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PREVENTIVE DIPLOMACY:
"REVITALIZING A.I.D. AND FOREIGN ASSISTANCE FOR THE POST-COLD WAR ERA"

Report of the Task Force To Reform A.I.D. and the International Affairs Budget

September 1993

TABLE OF CONTENTS

PREFACE

EXECUTIVE SUMMARY

INTRODUCTION

I. FOREIGN ASSISTANCE AND THE NATIONAL INTEREST.....8

A. The First 45 Years.....8
B. The New World Context for U.S. Foreign Policy....13
C. The U.S. National Interest.....17
- National Security.....18
- Economic Revitalization.....22
- Promotion of Democracy.....24

II. THE AGENCY FOR INTERNATIONAL DEVELOPMENT: PROPOSALS FOR CHANGE.....27

A. A.I.D. Today: The Need for Change.....27
B. New Goals and Objectives for A.I.D.....34
- Promoting Sustainable Economic Growth and Development.....35
- Building Democratic Participation in Development.....39
- Addressing Global Issues.....41
- Responding to Emergency Humanitarian Needs.....42

C. Sharpening A.I.D.'s Focus.....43
D. Necessary Changes for A.I.D. to Carry Out Its New Goals and Objectives.....48
E. Unfinished Business and Next Steps.....58
F. Expected Outcomes.....59

III. FOREIGN ASSISTANCE BEYOND A.I.D.: THE REST OF 150...65

A. Recasting the Function 150 Account.....65
B. Issues Relating to the 150 Account.....68
- Possible New Budget Categories.....68
- Balance of Security and Economic Assistance.....70
- Balance of Multilateral and Bilateral Assistance.....72
- Trade Promotion Strategy.....77
- New Legislative Authority.....80

IV. LEADERSHIP AND RESPONSIBILITY IN FOREIGN ASSISTANCE: COORDINATION OF THE 150 ACCOUNT FUNCTIONS.....82

A. Legal Authority of the Secretary of State.....83
B. Past Coordination Attempts.....85
C. Current Structures for Coordination.....86
D. A Clarification of Coordination.....92
E. Recent Proposals for Enhanced Coordination.....97

V. CONCLUSION.....101

PREFACE: THE TASK FORCE

The Secretary of State directed me to review the goals and objectives of the Agency for International Development (A.I.D.). A Presidential Review Directive (PRD 20) subsequently requested the State Department to undertake a review of the "function and structure" of A.I.D. in the context of Function 150 -- International Affairs programs and resources. This report is an initial response to both directives.

I chaired a Task Force of 35 members selected from a wide array of organizations -- A.I.D., State, Treasury, Agriculture, Commerce, Trade and Development Agency, Export-Import Bank, Overseas Private Investment Corporation, Office of Management and Budget, National Security Council, African Development Foundation, and the Inter-American Foundation. (A list of the Task Force members and affiliations is attached as Appendix A.)

Past studies of A.I.D. and its predecessors greatly contributed to the scope of the report (Appendix B). The Task Force also benefitted from extensive correspondence with many knowledgeable and concerned individuals and organizations.

The Task Force was divided into five "Working Groups" to examine and make recommendations on: (1) the goals and objectives of development assistance; (2) the role of agencies in the Function 150 Account; (3) the functions in the 150 Account relating to development assistance; (4) coordination among agencies; and (5) improved implementation of development assistance programs.

The Working Groups reported their findings to the Task Force in plenary sessions. While there was a consensus on many of the recommendations, there was also spirited discussion in which a wide variety of views was solicited and given. This report contains the combined results of the findings and recommendations of the Task Force, input from the Congressional leadership who received a preliminary, abridged draft of the report, and my further consultation with various government officials, including individuals at the State Department and A.I.D. As Chairman of the Task Force, I assume responsibility for the contents of this report, and extend my sincere appreciation for the work of the Task Force members.

Clifton R. Wharton, Jr.
Deputy Secretary of State
Chairman
Task Force

APPENDICES

A. Names and Affiliations of Task Force Members
B. Bibliography: Foreign Aid Reform
C. Matrix: Budget Function 150
D. Chart: Function 150 Account by Congressional Committee Jurisdiction
E. Glossary

EXECUTIVE SUMMARY

The Task Force evaluated the purpose and structure of United States foreign assistance and the Agency for International Development in the current world context. Its findings and recommendations include the following:

FOREIGN ASSISTANCE AND THE NATIONAL INTEREST

Foreign assistance continues to be in the national interest of the United States in the post-Cold War era. Well defined, effectively managed, and flexible foreign assistance programs can further U.S. domestic, economic, political and security interests.

National security in the post-Cold War era can no longer be understood in overwhelmingly military terms. Local and regional conflicts, political chaos, terrorism, economic collapse, social disintegration and environmental degradation all affect U.S. security and demand response. Foreign assistance programs have a major role in this response.

All programs, whether administered by A.I.D. or other agencies, must have as their objective, and support in

their operations, the attainment of U.S. domestic and foreign policy goals in clearly identifiable ways.

Specifically, the current objectives of foreign assistance in the post-Cold War era are: building democracy; promoting and maintaining peace; promoting economic growth and sustainable development; addressing global problems; providing humanitarian assistance.

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

A.I.D. needs major reform but should remain a leading institution in U.S. foreign assistance. It should play the primary role in providing bilateral development assistance in support of building democracy; promoting economic growth and sustainable development; addressing global problems; providing humanitarian assistance.

The Task Force believes that by following these four objectives, A.I.D.'s bilateral development programs can contribute to an ever-widening community of stable, prospering, democratic nations; expanded markets for mutually beneficial commerce; and the prevention and containment of conflicts.

At present, however, A.I.D. is not equipped to carry out its mission effectively. The agency is burdened by process, its problems stemming from an unfocused mandate, over-regulation, inflexibility due to earmarking, and poor management.

The new A.I.D. Administrator is working to overcome internal deficiencies with plans that will take the Agency in a direction that complements the findings and recommendations of the Task Force. He plans to reduce layers of management; reward and promote staff for results achieved rather than size of portfolio managed; modify contracting and grant procedures, and explore greater use of "umbrella contracts" for multi-country operations.

Congressional assistance will be sought to clarify A.I.D.'s statutory mandate, reduce and streamline regulations and reporting requirements, and eliminate earmarking. Multi-year (at least two-year) funding will be requested to produce greater cost-effectiveness.

A revitalized A.I.D. should reduce the number of projects it funds and operate in fewer countries. In

targeting countries and projects to be funded, A.I.D. should apply the following criteria:

A. Programs must support the attainment of U.S. foreign assistance objectives and show promise of achieving measurable results;

B. Recipient countries must permit decentralization and allow direct funding of non-governmental organizations, private voluntary organizations, cooperatives and credit unions; they should encourage the direct grass-roots level participation of both men and women of all classes, races, ethnic groups and religions in planning and running programs to solve their own problems.

C. Prospective recipient countries should also demonstrate a commitment to their own development through the adoption of sound economic policies and democratic principles, respect for human rights and a commitment of their own resources to the development process.

D. In selecting countries for funding, A.I.D. should recognize that countries require different types of assistance based on their particular stage of development. The mix of policy recommendations and assistance will differ but the overarching goal of engaging them in an expanding global market economy should be the same.

PURPOSE AND STRUCTURE OF THE FUNCTION 150 ACCOUNT

The Task Force reviewed the totality of U.S. foreign assistance (including A.I.D.) and recommended that the wide array of existing programs be administered and budgeted by objective rather than by the traditional single-program approach. The programs would be grouped under the five overarching assistance objectives: building democracy, promoting and sustaining peace, promoting economic growth and sustainable development, addressing global problems, and providing humanitarian assistance. A sixth objective would be "advancing diplomacy," a strategy for State Department and A.I.D. operating budgets, and funds for assessed and voluntary contributions to international agencies.

The new framework would enhance the achievement of U.S. foreign policy goals; strengthen accountability and evaluation; facilitate consolidation, elimination or revamping of individual programs as circumstances require; and lead in time to a reduced emphasis on foreign military assistance.

In addition, the legislative authority for many of the foreign assistance programs should be revised to reflect the post-Cold War environment and provide greater flexibility to agencies to carry out their mandates.

The Task Force found that both bilateral and multilateral assistance generally are mutually reinforcing to U.S. international interests and objectives. No major change in the allocation of resources between the two was recommended at this time.

