China	Papua New Guinea
Columbia	Paraguay
Costa Rica	Peru
Cyprus	Philippines
Denmark	Portugal
Dominican Republic	Qatar
Ecuador	Saipan
Ethiopia	Spain
France	Sweden
Gabon	Switzerland
Germany	Saudi Arabia
Greece	Singapore
Guatemala	Somalia
Guyana	Sri Lanka
Honduras	Sudan
Hong Kong	Suriname
Iceland	Thailand
India	Trinidad-Tobago
Indonesia	Tunisia
Iran	Turkey
Israel	United Arab Emirates
Japan	United Kingdom
Jamaica	Uruguay
Jordan	Venezuela
Korea	Zaire
Kuwait	Zimbabwe

TDP PROJECT PLANNING SERVICES

TDP promotes sales of U.S. technological goods and services for assisting in the economic development of Third World countries by financing project planning, including definitional studies, pre-feasibility studies, feasibility studies, technology workshops and technology orientation missions.

Definitional Studies

Typically these involve one expert or a small team of experts at the early "idea stage" to (a) make an initial assessment of project potential, and (b) recommend whether or not to pursue further technical assessments. If a positive recommendation is made, the definitional study will also include a scope of work for a prefeasibility or feasibility study, or possibly a technology workshop or orientation mission.

Pre-feasibility Studies

These are preliminary technical, economic and financial analyses to assess whether the project should be undertaken and on what basis. They provide approximations of overall project cost and expected benefits, and define the parameters for follow-on feasibility studies.

Feasibility Studies

These studies comprehensively determine technical, economic and financial feasibility of projects and provide detailed data for making decisions on how to proceed with project development. Sufficient preliminary engineering analysis is also prepared to provide a firm cost estimate. (It should be noted that final design is not considered part of these studies, but rather part of project implementation which is not financed by TDP.) Cost-benefit ratios are calculated. As appropriate, market and cash flow studies and plans for organizing raw materials, plant operations and marketing of the final product may be included. Depending on the size and complexity of the project, the pre-feasibility and feasibility studies may be combined.

Technology Workshops

Technology workshops are generally held when the host country or regional grouping of which it is a part is considering major project investments and is interested in U.S. technological participation. These workshops typically involve (a) technical presentations by U.S. experts on application of

U.S. technology to proposed projects; (b) reports by host country officials on their project investment plan and technology needs; and (c) visits to project sites, if necessary. Such workshops are planned to lead to definitional or pre-feasibility studies and/or direct contracts between U.S. companies and foreign participants.

Technology Orientation Missions

In cases where a country is considering major project investment, TDP may arrange for visits by key host country decision-makers to review U.S. technology in operation. Such visits are typically one to three weeks in length. Itineraries include meetings with U.S. firms and agencies as may be appropriate. (Only a limited number of such visits are sponsored by TDP each year.) These visits are usually undertaken in conjunction with one or more of the planning services listed above.

Source: TDP

(471940)

INCREASED MANAGEMENT ACTION NEEDED
TO HELP TDP MEET ITS OBJECTIVES

THE PURPOSE OF TDP

TDP allows the United States to use methods other than concessional assistance to strengthen the U.S. contribution to development, while promoting U.S. exports. The purpose of the program is to promote development through the sale of goods and services from the U.S. public and private sectors to friendly middle- and upper-income developing countries, including Agency for International Development (AID) graduates, near-graduates, and those that have never received AID funds; and to involve U.S. agencies or firms in early planning of projects with the expectation that U.S. goods and services will be used in implementation.

Two kinds of services are authorized in the Foreign Assistance Act. Section 607a authorizes technical services and training from U.S. Federal and State agencies on a reimbursable basis. Section 661 authorizes grant assistance for planning, including feasibility studies, by U.S. agencies and private firms.

The current program emphasis is on the administration and promotion of section 661 activities. The funding of these activities is based on development need and on the theory that if a U.S. agency or firm does a feasibility study, then a U.S. firm will be in a better position to be awarded the contract for project implementation.