Bilateral assistance:

As the lead agency for development, A.I.D. should maintain responsibility for Development Assistance and Economic Support Funds.

The Secretary of State should provide policy guidance to A.I.D. in its conduct of democracy and global programs. The State Department should have primary responsibility for providing support designed to achieve short-term political or security purposes.

At such time as military security assistance is reduced, funds thus freed should be transferred to economic aid, peace-keeping and democratization, with A.I.D. administering economic assistance and some democratization projects, and State and Defense administering the remaining democracy, peace, and security related funds.

U.S. Commercial Interests:

U.S. development objectives can assist but do not necessarily, or always, coincide with U.S. commercial interests. The U.S. should maintain strong support for both development assistance and export promotion programs, but they should remain separate under the rubric of international programs.

Responsibility for promotion of U.S. trade and exports, and subsidies to investors, should be shared, as appropriate, by Export-Import Bank (Eximbank), U.S. Department of Agriculture (USDA), Overseas Private Investment Corporation (OPIC), Trade and Development Agency (TDA), Department of Commerce (Commerce), U.S. Trade Representative (USTR) and Department of the Treasury (Treasury). A.I.D. should not play a direct role, but rather support liberalization of economies and promote broad-based, market-led private sector development. The State Department and U.S. Ambassadors overseas would help ensure that American firms are considered.

U.S. efforts for a liberal international trade regime should focus on Organization for Economic Cooperation and Development (OECD), Group of Seven (G-7), and bilateral trade negotiations, as well as on traditional programs that directly stimulate U.S. exports (e.g. Eximbank, Trade and Development Agency). Development assistance resources should be used for investments in sustainable development. They should not be used to combat short-term predatory trade practices of other aid-giving countries.

Multilateral assistance:

There should be continued strong support for the multilateral development banks (MDBs) and development activities of U.N. agencies.

In order to maintain U.S. influence in these institutions, there should be full funding of U.S. commitments. For example, the U.S. is $374 million in arrears to the MDBs for FY'93, and will potentially be $823 million in arrears by the end of FY'94.

The U.S. should continue to take an activist role in the governing bodies of multilateral organizations in order to maximize their developmental impact and ensure that U.S. interests are served.

COORDINATION

Existing mechanisms are sufficient for effective coordination among foreign assistance programs, but current practices must be sharpened. This will be facilitated by analyzing programs as to their individual

lines of responsibility and accountability for policy, administration and budgeting.

Clarifying this basic authority would strengthen management and lessen or eliminate involvement by those who have no major role in the particular program, and it would reduce "turf" battles that tend to be time-consuming, debilitating, diversionary and generally counter-productive to the accomplishment of objectives.

In the event that further considerations result in the establishment of a new coordinating mechanism, the Secretary's legal responsibility for international relations and foreign assistance would suggest it should be lodged in the Department of State.

In all cases, the Secretary of State's primacy should remain, while his actual involvement would vary depending on which agency had principal responsibility.

CONCLUSION

Major changes are required to enable U.S. foreign assistance to meet its objectives in a changed world.

U.S. policy to address global issues must retain its flexibility to adapt to changing conditions and strategies. This report seeks to contribute to the process of meeting this challenge.

INTRODUCTION

In his speech on international economic policy delivered at American University in Washington, D.C. on February 26, 1993, President Clinton stated the need to reform our foreign assistance programs:

Our aid policies must do more to address population issues; to support environmentally responsible, sustainable development; to promote more accountable government, and to foster a fair distribution of the fruits of growth among an increasingly restive world population where over one billion people still exist on barely a dollar a day. These efforts will reap us dividends of trade, of friendship and peace.

At his Senate confirmation hearing in January, Secretary of State-designate Christopher reaffirmed the President's goal and announced that he had asked the Deputy Secretary to review the goals and objectives of A.I.D. in the current world context. On January 22, at

the Deputy Secretary-designate's confirmation hearing, he also indicated his strong support for such a review and promised the Committee that he would consult with it in a close and timely fashion as the recommendations were being formulated.

Subsequently, on March 8, a Presidential Review Directive (PRD 20) was issued to assess all international programs of the U.S. government. The PRD included a request that the Department of State create a Task Force, chaired by the Deputy Secretary, to prepare recommendations on the reform of A.I.D. Two objectives were set forth: (1) to review the structure and function of A.I.D., including its relationship to the Department of State; and (2) to review the Foreign Assistance Act and the State Department's responsibility to evaluate the International Affairs Budget Function 150.

In addition to the Task Force deliberations, the Chairman and staff consulted, both formally and informally, with A.I.D.'s Congressional oversight committees. In particular, the Task Force has benefitted from a series of statements and hearings held on reforming

foreign aid by Senator Patrick Leahy, [1/]Chairman of the Senate Appropriations Subcommittee on Foreign Operations; extensive hearings on foreign assistance reform held by Senator Paul Sarbanes; the 1989 report of the Task Force on Foreign Assistance of the House Committee on Foreign Affairs (the "Hamilton-Gilman Report"); and subsequent written communications on the work of the Task Force from the Chairman of the Committee on Foreign Affairs, Representative Lee Hamilton. There also have been constructive consultations with the Chairman of the House Appropriations Subcommittee on Foreign Operations, Export Financing and Related Programs, Representative David Obey, and with the Chairman of the Senate Foreign Relations Subcommittee on Economic Policy, Trade, Oceans and Environment, Senator Paul Sarbanes.

1/ "For the Agency to function effectively, and to be held accountable for progress towards practical objectives, clearly its mandate must be simplified and clarified. Congress and the Executive Branch must decide what mission they want A.I.D. to carry out, and agree upon a set of measurable objectives for the Agency to pursue. Greater unity of purpose should enable the agency to overcome the centrifugal tendencies of the last several years which have led to conflicting agendas among different parts of the bureaucracy, turf wars, and confusion as to what A.I.D. is all about."

A preliminary abridged version of this report was shared with the Congressional leadership, and the Deputy Secretary and A.I.D. Administrator presented testimony on July 14 at a hearing chaired by Senator Sarbanes. These steps furthered the consultation process and allowed the views of those concerned with the future of foreign assistance to be adequately considered in the preparation of the final report.

The foreign assistance programs of the United States cover a broad array of activities, including bilateral economic and military assistance (elements of which comprise security assistance), support for multilateral development banks and United Nations organizations, and trade and investment promotion. A.I.D. is only one of the many entities engaged in implementing these international assistance efforts. Most of these activities, including A.I.D., are included within Function 150, the International Affairs Budget. The Task Force, therefore, took into account the fact that any reform of A.I.D. necessarily involves both a restatement of its scope and focus as well as a rethinking of its relationship to the broader array of other economic, military and security assistance activities.

With respect to A.I.D., the Task Force focused on the broad directions that a newly-designed program should take to reflect American values and meet its responsibility as an effective tool of U.S. foreign policy. Inherent in these directions would be significant changes in A.I.D.'s goals and objectives, and changes required in the agency's organization to carry them out.

Looking beyond A.I.D. to the overall 150 account, the Task Force examined the benefits of both multilateral and bilateral assistance, the importance of trade promotion, and the relative balance of military and economic assistance. The group explored how improved coordination of our assistance efforts would enable us to advance our foreign policy goals more effectively in the era of increasingly scarce resources.

In certain cases, the Task Force recommendations will eventually require legislative action. Identification of such actions will depend upon further discussion and consultation leading to final report recommendations. However, many changes can be undertaken administratively.

Finally, special consideration was given to the serious budget constraints faced by all U.S. foreign

assistance programs. These budget pressures have been so persistent and severe that the United States now ranks next to last among developed countries in the percentage of GNP provided for development assistance. Moreover, development assistance has declined as a percentage of the Function 150 budget. Out of $21.6 billion requested for FY 1994, $2.1 billion is for bilateral development assistance, less than ten percent of the total Function 150 budget. Under these circumstances, special attention was paid to those recommendations which would increase the effectiveness of dollars spent for development and opportunities for greater leverage.

The report is divided into four main areas:

-- "Foreign Assistance and the National Interest" -- a rationale for Congress and the American people to support foreign aid programs in serving our national interests and in achieving our foreign policy goals.

-- "The Agency for International Development: Proposals for Change" -- a presentation of

A.I.D.'s new goals and objectives, and necessary organizational changes to implement them;

-- "Foreign Assistance Beyond A.I.D.: The Rest of the 150 Account" -- a preliminary consideration of possible changes in foreign assistance beyond A.I.D. which should be considered by the PRD 20 Interagency Working Group (IWG).