Exhibit A shows the countries that have participated in section 607a and section 661 activities.

Issues involving TDP
section 661 grants

There is a minor controversy about TDP grant funding of section 661 activities. The controversy centers around the belief that TDP section 661 grants amount to U.S. Government export subsidization, and are therefore improper. TDP officials say that no such subsidy is involved because TDP funds only planning assistance for development projects, not exports. Program supporters argue that regardless of whether the grants subsidize U.S. exports, such funding is necessary to meet the competition, which often consists of foreign government-financed feasibility studies. The Japanese budgeted

\$56.7 million in 1979; the European community committed an average of \$70 million a year between 1976 and 1980; the Federal Republic of Germany spent \$60 million in 1978; and France spent \$20.5 million in 1979 for planning assistance, including feasibility study grants.

In addition to TDP, the Overseas Private Investment Corporation (OPIC) also funds feasibility studies, but only for investment projects. The TDP fiscal year 1980 budget for section 661 activities was \$3.8 million (not including operating expenses). The program will receive \$4.0 million in 1981 (not including operating expenses) and will receive \$7.0 million in 1982 (including program and operating expenses). OPIC spent almost \$0.2 million in fiscal year 1980 for feasibility studies. As indicated, TDP and OPIC do not fund feasibility studies in amounts comparable to that of U.S. foreign competitors.

TDP is currently seeking legal advice about whether it can accept unsolicited proposals for feasibility studies non-competitively. (For example, a company may have developed a project proposal, but wants to protect its proprietary interest in the project from domestic and foreign competition.) TDP is also considering forms of repayment should a company win a host-government project contract. We believe this approach is worth pursuing because it may provide TDP a method of recovering expenditures without damaging U.S. competitiveness. This could also provide an opportunity to recycle at least some of the funds, thus permitting optimal use of limited program resources and minimizing concerns about export subsidies, although the lead time for such recycling could be 3 to 7 years.

FREQUENT ORGANIZATIONAL CHANGES
HAVE IMPEDED TDP IMPLEMENTATION

TDP has undergone several organizational changes since its inception, which have affected its performance. The Congress first authorized the use of reimbursable services under the Mutual Security Act of 1954. This was reauthorized as section 607a of the Foreign Assistance Act of 1961. The authority to implement section 607a was delegated to AID that same year. The Congress added section 661 to the Foreign Assistance Act in 1974 and the implementation authority was again delegated to AID.

In 1976, AID merged its Office of Country Financed Programs into its Office of Reimbursable Development Programs and placed the Office organizationally in the Administrator's office. The Office of Reimbursable Development Programs was essentially a service operation, putting foreign governments in touch with U.S. Government agencies for reimbursable (section 607a) services and for funding pre-feasibility studies (section 661) which would lead to such services. According to knowledgeable officials, the Office had a low priority in AID and program costs were only about \$1 million a year. In 1977 the Office was placed in the newly formed Bureau for Private and Development Cooperation and received even less attention because it no longer reported directly to the Administrator.

In 1978, the Congress directed AID to put increased emphasis on private-sector involvement in section 661 activities which was, at that time, focused more on section 607a public-sector activities. A House Committee report stated that

"there are many areas of development assistance in which only the private sector has the expertise or the personnel, or both, to provide the goods or services needed by the client country."

These activities range from highly sophisticated industrial development technologies to the more basic manpower-oriented technologies.

AID issued new guidelines in response to the congressional mandate in March 1979, permitting the provision of planning assistance for projects involving the U.S. private sector. The new guidelines added a significant dimension to the Reimbursable Development Program by facilitating U.S. private-sector participation in overseas development from early project planning through implementation. As a result, the private sector and trade-oriented government agencies became more interested in the program.