-- "Leadership and Responsibility in International Assistance Programs" -- suggestions on how to coordinate and improve the general policy formulation, budgetary development, coordination and execution of international assistance in achieving US foreign policy goals.

It is hoped that this report will contribute to the process underway in the Administration, the Congress, and the broader community to refocus America's foreign assistance programs to advance U.S. principal goals in this new era.

I. FOREIGN ASSISTANCE AND THE NATIONAL INTEREST

A. The First 45 Years

Foreign aid has been an integral part of U.S. foreign policy since Congress first authorized funds to implement the Marshall Plan in 1947. Every President and every Congress over the ensuing years have recognized the importance of bilateral and multilateral foreign assistance in achieving our overall political, economic and security foreign policy objectives.

Throughout this 45 year period the dominant justification for foreign aid's importance to the national interest was its contribution to our foreign policy goal: the containment of communism. A secondary goal was promoting development of the Third World nations, both as a part of "containment," and as a reflection of the values of the American people.

There have been many tangible accomplishments during this era. National economies have been built on sound foundations; foreign aid has helped stem, and ultimately reverse, the tide of communist ideology; and the lives of millions of men, women and children have been improved

through development assistance and humanitarian aid. American leadership also created and sustained the growing family of multilateral development banks and institutions that today dwarf bilateral programs.

Nevertheless, despite decades of foreign assistance, most of Africa and certain parts of Latin America are economically worse off today than they were twenty years ago. In South and Southeast Asia there are nations experiencing dynamic growth alongside those stagnating in poverty. This does not imply a causal connection between this phenomenon and U.S. foreign assistance. However, the fact that there is rapid economic growth in some parts of the world, but not in others, presents an important challenge in the years ahead. It underlines the need to match the combination of aid programs with a nation's development stage.

Encouraging broad-based economic growth in the developing world makes pragmatic sense for the U.S. economy. Developing countries have emerged as the fastest growing market for U.S. exports. Between 1986 and 1991, U.S. exports to these countries increased 106 percent (from $77 billion to $159 billion), making up 38 percent of total U.S. exports. In 1991 alone, exports to

developing countries accounted for nearly three million U.S. jobs, more than doubling that of the previous five years.

The average American knows as well as economists that poor people make poor customers. When we and our donor partners help developing countries grow, we help them to take care of themselves. Equally important, this helps them earn the money to buy U.S. products and services.

Some examples of how development has positively affected U.S. trade and jobs:

- Economic growth in Asia (including a number of A.I.D.- assisted countries) has created a huge increase in demand for imports. More than 2.3 million U.S. jobs are currently linked to exports to Asia alone.

- Latin America and the Caribbean make up the fastest growing regional market for the United States, in large part due to macroeconomic reforms and trade liberalization measures supported by

A.I.D. Exports to Latin America and the Caribbean totalled $76 billion in 1992, more than double the amount five years ago.

- In Jamaica, 104,000 jobs were added to the economy between 1985 and 1988 as the result of policy reforms encouraged and facilitated by U.S. economic assistance.

- In Indonesia, oil based rapid economic growth, supported by A.I.D. programs, resulted in a reduction in poverty levels from 70 percent of the population two decades ago, to less than 20 percent today. Indonesia's economic success has been translated into significant market opportunities for U.S. products and technology.

- Since the mid-1970s, A.I.D. activities in developing countries have enabled millions of poor micro- and small- scale entrepreneurs (many of them women) to start or improve the performance of their

businesses. These programs helped increase private sector growth and allowed small business men and women to raise their levels of consumption and the well-being of their families.

Notwithstanding such achievements and the direct benefits foreign aid brings to the U.S. economy, foreign aid programs in recent years have not been popular with the American people. This can be attributed to a number of factors, including: failure of leaders to articulate the importance of assistance to America's economic and security interests; the public perception that limited tax resources could better be used at home; the assumption that foreign aid involves comparatively vast amounts of U.S. tax dollars, billions more than is the actual case; the suspicion that alliances with some foreign governments and leaders are corrupt or antithetical to American democratic ideals; and an apparent absence of tangible results in several nations.

While in absolute dollar terms the United States maintains the world's largest program of official development assistance (ODA), it by no means bears a

disproportionate burden. Of the twenty OECD Development Assistance Committee member countries, only Ireland commits a smaller percent of its GNP to foreign aid. Canada's assistance, for example, is 0.45 percent of GNP, while ours is about 0.2 percent. On average, the Scandinavian countries give nearly one percent of their GNP annually.[1/] Japan is currently second to the United States in total ODA and is publicly committed to further increases, which will soon make it the world's largest donor.

B. The New World Context for U.S. Foreign Policy

A confluence of events makes 1993 a crucial time to review and reform foreign assistance. Critical developments that drive this need include:

- First and foremost, the end of the Cold War and the triumph of democratic principles and market economics over communism.

1/ If the U.S. were to match Canada our official development assistance would total about $25 billion. If we were to match the Scandinavian countries, our official development assistance would total about $50 billion.

- The unprecedented opportunity to influence the spread of democratic values in Russia and the other former Soviet republics, as well as in Africa, Latin America and Asia.

- The increasing divergence in economic conditions among low-income countries, which development assistance can address; in the 1980s some nations in Africa and the Caribbean lost economic ground, while others in Latin America and Asia gained influence and became world actors.

- The rise of other industrialized nations as economic powers in the global economy, creating new opportunities and pressures for the U.S. to maintain its competitive edge and global leadership. This challenge is heightened by growth of regional economic alliances and battles over trade protectionism.

- The heightened awareness and importance of "global issues" such as threats to the

environment, the proliferation of nuclear and other weapons of mass destruction, AIDS, narcotics, migration and refugees, and wildlife and resource protection. Solutions to these problems cannot be imposed unilaterally; they require multilateral and international cooperation and education.

- Economic integration as reflected by more efficient and responsive financial, trade, and communication systems, providing new opportunities for program and delivery mechanisms, facilitating leveraging development resources (public and private), and speeding the rate of technology transfer between countries.

- The exploding fiscal demands being placed upon our foreign assistance -- as the dominant world power -- by the increased need for peacekeeping, nation-building, and support for countries in transition, such as the former Soviet Union.

- The burgeoning domestic pressures to reduce the federal deficit, invest in our own infrastructure, upgrade our health care system, and improve our education base.

While these far-reaching global changes make this a propitious time to review our foreign assistance, the review must begin with the most basic questions: Given this new world, is foreign assistance still a relevant instrument of U.S. foreign policy? What, if any, are the national interests being served by foreign assistance in this new era? How should A.I.D. be modified to better serve U.S. foreign policy goals in the post-Cold War world? How should the whole range of foreign assistance programs be used more effectively?

The Task Force concluded that foreign assistance continues, more than ever, to be in the U.S. national interest, and that properly designed and modified it can further our national economic, political and security objectives. We believe that our foreign assistance priorities and delivery mechanisms must be transformed to address the current world context; to answer the

President's call for action; and to seize new opportunities in the interest of all Americans.

C. The U.S. National Interest

As the world's remaining superpower, the United States is in an unprecedented position to exercise enlightened world leadership at a time when there is a great need for such leadership. The loss of a common ideological enemy has freed tremendous resources for more positive use by the industrialized world. But without strong U.S. leadership during this time of sluggish economic performance, there is considerable risk of renewed isolationism and mercantilism at home and of deteriorating economic growth and escalating conflicts of violence abroad.

The basic source of this leadership will continue to be the size and health of our society and our own economy, the power and readiness of our military forces, and our willingness to engage on international issues -- especially in a manner that is far-sighted, constructive, and both fair and generous. Our leadership must also flow from the commitment to our most enduring values -- respect

for, and protection of, individual human rights, strong reliance on private initiative and institutions to enhance social well-being, the fair rule of law, and responsive, participatory civilian governance. The challenge to U.S. leadership is to maintain peace and stability by nurturing democracy, preserving the global environment, and strengthening the international market system.

President Clinton has defined three areas of enduring, vital U.S. interests: national security, economic revitalization, and the promotion of democracy.[1/] The Task Force believes that properly designed and effectively managed foreign assistance can make a major contribution to these national interests.

- National Security.

The U.S. faces new threats in the post-Cold War era which mandate a wholesale redefinition of national

1/ President-elect Clinton's Address Before the Diplomatic Corps, Georgetown University, Washington, D.C., January 18, 1993

security. The collapse of international communism and related threats of global aggression and destabilization mark the end of more than forty years of superpower confrontation. The new era has been far from peaceful, however, but filled with the harsh reality of armed conflicts and violence. Some, such as those in Bosnia and Azerbaijan, are ethnic or religious conflicts which smouldered for years under the grip of Communist regimes, only to erupt into flames when strong central authority disappeared. Others stem from years of unchecked economic stress and injustice: Somalia, Sudan, Angola, Liberia. Economic and social disintegration looms close to our shores, with clear spillover threats from Haiti, and possibly Cuba.

A striking feature of the post-Cold War era has been the change in our understanding of national security. During the Cold War, we defined it more narrowly, overwhelmingly in military terms. Our strong armed services were our line of defense against the threat of Soviet missiles targeted at America's heartland and our key allies. Today Americans have a broader definition of national security which goes beyond a purely military concern. We face a broader range of international threats

to this national security from local and regional conflicts, political chaos, economic deterioration or collapse, and environmental degradation.

Somalia's anarchy and massive human suffering challenged us to exert our leadership in restoring order and providing food and medical supplies. Haiti's political disintegration and poverty resulted in a refugee exodus and dangerous instability which threatened to spill across our borders. Bosnia's ethnic strife threatens to spread to nearby Kosovo, and Macedonia, thereby further destabilizing the sensitive Balkan region. The burgeoning conflict of Nagorno-Karabakh in Azerbaijan contains the menace of drawing in Armenia, Turkey, Iran, and perhaps even Russia.

The progression from a local uprising to a civil war to a widened regional war involving an escalating number of nations contains the potential to draw the U.S. into the conflict just as disastrously as might have happened in the Cold War. The Bosnian/Balkan situation and the Middle East are not unique. We currently face similar possibilities with Azerbaijan and Armenia over Nagorno-Karabakh, with India and Pakistan over Kashmir.

In dealing with these new threats, we have drawn on an array of resources -- humanitarian aid, military force, bilateral as well as multilateral (UN, NATO) approaches. Economic aid was a key part of our arsenal in dealing with Cold War threats, starting with the Marshall Plan. It is proving no less critical in addressing our current challenges: humanitarian relief to counter starvation and anarchy; reconstruction assistance to support the transformation of a nation from chaos to a functioning society; and development assistance to promote longer-term economic, social and political growth and stability.

During the Cold War, the scenario was the fear of a nuclear Armageddon, so the United States and the Soviet Union built up their ground, sea, and air military capability. National security was lodged in the avoidance of mutual destruction based upon assessments of force and counterforce, attack and counterattack where survival of either nation was in question.

Today the threat to security is markedly different and comes in many different forms.

The case of Somalia is an instance. The breakdown in political and civil structures led to economic chaos and

decline, which in turn led to massive starvation, hunger and death. This then resulted in a multilateral effort to provide humanitarian relief which required civil stability and tranquility to reestablish the social cohesion fundamental to addressing the problems of food production and hunger. Failure to address the problem at its earliest stages has meant that thus far, the United States alone has spent about $200 million in humanitarian aid and over $1 billion in peacekeeping. This is a perfect example of "pay me now, or pay me later."

- Economic Revitalization.

Domestic economic revitalization is inexorably linked with global economic prosperity and growth. To achieve economic prosperity at home we must contribute to a growing, prosperous international economy while rebuilding our own at home. Broad engagement is key. We are pursuing the North American Free Trade Agreement, strong ties with the European Community, and new trade understandings with Japan. Beyond our immediate neighbors and traditional trading partners lies a world rich in economic prospects, emerging rapidly in the form of new powerful partners for global prosperity. These economies

offer tremendous growth potential and new markets, and many of these emerging economies were once aid recipients. Participating in their economic growth expands the market for our goods through trade and investment. It also creates U.S. jobs. Already some three million American jobs stem from exports to the developing world. American sales to the Third World rose to $167 billion last year, increasing by 14 percent from the previous year. As of last year, exports to these developing countries amounted to 37 percent of total U.S. exports, up from 32 percent in 1990. Our development assistance also serves to enhance the supply of consumable goods and improves the flow of strategic material. Many of these emerging economies were once aid recipients. Some have graduated from our assistance programs, or will shortly; others are already in a position themselves to offer aid. They now provide major, growing markets for U.S. goods and services.

Economic assistance is an important component of our efforts to revitalize the world economy. Our bilateral aid program, with its field missions and use of non-governmental organization expertise, allows us to target programs to local needs and to factor in our

priorities of promoting economic growth, while improving the environment and enhancing democratic institutions. Our contributions to multilateral programs enable us to cooperate with other donors' efforts, leverage our funds, and promote difficult, needed policy reforms. Our participation in the GATT and IMF helps to strengthen the world's trade and financial framework. All of our efforts, together with those of other bilateral and multilateral actors, strive to promote economic prosperity at home and abroad.

As President Clinton has emphasized, "winning" the battle of economic revitalization need not be a zero-sum game; assisting economies to thrive abroad promotes peace, jobs, stabilization, a demand for U.S. products and services, and higher living standards for all.

- Promotion of Democracy.

The post-Cold War era presents extraordinary opportunities to promote America's fundamental values of democracy, respect for human rights, and social justice. The U.S. has a fundamental self-interest in the creation of a well-functioning "international community"

characterized by shared values and ideals, and relative political stability within countries and regions.

Democracy is taking hold worldwide, but its roots in many countries are still shallow. Programs designed to support and strengthen democratic institutions can help meet our national interest by strengthening emerging democracies. President Clinton determined that assisting this process in the former Soviet Union is a key priority. Our assistance program is an innovative blend of support for democratic institutions, the fledgling private sector, downsizing of nuclear capability, and environmental improvement. It is by far the largest new assistance program, exemplifying the way in which we can adapt our resources to fit the new threats and opportunities.

To protect and advance these basic national interests, our foreign policy and assistance programs must recognize that U.S. domestic strength is fundamental to achieving our objectives. At the same time, we cannot succeed in isolation. There are unbreakable links between our domestic economic, social, and political health and that of the rest of the world. Acknowledging this

interdependence, President Clinton once said: "People must feel responsible not only for improving their own lives, but also for helping those in need...There is no <u>them</u>; there is only <u>us</u>."[1/]

The United States does not hold the solution to every world problem. Nor does it have the resources required to satisfy all the needs of developing nations, much less solve all of its critical problems at home. Yet, our nation possesses attributes that grow out of our long democratic heritage: compassion, enlightened self-interest, a willingness to share, and a deep respect for the human dignity of all people. These qualities provide the foundation for successful U.S. assistance to developing countries.

1/ <u>A Vision of Change for America</u>; (OMB); 2/17/93; p.2.

II. THE AGENCY FOR INTERNATIONAL DEVELOPMENT: PROPOSALS FOR CHANGE

A. A.I.D. Today: The Need for Change

A.I.D. requires major reform. It currently operates under an unfocused mandate; it has too many independent goals and objectives (both statutory and self-imposed); it has too many individual country programs and projects for the size of its staff and budget; its headquarters structure has unnecessary layers of management; and it lacks standardized policies and processes essential for effective management of a decentralized organization.

The Task Force conclusions are hardly new or surprising. Virtually all recent reports and studies of foreign assistance (Appendix B) contain a common theme: A.I.D. has too many goals and objectives and lacks a clear vision that reflects U.S. national interests in the post-Cold War era.

The 1989 report on Foreign Assistance of the House Committee on Foreign Affairs (the "Hamilton-Gilman report"), identified 33 independent statutory goals and

objectives and 75 priority areas that A.I.D. must pursue in designing its assistance programs. Increasing percentages of aid have also been earmarked in authorization and appropriations legislation for specific programs, countries or geographic regions. In FY 1993, approximately 57 percent of Development Assistance (DA) and 84 percent of the Economic Support Fund (ESF) and 96 percent of Foreign Military Financing (FMF) are earmarked.

The result of these myriad goals, objectives and earmarks is an environment in which A.I.D. managers find it practically impossible to design country programs based on their evaluation of local conditions and needs. In effect, program managers are told how much will be available for specified activities or countries and instructed to design programs accordingly.

To use an oversimplified corporate business analogy, it is as if the board of directors of an automobile company instructed the manufacturing and sales staff to produce and sell nothing but family sedans in the Southwest United States. This in spite of the needs and preferences of the farmers and ranchers in the area for 4-wheel drives and pickup trucks. And, oh yes, the sedans must all be blue.