For several reasons, in July 1980 the Office of Reimbursable Development Programs was made a separate component within IDCA and renamed the Trade and Development Program. First, it was intended to give the program a higher priority and more visibility. Second, the change was intended to reflect the increased emphasis on private-sector development projects as opposed to U.S. agency reimbursable services. Third, it was

hoped that the change would encourage the participation in development of big business, which has had little role in the AID basic human needs approach, but which could participate in TDP-stimulated development projects involving technology and major procurement assistance. Fourth, it was hoped that the change would benefit the middle- and upper-income developing countries, by meeting their development needs in those sectors not addressed by AID programs.

We believe that the frequency of the organizational changes discussed above has had an adverse effect on the TDP operating ability. This is demonstrated by the fact that many of the problems discussed in this report have affected the program for some years, yet have only recently been addressed.

Inadequate planning, prior to the most recent change, has hindered program operations. This is indicated by some problems that TDP has faced since it became a part of IDCA in July 1980. Almost 4 months after this change, it was still unclear whether the TDP staff were IDCA employees, TDP employees, or employees of AID on loan to TDP and whether these employees had reemployment rights with AID. In addition, the AID financial office refused to release TDP funds for 2 weeks until it received authorization from the AID Administrator. TDP depends on AID for personnel, financial, legal, and other support services. IDCA and AID top management did not plan this change thoroughly, and left some detailed, but important, steps until after the change was made.

We recognize that reorganization is normally done to improve program management, but continual change hinders rather than helps. Thus, we believe that any further reorganizations involving TDP in the near future would tend to exacerbate the problems and that IDCA and TDP should concentrate on improving program operations.

PROGRAM MANAGEMENT FUNCTIONS NEED IMPROVEMENT

We were unable to verify from our review the extent to which TDP, with its current emphasis on section 661 activities, is meeting its objectives. Our review also disclosed other factors which potentially hinder TDP effectiveness including limited coordination with other trade and development agencies and difficulty in resolving personnel problems. TDP has taken initial steps to solve these problems, but we believe that more should be done.

A method to assess the TDP impact on trade and development should be established

TDP currently lacks a comprehensive system to routinely collect, organize, and analyze data concerning the impact of its section 661 and section 607a activities. To be effective, we believe that TDP should establish such a system. Initial actions have been taken to address this issue and are discussed below. In referring only to the effect of section 661 activities on development and U.S. exports, a consultant who reviewed the program in early 1980 stated that until such a system is operating, the program can only be regarded as experimental. The consultant also stressed that such a system should be established quickly. The system, we believe, should be comprehensive and effective but does not have to be overly sophisticated or complicated. It could involve routine data collection and followup consisting of frequent communication between TDP officials and U.S. Embassy commercial attaches, host-government officials and U.S. private-sector officials to obtain information about private-sector contracts resulting from program activities.

Assessing the trade impact

Our review of the major section 661 activities revealed that it was premature to fully assess the impact of these activities on U.S. exports. The primary reason for this is because several years can elapse between when TDP activities are initiated and the time host-government contracts are awarded for final projects. TDP has only emphasized section 661 activities leading to private-sector development projects, for about 1 and 1/2 years.

Specifically, we found that TDP obligated \$3,128,443 for 18 feasibility studies for fiscal year 1979 and through the end of August in fiscal year 1980. Five studies have not yet been started, nine studies are currently underway, and three studies have been completed but have yet to result in follow-on exports. Only one study, obligated for \$33,000 has resulted in U.S. exports. As a result of this study, contracts valued at about \$60 million for a project in Venezuela have been awarded to a U.S. firm. Program officials estimate that about \$20 million in additional contracts with U.S. firms may result.

In terms of private-sector participation, one of the most successful TDP section 661 projects occurred in 1977 and 1978, before such participation was emphasized. The program funded feasibility studies for \$185,600, which were performed by two U.S. companies and a \$42,000 training grant. This investment resulted in over \$125 million in contracts between the government of Thailand and U.S. firms, though not all of this amount will result in U.S. procurement.

TDP also funded several other activities for fiscal year 1979 and through August of 1980, including pre-feasibility studies, definitional studies, technology workshops and technology orientation missions for an amount of \$1,715,820 (see Exhibit B for definitions of program activities). We did not determine the results of all these activities in detail, but we noted that at least 10 activities did lead to feasibility studies either in 1979 or 1980.