This is not to say that all of A.I.D.'s problems are externally generated or need legislation to be corrected. The Agency currently has serious internal problems.

For example, A.I.D.'s fiscal and personnel resources are spread too thin. A.I.D. currently maintains a field presence (at least one permanent employee) in 99 different countries, of which 52 represent either a fully staffed Mission or a Regional Office (normally with a staff of 12 or more Americans). A.I.D. also operates programs with no permanent staff in an additional 26 countries, not including countries receiving disaster relief or PL 480 food aid.

Even though A.I.D.'s staff has decreased significantly since 1981, it is carrying out programs in more countries than ever in its history.

In addition, A.I.D. currently has a portfolio of 2,226 active projects, a substantial majority of which are designed and implemented (because of limited permanent staff) through a complex and cumbersome system of grants and contracts, each subject to the full panoply of federal procurement regulations and financial oversight pressures.

Adding to the complexity, before the purpose, the funding level or source of funds for any project can be changed, each Congressional oversight committee must be notified. In the most recent fiscal year (1992), A.I.D. submitted 1,050 formal project amendment notifications in 768 separate Congressional Notifications.

Whatever the intent, the Task Force believes the result is a foreign assistance program consumed by process, not substance.

Regarding management of A.I.D. headquarters operations, the Task Force concurred with several conclusions of the Commission on Foreign Assistance Management (established under the Foreign Assistance Appropriations Act of 1991): (1) A.I.D. has too many layers of management between the Administrator and field programs; (2) A.I.D. has suffered from a lack of strong and consistent leadership; (3) the process of designing and implementing policy within A.I.D. is diffuse and uncoordinated. Central direction, monitoring and compliance of clearly understood, Agency-wide assistance policies is lacking.

Given the litany of difficulties and problems facing A.I.D. the obvious first question confronting the Task Force was whether to recommend a total abolition of A.I.D. ("let's start over") or be radically reformed ("let's do it right").

The Task Force considered several options:

- abolishing the Agency;
- merging it into the Department of State;
- dispersing its functions to other Departments and agencies;
- retaining a smaller successor agency to operate a sustainable development program primarily through non-governmental organizations and grantees;
- limiting its mandate to disaster relief and leaving long-term development to multilateral agencies.

The Task Force concluded there is a clear need for a national development agency to carry out programs which multilateral organizations cannot provide:

- First and foremost, A.I.D. links U.S. foreign policy goals directly to our bilateral relations. Multilateral agencies need not reflect any U.S. foreign policy in their programs and activities.

- A.I.D. can work with both governments and non-governmental organizations, reaching out effectively to grassroots recipients. Multilateral organizations, especially international financial institutions, deal almost exclusively with foreign governments.

- The expertise in A.I.D.'s field missions provides a rare ability to develop programs targetted to local needs.

- A.I.D. leads in democracy building, human resource development, family planning and environmental issues, areas where multilateral organizations have been less active.

- Development programs funded by the A.I.D. can and should reflect the values of the American people.

With the Secretary of State's admonition in mind that form follows function, the Task Force concentrated its efforts first on identifying a new set of goals and objectives for A.I.D. and secondarily on structural and administrative changes necessary to achieve them.

During this process, the new A.I.D. Administrator, Brian Atwood, began to implement internal administrative reforms at the agency and to begin a top-to-bottom review of its organization, structure and management practices. In many instances this work in progress complements the findings and recommendations of the Task Force.

In light of this commitment within A.I.D., and the realization that merging A.I.D. into State, or dispersing its functions would not resolve the regulatory and administrative burdens under which A.I.D. programs must operate, the Task Force believes the best option is to: (1) work with Congress on re-focusing A.I.D.'s statutory mandate as outlined in this report; and (2) allow the new

Administrator time to improve A.I.D.'s internal management practices and structure through administrative action.

What is required is that we design the agency for success, show confidence that it can be effective by giving it the breathing space to operate, and then hold it fully accountable for results.

B. New Goals and Objectives for A.I.D.

In undertaking a major reform of A.I.D., several key propositions need to be emphasized:

First, among all U.S. international assistance programs A.I.D. is the one institution which has as its primary objective development. Second, development is the most effective long run strategy for achieving U.S. national security -- politically and economically. Third, our greatest successes in foreign assistance have occurred when we have concentrated upon those activities where the U.S. has the greatest strengths and comparative advantages. These facts bear repeating because too often failure to recognize them has led to diffusion of focus and misguided program expectations.

Under a new mandate, A.I.D.'s development assistance programs must support the attainment of U.S. domestic and foreign policy goals in clearly identifiable and easily understood ways. They should encompass the following four broad objectives:

1. Promoting Sustainable Economic Growth and Development.

Sustainable development calls for a long-term participatory process, with particular focus on the disadvantaged majority, that provides opportunities for the citizens of assisted countries to improve their incomes and the quality of their lives.

Sustainable development is the process leading to a lasting increase in the capacity of a society to improve the quality of life of its people, including the elimination of hunger, poverty, illness and ignorance. The process requires direct participation of the disadvantaged themselves in solving their own problems. It demands specific attention to programs and policies designed to protect the environment and natural resource base. It depends on the presence of strong institutions

which serve people efficiently and equitably and promote democratic governance. It requires that developing countries have access to information on technological developments and fosters indigenous capacities to generate new knowledge. Therefore, to support sustainable development, assistance programs must target the elimination of economic, social, or structural impediments encountered by ordinary people in their self-help efforts at the community level. This objective permeates all elements of the new assistance strategy. It is the linchpin for successfully reaching overall policy goals, both foreign and domestic.

Sustainable development includes programs aimed at:

- Enhancing Human Capital. Broad-based economic growth can be sustained only if all men and women have the opportunity to acquire the basic skills and capabilities that foster participation in the economic, social and political life of their country. Enhancing human capital to achieve this objective includes expanding educational opportunities to all segments

of society, extending improvements in health and nutrition, and reducing the rate of population growth. Our post-secondary and graduate education programs in human resources are without peer in the world and have long been major contributors to the achievement of professional skills by foreign students.

- Strengthening the Role of Women. Women play a pivotal role in sustainable development and democratization. Program design and implementation must involve women as policy makers, workers, recipients and political constituencies. Although there is a need to target certain programs specifically for women, the overall goal must be not to isolate women into segregated programmatic areas, but to involve and empower them in all aspects of assistance.

  Special targets include programs aimed at employment and self-employment, training and technology, credit, start-up capital.

- Expanding Income Opportunities. Market-oriented, broadly shared economic growth is the engine for sustainable development, leading to reduced reliance on development assistance programs. Equitable and sustained growth depends upon the elimination of obstacles to participation and creation of opportunities that will allow all people to be more productively engaged in building their country's economy.

- Building Institutions. If development is to be sustained, a nation must have institutions which serve people efficiently and equitably and promote democratic governance. Local government, extension and research services, universities, training academies, rural health centers are examples. The development of grass-roots, village level institutions controlled by local people is fundamental to this process. These types of institutions exist at various levels of

performance from one developing nation to another. They frequently need assistance and encouragement, some at relatively low cost, others more extensively. In all cases, they are essential ingredients of progress.

- Developing and Transferring Knowledge and Technology. The explosion of information exchange and technological developments must not be solely the tools of a privileged industrialized society. Indigenous capacities to generate new knowledge are also critical. Assistance efforts directed at nurturing local science and technology and at transferring knowledge and technologies from abroad will bring those countries more rapidly to the point where they can sustain themselves in a high-tech global economy.

2. Building Democratic Participation in Development.

The United States stands for equality. Democratic societies foster, inter alia, pluralism, freedom of

expression and association, an electoral system, the rule of law and the protection of individual human rights. Encouraging democratization requires using foreign aid to promote "good governance" in other nations, and to create an environment where democratic values are understood and utilized in policy and decision-making processes at all levels.

In addition to the inherent benefits to the people, democratization directly benefits the United States by: lessening the chances of armed conflicts; improving the prospects for extending the scope, membership, authority and enforcement of non-proliferation agreements; reducing state-supported terrorism; protecting the rights of U.S. investors and citizens abroad; and generally resulting in more reliable partners in international agreements and diplomatic relations.