It is difficult to estimate the potential trade benefits of the above activities. One reason is that there is no guarantee that a U.S. firm will receive the project contract after the feasibility study has been completed. For example, TDP funded a study for \$1,607 in 1980 and estimated that \$1 million in U.S. procurement would result. A U.S. firm was expected to receive the contract, but lost to a British company. Some countries link the project contract to the feasibility study, but TDP does not, among other reasons, because it promotes development, as well as trade. TDP optimistically estimates, however, that the 18 feasibility studies could result in exports valued at over \$300 million. To be approved, proposed activities must expect exports valued at \$50 to \$100 for every dollar obligated.

The overall effect of TDP section 607a activities on U.S. trade is likewise difficult to assess. TDP plays mainly an administrative role with section 607a activities. It authorizes such activities and maintains basic records, but does not maintain records concerning the subsequent trade benefits of these activities. Program officials did attempt to assess these benefits in a recent survey. The program director sent

a letter in January 1980, to 10 agencies 1/ asking for information about past and future direct and indirect procurement resulting from their section 607a activities. The six agencies that responded 2/ estimated that almost \$30 million in direct procurement has resulted or will result from their activities. No estimates were given, however, of indirect or follow-on procurement. One agency official said that such information was "simply not available."

A recent contractor's report 3/ identified \$51 million in direct procurement from TDP section 607a activities for fiscal years 1975-80. U.S. private-sector follow-on procurement resulting from these activities was estimated at \$765 million.

We contacted the Treasury Department Office of Saudi Arabian Affairs which manages a large section 607a program, and learned that, as of May 31, 1980, its section 607a activities had resulted in \$238.3 million in direct procurement from U.S. contractors or Government agencies. The Office had no definite information on indirect procurement.

Program officials recognize the need to establish a system to document trade results and have begun to address the problem. The acting director noted that TDP has hired a program officer who has responsibilities in this area and that program staff have begun collecting necessary data. Finally, the contractor, a public accounting firm, has devised a model trade results evaluation system for the program. We believe TDP must now establish procedures to implement such a system.

We believe that without an adequate system to clearly document results, the overall effectiveness of the program will always be questioned. TDP needs to insure that such a system is effective and sufficiently comprehensive to adequately measure activity results, thus providing a basis to assess the program.

1/Army Corps of Engineers, The Treasury Department Office of Saudi Arabian Affairs, Federal Highway Administration, Customs Service, Federal Aviation Administration, Bureau of Mines, Departments of Agriculture and the Interior, Internal Revenue Service, and the Coast Guard.

2/Army Corps of Engineers, Federal Highway Administration, Customs Service, Department of Agriculture, Internal Revenue Service, and the Coast Guard.

3/Price Waterhouse and Co., "Report on Documentation Review for U.S. Trade and Development Program," Dec. 5, 1980.

Assessing the development impact

TDP lacks a comprehensive system for assessing the effect of its activities on the development of the host countries. Before activity approval, TDP requires U.S. Embassy approval of the activity based, in part, on the Embassy assessment of the activity's impact on host-country development and requires a brief evaluation of possible development benefits by the TDP project staff. The program also relies on the World Bank and others for evaluations of development benefits. Our analysis of Embassy assessments and TDP evaluations revealed that the impact on development was not addressed in any detail.

In addition, the program has not assessed the development benefits that have actually resulted from its activities. Program officials told us that measuring actual development benefits is very difficult and is complicated by the fact that TDP, unlike AID and the World Bank, only assists in planning the development project, not in implementing it. Further, it may be too early to evaluate the development benefits of private-sector projects because this is usually done after the project has been completed. Nevertheless, we believe that since TDP has a developmental objective, it should be more concerned with planning for, and monitoring, the development impact of the projects it stimulates.