Actively promoting democracy, human rights and good governance in A.I.D.'s assistance programs will reinforce and sustain U.S. economic and global goals by assuring the participation of people, and by strengthening democratic governmental or non-governmental institutions.

3. Addressing Global Issues.

National boundaries do not contain the spread of contagious diseases, environmental degradation or narcotics trafficking. We can, however, cooperate with others to deal with these problems to minimize their adverse consequences, in the developing world and in the United States.

For example, addressing environmental concerns in developing countries will lessen the negative effects on the economies and well-being of neighboring populations. AIDS is a global scourge that is potentially preventable or containable. High birth rates in developing countries threaten efforts to improve family health, nutrition, and access to social services, and to protect the environment. Population pressures also result in large-scale migration and exacerbate refugee problems. A worldwide effort is needed to bring the benefits of voluntary family planning to all developing countries through programs which offer women more options and choices to improve their social and economic conditions, and access to more integrated, high quality health, nutrition and family planning services.

4. Responding to Emergency Humanitarian Needs.

Decisive humanitarian actions in response to natural or man-made disasters often limit long-term damage and costs to people in critical need, as in Bangladesh. The alternative costs of neglect are often greater, particularly when such situations become destabilizing, and lead to open conflict and civil strife. A.I.D. also must go beyond traditional disaster relief -- food and shelter -- and develop a rapid response, nation-building capacity to help societies that have fallen into conflict and anarchy as in Cambodia, are recovering from anarchy, as in Somalia, or where there is a severe threat to their stability, as in Afghanistan and Mozambique.

A.I.D. should be positioned to provide limited resources for specifically identified short-term needs, distinct from long-term development efforts. This includes ready-to-deploy programs to observe elections, strengthen institutions of civil society, conduct civic education, strengthen judicial systems and undertake other "nation-building" activities, in conjunction with the U.N., other international organizations and U.S., or multilateral peacekeeping forces.

The Task Force believes that by following these four objectives, A.I.D.'s bilateral development programs can contribute to an ever-widening community of stable, prospering, democratic nations; expanded markets for mutually beneficial commerce; and the prevention and containment of conflicts.

C. Sharpening A.I.D.'s Focus

As only one of several U.S. foreign assistance efforts that can contribute to a recipient country's development process, A.I.D. should concentrate upon those areas where it has historically demonstrated the greatest comparative advantage, and on those countries that demonstrate a capacity to benefit from such assistance.

- First, in allocating assistance and in reducing the number of countries in which A.I.D. operates, A.I.D. should recognize that: (1) countries require different types of assistance based on their particular stage of development; and (2) A.I.D. should concentrate its resources on programs calculated to achieve maximum

demonstrable results or that traditionally have proven successful under similar circumstances in the past.

Utilizing this approach A.I.D. would apply the lessons learned from over 40 years of development experience by designing programs that traditionally have been most effective at a particular stage of a country's economic development.

For example, poorer countries, such as a Mali or Bangladesh, require more traditional assistance programs focused on sustainable development. In transitional countries like Thailand and Indonesia, a more balanced approach that combines the sustainable development process using A.I.D. resources is complemented by U.S. trade and investment ties, often with non-A.I.D. resources. And finally, in areas such as Central Europe or in Russia, aid programs would provide the technical assistance needed to develop basic economic institutions, promote systems of democratic governance and encourage foreign investment and liberalized international trade.

- Second, development assistance should be targeted on countries committed to their own development through the adoption of equitable, market-oriented economic policies and democratic processes, respect for human rights, direct citizen participation in the development process, and commitment of their own resources to this process.

A.I.D. must have a well-understood, clearly articulated and uniformly applied set of criteria for assistance allocations. The criteria for determining eligibility for assistance includes commitment of a government to decentralizing its political, economic and social processes to promote equity and create the opportunity for meaningful participation by all segments of society. Sound democratic processes also include strengthening local governmental institutions and autonomy.

In order to ensure participation of all segments of society, A.I.D. will develop goals and funding strategies in consultation with local non-governmental organizations (NGOs) as well as governments. A.I.D. will work with

governments to help and encourage them to collaborate more effectively with indigenous NGOs and other civic associations. The goal is to place the decision-making authority and responsibility for development in the hands of the people themselves.

- Third, bilateral development programs should be carried out only in those countries where measurable results can be achieved through effective use of assistance.

A.I.D. must improve its capability to evaluate results. Too many programs are now measured in terms of "inputs," e.g., how many consultants worked on a particular activity. Measuring effective utilization of assistance resources will include determining the degree to which governments remove obstacles to participation and encourage self-help efforts. A.I.D. should eliminate field missions in those countries where assistance is not used productively, or where the expected results are marginal at best.

- Fourth, U.S. trade and investment programs peripheral to A.I.D.'s development mission should be transferred to other agencies having lead responsibility in these areas. A.I.D.'s role in this area should be to promote broad-based, market-led private sector development, thus indirectly creating a demand for U.S. exports.

A.I.D. must concentrate on its <u>development</u> mission. Over the last decade there has been confusion over whether A.I.D.'s primary role is to stimulate sustainable economic development or promote U.S. exports and overseas investment. We believe A.I.D. will best accomplish U.S. economic interests by helping the economies of developing countries to grow, which will lead to greater U.S. commercial opportunities -- particularly when A.I.D. programs complement the trade and investment programs of other U.S. Departments and agencies.

- Fifth, bilateral development programs should be coordinated with the programs and activities of other donors, both

bilateral and multilateral, with a particular emphasis on leveraging funding to accomplish A.I.D. goals.

A fundamental principle of the Clinton Administration's foreign policy and foreign assistance programs is cooperation and collaboration with our allies and economic partners. Where our resources can be leveraged with those of other bilateral donors, and with the multilateral lending institutions, the expectation of tangible improvements in the intractable problems of developing countries will be significantly enhanced.

Adoption of these five precepts would strengthen A.I.D.'s original mission as an agency for development and permit it to effectively carry out that legitimate mission in support of U.S. foreign policy.

D. NECESSARY CHANGES FOR A.I.D. TO CARRY OUT ITS NEW GOALS AND OBJECTIVES

As it exists today, A.I.D. is not adequately prepared to carry out its fundamental development mission. This is not a reflection on the caliber of the people working in

A.I.D., but is attributable to the overwhelming burden of administrative and regulatory procedures, bureaucratic divisions and strictures, and conflicting objectives that have multiplied over the years.

At his April 29, 1993, confirmation hearing before the Senate Foreign Relations Committee, A.I.D. Administrator Brian Atwood volunteered A.I.D. as a "reinvention lab" as part of Vice President Gore's Task Force to reinvent federal government. During the same hearing Mr. Atwood also defined a new vision for U.S. development cooperation.

The new vision recognizes that direct participation of men and women in solving their own problems is critical to overcoming poverty, hunger, disease and illiteracy. It also recognizes the challenges posed to global stability -- unrestrained population growth, environmental degradation, and economic deprivation -- are people problems, the solutions for which can be developed only by including people themselves directly in the development process. Programs to enhance human capital, strengthen the role of women, expand income opportunities, build institutions, and develop and transfer technology will help realize this new vision.

The Task Force believes that realizing this vision requires new charter legislation: legislation that describes A.I.D.'s post-Cold War national mission with clearly stated priorities and essential program and management flexibility.

A.I.D. also must become a more flexible, streamlined agency if it is to produce tangible results and be held accountable for the success or failure of its programs.

A crucial element in buttressing flexibility and accountability will be the freeing of A.I.D. from earmarked programs and unnecessary and restrictive oversight procedures.

Many necessary changes to the A.I.D. organization can be made internally without the need for legislative action. Outlined below are organizational and administrative changes appropriate for A.I.D.'s new mission, many of which have already been set in motion by the new A.I.D. Administrator:

- There should be strengthened interaction at the most senior levels -- Secretary of

State, Deputy Secretary, A.I.D. Administrator -- to improve and speed decision-making and to encourage greater cooperation at all levels.

- Bilateral development programs should be coordinated with the programs and activities of other donors, both bilateral and multilateral, with a particular emphasis on leveraging funding.

- The number of countries with A.I.D. development assistance programs should be reduced and overseas missions should be reviewed to eliminate unnecessary or redundant services, without sacrificing technical capabilities at the field level.

- The A.I.D. Administrator must ensure policy coherence among regional and functional bureaus, eliminating differing bureau policies and management systems.

- Effective coordination of development assistance policy with budget allocation

decisions within A.I.D. should be carried out through a combined, results-oriented policy and budget bureau.