TDP files lack sufficient
documentation for program activities

We found that many of the TDP activity files that we reviewed, especially those from earlier years, lack sufficient documentation of key events. These files consist almost entirely of correspondence and often lack any official activity justification, determination of approval, or copies of contracts. Federal law requires that

"the head of each Federal agency shall make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency's activities." (44 U.S.C. 3101)

TDP took steps to correct this problem by adopting a new approval form in June 1980, which among other things, defines and describes the activity and is intended to justify both the trade and development aspects of the activity. This new approval

form replaces one that was less detailed and not always used. The new form must be filled out prior to activity approval. The form is included in those files started since June.

We believe that the institution of this new form is a positive step, but other key documentation, such as contracts, still need to be provided for. TDP cannot adequately monitor the progress and results of its activities without an efficient and comprehensive filing system. The AID Bureau of Program and Management Services is designing a model project file and could assist TDP in revising its filing system. TDP should seek Bureau assistance in bringing its files into compliance with Federal laws and regulations.

The TDP acting director noted that this situation is due, in part, to the fact that the program activity approval process and implementation has involved various AID offices (including those for financial management and contracting), which keep their own records and have not always provided copies to TDP. The program has also lacked sufficient clerical support. He has instructed TDP project officers to ensure that all activity files include: basic background information, activity approval data, appropriate correspondence and follow-up data. He has also instructed that all active files be reviewed to meet requirements and has named two staff members to supervise the process.

Program coordination needs improving

TDP coordination with other trade and development agencies has not been totally satisfactory and should be improved. Effective coordination between TDP and other trade and development agencies can assist the program in attaining its goals. Concerning its trade objectives, coordination with the Department of Commerce and the U.S. embassies, for example, should help TDP in identifying and developing projects. Coordination with agencies such as the Export-Import Bank and OPIC could result in joint projects. Such coordination could assist the TDP trade customer--the private sector. Concerning its development objectives, AID, OPIC, and TDP should work closely together to complement their efforts. Despite their different objectives, these organizations offer valuable benefits to developing countries. Under the direction of IDCA, they could satisfy a broader range of development needs.

IDCA is responsible for overall development coordination with U.S. Government agencies and other organizations, such as multilateral banks and the United Nations Development Program.

For the most part, TDP depends on IDCA for such coordination. The program also conducts its own coordination with specific agencies. Our findings concerning this coordination follow.

- Relations with the Department of Commerce have been mixed. TDP officials and officials of the new Department of Commerce Foreign Commercial Service have been meeting to discuss joint efforts in identifying TDP projects. The Service has commercial officers at 65 U.S. embassies. Coordination with the Commerce Major Projects Division has not been as good. This division assists U.S. firms in obtaining contracts for overseas construction projects, mostly in developing countries. According to a Division official, although TDP often seeks Division assistance in determining U.S. competitiveness in particular areas, relations have been hindered because of TDP organizational problems, a low TDP budget and because of TDP competitive bidding procedures which, this official believes, have limited greater private-sector participation in TDP activities.
- TDP and the Export-Import Bank have been coordinating on both the senior and project levels since the change in the TDP mandate. One Bank official believes, however, that due to the long period of time between the feasibility-study and the project-financing stages, that it will be 3 or 4 years before the two organizations need more frequent coordination.
- According to an OPIC official, coordination between TDP and OPIC can and does take place despite differences in goals, but could be strengthened. Soon after the TDP mandate was changed, a great deal of contact took place but it has since decreased to occasional interaction concerning project or country information.
- TDP coordination with AID differs by AID geographic bureau. TDP maintains close contact with the Bureau of Latin America and the Caribbean, but an official of the Africa

Bureau complains that the Bureau has little direct contact with TDP and only receives copies of TDP correspondence.

- TDP contact with the World Bank is on a project basis.
- TDP has periodic contact with the Department of the Treasury Office of Saudi Arabian Affairs, which administers a large section 607a program.
- TDP had no direct contact with the Office of the U.S. Trade Representative, the chief formulator of trade policy for the U.S. Government, prior to our review. Recently, however, they have coordinated a project in Nigeria.