- A.I.D. programs must specify the results they seek, the reasons for the achievements desired, operating assumptions on the estimated time required, and be subject to an ongoing evaluation process. Programs that do not achieve anticipated results should be modified or dropped.

- A.I.D.'s evaluation capability should focus on results and be strengthened to provide improved, and more timely, evaluation services to field and regional offices and to Agency management.

- A.I.D. staffing strategy should concentrate on implementation of programs and projects, with a shortened and less complex design process. Personnel should be rewarded on the basis of results not just the size of portfolios managed.

- Funds should be appropriated on a multi-year (at least two-year) basis to provide lead-time for coordination and program planning and design, as well as greater cost efficiencies and continuity in program administration.

- Contracting and grant procedures should be modified to reflect the needs of a decentralized agency, be made far less bureaucratic and slow, and more understandable to the American private sector and non-governmental organizations. Greater use of "umbrella contracts" for operations in several countries should be explored as a means of increasing efficiency and cost savings.

- In designing and carrying out programs A.I.D. should avoid imposing programs designed by experts operating from afar without regard to local people. For a far more sustainable approach A.I.D. must involve intended beneficiaries at all stages of the process.

- Programs should be designed to benefit all segments of society, and involve U.S. and local non-governmental organizations (including private voluntary organizations, educational institutions, cooperatives and credit unions) to the greatest extent possible.

In addition to the above, in a recent communication to the Congress, A.I.D. Administrator Atwood reported actions he has already taken to revitalize A.I.D. since assuming his responsibilities as Administrator on May 10, 1993.

- Some of these actions complement recommendations of the Task Force, such as a review of the structure, function and procedures of headquarters and of the overseas missions. These actions will lead to an elimination of some of the layers of management at headquarters and emphasis on the field mission, a reduction in the number of recipient countries and a consolidation and focus of programs, a development of more effective evaluation

criteria and procedures, and involvement of grass-roots people in planning and implementation of programs.

Additional actions of the new Administrator include:

- The commitment to make democracy an integral part of the sustainable development mission, by asking that the Agency staff develop project approaches for each of the components or "sectors" of democratic development work: civil society; intermediary organizations; political, electoral and governmental institutions; judicial reforms; civil-military relations and free media. These approaches will be integrated into strategic country and regional plans incorporating all the other disciplines of development work -- economics, agriculture, environment, population, health -- in a mutually reinforcing framework.

- Creation of the capacity to respond rapidly to openings for democracy, to opportunities to ameliorate conflicts, and to natural disasters. With an increasing number of countries losing their sovereignty to anarchy and chaos, the United States needs to provide more than disaster relief. The capacity for rapid response will permit the Agency to help these nations shore up their governmental institutions and rebuild their societies.

- Establishment of a new Quality Management Council to involve all employees in the process of revitalizing A.I.D., also coordinating fully with Vice President Al Gore's reinvention of government programs.

- Commissioning of a total revision of the handbook system A.I.D. uses to plan and design its projects and programs.

- Establishment of a new system for reporting on the status of all overseas

projects. This will provide A.I.D.'s program managers with a much clearer picture than available at present of which programs are succeeding and which need to be modified or eliminated.

- The elevation and strengthening of the Office of Donor Coordination and Collaboration. The office will report directly to the Administrator. A.I.D. will take the initiative in not only pressing for more effective donor coordination, but also donor collaboration in the field. The latter effort will formalize structures for the donor community to identify, and reach agreement on, development bottlenecks. The purpose is to encourage a division of labor among the donors that reflects individual donor capabilities and comparative advantages. Such a collaborative approach will eliminate duplication and waste and result in a more effective utilization of resources.

The restructuring of A.I.D. for the current world reality, both of its mission and of its administration in order to achieve streamlined, effective and accountable management, should be conducted in close consultation with the appropriate committees of Congress.

E. Unfinished Business and Next Steps

Several important or tangential issues were considered by the Task Force, which, for several reasons, were not included as recommendations. For example, there was extensive discussion of the appropriate funding levels for A.I.D. and other programs in the Function 150 account. The Task Force further considered whether the focus of A.I.D.'s Office of the Inspector General should be more on financial and management matters rather than program evaluations, the need for a new personnel strategy for A.I.D., and whether A.I.D. makes appropriate use of contractors in implementing its programs.

The Task Force deferred action on these and similar issues either because they were more appropriate to the broader PRD 20 review or because they are better suited to the Administration's internal legislative review process

(which the Task Force was sensitive not to preempt) or because they should be resolved administratively by A.I.D.'s new leadership without unnecessary micro-management from the Task Force.

F. Expected Outcomes

First, focusing A.I.D. on the areas where it has historically developed the greatest competence and strength, overcoming the basic human afflictions of poverty, hunger, ignorance, environmental degradation and disease, will allow A.I.D. to do what it has learned to do best. If anything, recent changes in world affairs have enhanced our comparative advantage as a foreign assistance leader in these areas. What is new and important are the opportunities these changes present if A.I.D. institutes major reforms in setting priorities and carries them out with new vision and effectiveness.

Second, with the end of the Cold War, promoting sustainable development has become a more prominent national objective, one that increasingly bridges domestic and foreign policy. A.I.D.'s new sustainable development program will be a crucial element in the preventive

diplomacy strategy called for by President Clinton. The major commitment to assist the development of democracy and a market economy in Russia and the other Newly Independent States today is a key element of this new global strategy. As the President has repeatedly stated, aiding the transformation of Russia and other former centrally planned economies will not be at the expense of assisting those who are attempting to achieve sustainable development from a more meager base of natural resources and trained human capital. A.I.D's mix of policy recommendations and technical assistance will be different for the traditional developing countries and our more advanced partners, but the overarching goal of engaging them in an expanding global market economy will be the same.

Third, A.I.D. will give much greater priority to leveraging multilateral cooperation. Expanding the involvement of other donor groups not only serves the objective of more cost effective assistance, but has the additional benefit of strengthening cooperation among the community of democratic nations that contribute the bulk of the world's development assistance. A.I.D. will also promote the creation and revitalization of regional and

international development organizations required to address a growing list of global issues.

Fourth, the importance of departing from past A.I.D. budgeting, administrative, and oversight practices cannot be overestimated. A.I.D. programs have repeatedly been fractured, albeit with good intentions, by successive Congresses and previous Administrations into an ever-increasing number of tasks that dilute the original purpose of A.I.D. and its effectiveness.

Fifth, agreement with the Congress on a clear, simplified and unencumbered statutory framework for development assistance will create a renewed, more cooperative relationship between A.I.D. and the Congress on the use of foreign assistance funds.

This would free A.I.D. to design, and be held accountable for, bilateral development programs that respond to the development needs in recipient countries. And it would allow A.I.D. to use development funds in those countries and in those sectors that offer the most promise for the results anticipated by the objectives described in this report. For Congress, this shared

purpose, and the administrative steps that A.I.D. will take to implement it, would limit the need for detailed earmarking and micro-management which have inhibited A.I.D.'s ability to achieve its development objectives.

Finally, and most importantly, the reform proposals reflect the Clinton administration's broader foreign policy approach -- an approach of consultation, coordination and shared responsibility with our allies. In the post-Cold War era, the Administration is seeking close cooperation and agreement with its natural allies, the advanced democratic nations and those nations with which we share common values. Whatever we do, except in the gravest of circumstances, we do in consultation and cooperation with others. We do not "go-it-alone," but whenever possible we provide leadership and join with others to attain shared goals that are in our national interest.

This approach should logically be extended to our work of assisting sustainable development in countries striving to attain a better life for their people. What we do to support development in any region or specific country must be done as part of a broader attack on the problems

impeding progress, orchestrated in meetings with other donors, stressing our areas of comparative advantage, leaving to others what they can do best.

Within this broader, coordinated effort to spur development, our intention should be to do our fair share. We should assist people and countries in need, and do what we can to attain sustainable progress. The American people have always been willing to do their share to help others in need; and we have been a recognized leader in providing aid in recent decades. We should not withdraw from this responsibility, tied as it is to our own national interest and our American sense of humanity. We should work closely with other donors, helping to shape the future, a future in which we have the most to offer and much to gain.

It is time for a reinvigorated sense of idealism, a sense of purpose, and sense of mission that puts people first at home and abroad. The opportunity to put into practice what the Cold War often precluded, is now upon us. We have entered an era, not of foreign aid, but of cooperation and collaboration -- cooperation with other

donors, and collaboration with people to assist them in becoming what they have always desired -- to be the instruments of their own progress.