Although TDP should be primarily responsible for its coordination, IDCA could lend strong support especially in TDP relations with the other two IDCA components: AID and OPIC. AID, OPIC, and TDP have different objectives, but they collectively offer a comprehensive development approach. However, this is not always understood within the agencies themselves. We talked with headquarters staff at all four AID regional bureaus. Most, but not all, were familiar with TDP activities. Although all were aware of TDP development objectives, some thought that TDP primarily emphasized trade. An OPIC official told us that if TDP wanted to meet its development goals, it should deemphasize activities with the richer developing countries.

All IDCA organizations have a unique role in development. AID provides for the basic human needs of the poorest nations; OPIC insures U.S. investment in developing countries, thus assisting these countries with their economic development; and TDP stimulates the trade of U.S. technical goods and services to those developing countries that have progressed, at least partially, beyond the necessity to meet basic human needs. This type of trade benefits the developing countries by providing technology that is often available only from the United States or its competitors, by helping them meet their economic development goals and improving the living standards of their citizens. The United States benefits through the creation of jobs, improvement in the balance-of-payments, and access to raw materials. Further, the trade of a particular good or

service often creates a demand for additional goods and services. Therefore, because of the different development functions of its components, IDCA is in a unique position to foster a development policy that will incorporate or consider the strengths of all three organizations to best meet the diverse needs of the world's developing nations.

Our discussions with officials of trade and development agencies revealed an almost unanimous optimism about the TDP potential. To meet its potential, however, TDP will need to work closely with these agencies and will need their support. For example, TDP can publicize itself to the private sector and developing countries and educate itself about developing countries through missions sponsored by OPIC or the Export-Import Bank. TDP can better identify the most critical needs of the developing countries through close contact with commercial attaches and AID mission officials.

Therefore, we encourage and believe it necessary for TDP to seek stronger working relationships with these agencies. The exchange of information is important, but a closer working relationship would contribute, we believe, to the overall trade and development objectives of the U.S. Government and could enhance the benefits to the U.S. private sector and to the developing countries.

Personnel issues

TDP has had personnel problems. Although some have been solved, others remain that could adversely affect the achievement of program objectives. These problems involve the personnel status of TDP employees, vacancies in overseas attache positions, and the need for highly qualified individuals in the attache positions.

TDP is a small organization. As of December 1980, there were 22 full-time and 2 part-time positions and 4 were vacant, although one vacancy should be filled shortly. The basic organizational structure is as follows: a director and deputy director manage the program; four regional assistant directors coordinate the activities in their respective regions; and four overseas attaches are responsible for activity planning and implementation in their respective regions.

TDP employees are paid under four different pay schedules: senior executive service (SES), foreign service reserve (FSR), general schedule (GS), and administratively determined (AD). Those in the AD category were appointed by the AID

Administrator (now serve with the approval of the TDP Director) and their grades are equivalent to GS grades. The breakdown of positions by grade is shown in the following table.

TDP PERSONNEL POSITIONS
(December 1980)

<u>Schedule</u>	<u>Number of Positions</u>	<u>Number of Vacancies</u>
SES	2	1
FSR-1	1	0
FSR-2	7	2 <u>1/</u>
FSR-3	2	0
AD-15	2	0
AD-14	1	0
GS-14	2	0
GS-11	1 (part-time)	0
GS-7	2	1
GS-6	1	0
GS-5	2 (1 part-time)	0
GS-4	1	0

Since TDP became a part of IDCA in July 1980, there has been confusion about the personnel status of the TDP staff. The confusion has been caused by differences of opinion between IDCA and AID officials over general personnel matters and TDP has been one focal point of the dispute. For 4 months, it was unresolved as to whether the TDP staff was to be counted as IDCA employees, as AID employees on loan to TDP, or as TDP employees. Whether the staff would have reemployment rights with AID was also unclear. Attempts to resolve this controversy have consumed much staff time.

An agreement was finally made between AID and TDP effective November 16, 1980, whereby all GS/AD employees detailed to the program on July 1, 1980, were separated from AID and transferred to TDP, but GS employees have reemployment rights with AID. FSR personnel detailed to the program serve in such assignments as AID Foreign Service employees on reimbursable detail until their tours are either completed or extended.

1/A person has been hired to fill one vacancy and should report for work soon.

TDP overseas regional attaches are crucial in exploring, cultivating, and developing project opportunities. TDP has viewed these attache positions as key factors in program implementation, but has had difficulty in placing them in posts. As of December 1980, only one attache was physically located in-country.

Our review showed that TDP has had difficulty for some time in filling its attache positions. TDP initially expected all positions to be authorized and staffed by the end of fiscal year 1978. According to program officials, this problem remains for two basic reasons. First, when the program was in AID, AID management assigned a low priority to filling the attache positions due to the low priority given the entire program and to the high cost of maintaining overseas staff. Second, finding qualified people to fill the attache positions has been difficult. Two consultant reports noted the importance of filling these positions with competitive, aggressive people who have both development and marketing or sales experience. Although the TDP acting director plans to fill future positions with foreign service officers on loan from AID, Commerce, or State, he realizes the difficulty of finding people with expertise in both trade and development. He refuses to fill the positions with anyone not fully qualified.

Currently, only one attache is actually located overseas--the attache located in Nigeria responsible for non-Arab Africa. The attache assigned to the Far East is now in Washington but is expected to relocate in Hong Kong in January 1981. The attache for the Near East is also in Washington. TDP has selected an attache for Latin America to replace the one who recently retired. TDP officials expect that by the end of fiscal year 1981, all four positions will be posted overseas. By the end of fiscal year 1982, TDP plans to have at least one attache and no more than two attaches in each region.

The TDP plan to have more than four attaches overseas by the end of the fiscal year 1982 is in line with a recommendation by a consultant to increase the number of attaches and to reduce the geographic area for which each attache is responsible. Although we agree that this action may need to be taken in the future, we believe that before the overseas staff is increased, the effectiveness of the program must be clearly demonstrated. TDP, if necessary with the assistance of IDCA, should fill its vacant positions with qualified people and should place the attaches in their overseas posts.

CONCLUSIONS AND RECOMMENDATIONS

TDP has undergone numerous administrative and organizational changes in recent years, including a significant revision on the approach to achieving basic goals. The purpose of the program--to promote development and the sale of U.S. goods and services--has essentially not changed. Revised guidelines in 1979 increased private-sector participation, however, which significantly changed the program by making private-sector participation a major goal.

Our review of TDP identified several problems which can be attributed to (1) the frequency of organizational changes, (2) the low priority that the program received in the past, and (3) the lack of sufficient attention to certain administrative details.

Until TDP has shown results for more than a few of its activities, its full potential for promoting trade and development is unknown. Therefore, the establishment of a comprehensive system to measure program results should be the highest priority of TDP. The program should also seek improved coordination with other U.S. development and trade agencies. Closer working relationships with these agencies would, we believe, assist TDP in meeting its objectives of promoting U.S. trade and foreign development.

Many problems identified in this report are complex and, in some cases, will require time and cooperation to develop satisfactory solutions. Nevertheless, these problems should be addressed as soon as possible, so that results can be better assessed. Although TDP has begun steps to solve many problems, more is required.

Accordingly, we recommend that the Director, Trade and Development Program, in consultation with the Director, International Development Cooperation Agency, develop and implement an action plan and establish a definite time period to resolve the problems noted in this report. TDP should

- develop an effective system to routinely collect, organize and analyze data to assess TDP activity results;
- establish--as part of the system above and with the assistance of the AID Bureau of Program and Management Services--an efficient and comprehensive filing/documentation system.

that meets all Federal requirements, so TDP officials can better monitor program activities;

- establish closer working relationships with other U.S. development and trade agencies, to better promote U.S. trade and to meet the needs of all developing countries; and
- fill attache positions as quickly as possible and institute procedures to insure that personnel selected for professional positions will have adequate backgrounds in both trade and development.