III. FOREIGN ASSISTANCE BEYOND A.I.D.: THE REST OF FUNCTION 150 OF THE FOREIGN AFFAIRS BUDGET

America's foreign assistance programs are far broader than A.I.D.'s development assistance programs. All elements of the Function 150 International Affairs account serve U.S. foreign policy and have complementary and supplementary aspects.

The PRD 20 mandate to the Deputy Secretary and the Task Force to review A.I.D. contained a second charge: "to appoint a subcommittee to review the Foreign Assistance Act, and review the State Department's responsibility to evaluate the foreign affairs budget function (150)." This portion of the report responds to the second charge.

A. Recasting the Function 150 Account

The Function 150 account embraces a wide array of programs, agencies or disbursement categories. Table 1 shows existing accounts as they occurred in the traditional presentation of the FY'94 budget request.

This Function 150 configuration represents an accretion of programs and budget categories over a forty

TABLE 1

FY 1994 INTERNATIONAL AFFAIRS BUDGET
(Budget Authority in $ Millions)

	FY 1994 Budget
TOTAL FUNCTION 150 (DISCRETIONARY)	21,667
FOREIGN OPERATIONS	14,178
Multilateral Development Banks*	1,954
Former Soviet Union	704
International Organizations & Programs (Voluntary)	390
Peace-Keeping Operations	77
Non-Proliferation and Disarmament Fund	50
Refugee Assistance	690
Trade and Development Agency	60
Eastern Europe	409
Peace Corps	220
Overseas Private Investment Corporation	18
Disaster Assistance (including Africa)	149
USAID Operating Expenses (including IG)	552
International Military Education and Training	43
Counter-Narcotics	148
USAID Debt Reduction (EAI & Other)*	45
Export-Import Bank	752
[Program Activity]	[16,632]
Foreign Military Financing	3,353
[Program Activity]	[4,087]
Development Assistance & Development Fund for Africa	2,121
Economic Support Fund	2,582
Special Defense Acquisition Fund	(266)
Other	127
COMMERCE, JUSTICE, AND STATE	5,831
Peace-Keeping - Assessed	620
United Nations - Assessed	959
U.S. Information Agency	1,229
Arms Control and Disarmament Agency	62
State Salaries & Expenses (including IG)	2,198
Board for International Broadcasting	220
Foreign Buildings	421
Other	122
AGRICULTURE	1,549
Public Law 480	
Title I	354
Titles II & III (Food Aid)	1,162
PL 480 Debt Reduction (EAI)*	33
LABOR/OTHER	11

*EAI Debt Reduction is divided between Foreign Operations and Agriculture;
*EAI Multilateral Investment Fund (MIF) is shown in MDBs total ($90 million in FY 93 and $100 million in FY 94).

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year period, often reflecting ad hoc priorities of the times.

The greatest difficulty with the array is that it does not provide a coherent picture of post-Cold War foreign policy objectives and priorities among the programs or how the programs enhance the achievement of U.S. national interests.

As part of the 1994 budget presentation the Deputy Secretary and his Policy and Research unit, developed a modified format. The new outline sought to develop a new simplified framework that would portray the programs under the overarching foreign policy objectives of foreign assistance, while reconfiguring the budget categories and accounts with their associated programs within the new framework.

Under this new formulation six objectives were used: building democracy, promoting and maintaining peace, promoting economic growth and sustainable development, addressing global problems, providing humanitarian assistance and advancing U.S. diplomacy. Table 2 groups the FY'94 budget request by the new format of foreign

TABLE 2

FY 1994 INTERNATIONAL AFFAIRS PROGRAMS
(Budget Request - Function 150)

(Budget Authority - $ Millions)	FY 1994 Budget Request
BUILDING DEMOCRACY	2,723
Former Soviet Union	704
Central and Eastern Europe	409
Information and Exchange	1,439
Other	171
PROMOTING AND MAINTAINING PEACE	6,236
Peace-Keeping and Related Activities	735
Non-Proliferation and Arms Control	197
Middle East Peace	5,172
Defense Cooperation and Regional Security	132
PROMOTING ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT	5,269
Bilateral Development	1,696
Developing Human Capital	
Building Markets and Income Opportunities	
Expanding Science and Technology	
Building Institutions	
Multilateral Development	2,343
Trade Promotion	1,230
[Program Activity]	[17,412]
ADDRESSING GLOBAL PROBLEMS	1,488
Counter-Narcotics and Counter-Terrorism	308
Environment	397
Population	663
AIDS	120
PROVIDING HUMANITARIAN ASSISTANCE	2,031
Rufugees and Migration	690
Disaster Relief	149
Child Survival	252
Other	940
ADVANCING DIPLOMACY	3,720
State Department Salaries and Expenses	2,198
Foreign Buildings	421
United Nations and Other Affiliates (Assessed)	341
Other International Organizations (Voluntary)	86
Conferences and Miscellaneous	122
USAID Operating Expenses	552
OTHER	100
Total	21,567

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TABLE 3

FY 1994 INTERNATIONAL AFFAIRS PROGRAMS (BUDGET FUNCTION 150)

(Budget Authority – $ Millions)

	FY 1994 Request	Economic Support	Military Assistance	Development Assistance	PL 480 Food Aid	Disaster/ Refugee Assistance	Development Banks/ EAI	EXIM/ TDA/ OPIC	USIA/ BIB	International Organizations/ Peacekeeping Operations	Narcotics Control/ Anti-Terrorism	Other
BUILDING DEMOCRACY	2,723	58		109					1,439	4		1,113
Former Soviet Union	704											704
Central and Eastern Europe	409											409
Information and Exchange	1,439								1,439			
Other	171	58		109						4		
PROMOTING AND MAINTAINING PEACE	6,238	2,247	3,061							825		113
Peacekeeping and Related Activities	735	25	13							697		
Non-Proliferation and Arms Control	167									54		113
Middle East Peace	5,172	2,063	3,109									
Defense Cooperation and Regional Security	132	159	(71)							44		
PROMOTING ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT	5,299	194		972	664		2,001	830		420		268
Bilateral Development	1,698	194		972	264		76					268
Developing Human Capital												
Building Markets and Income Opportunities												
Expanding Science and Technology												
Building Institutions												
Multilateral Development	2,343						1,923			420		
Trade Promotion	1,230				400			830				
ADDRESSING GLOBAL PROBLEMS	1,498	78	50	888			31		10	267	164	
Counter-Narcotics and Counter-Terrorism	308	78	50	6					10		164	
Environment	397			299			31			67		
Population	663			463						200		
AIDS	120			120								
PROVIDING HUMANITARIAN ASSISTANCE	2,031	5		252	832	839				103		
Refugees and Migration	690					690						
Disaster Relief	149					149						
Child Survival	252			252								
Other	940	5			832					103		
ADVANCING DIPLOMACY	3,720									427		3,293
State Department Salaries and Expenses	2,198											2,198
Foreign Buildings	421											421
United Nations and Other Affiliates (Assessed)	341									341		
Other International Organizations (Voluntary)	86									86		
Conferences and Miscellaneous	122											122
USAID Operating Expenses	552											552
OTHER	100		29									71
Total	21,587	2,582	3,130	2,121	1,516	839	2,032	830	1,449	2,046	164	4,858

policy objectives. Table 3 brings together the two formats.

The Task Force accepted the new budget format and used it as a basis for their examination of organizational, functional and budgetary issues.

A key step in the Task Force process was to use the six key foreign policy objectives to construct a detailed matrix (Appendix C) where each objective was broken down into sub-functions including special targeted groups or problems related to that objective. An attempt was made to identify the "lead" and "subsidiary" agencies (both Function 150 agencies and others) involved in policy formulation and program execution. It also listed indicators of success and failure. This matrix seeks to illustrate the place of programs and agencies within the overall goals of foreign assistance and to clarify the relationship of the agencies to each other in terms of leadership and accountability.

This process and matrix, though complex, proved extremely helpful. It enabled the Task Force to reach agreement on appropriate roles for A.I.D. in relation to

other Departments and Agencies responsible for Function 150 programs and on the need for improved coordination and complementarity.

B. ISSUES RELATING TO THE 150 ACCOUNT

The Task Force discussed several key issues arising from U.S. foreign policy objectives, agencies' mandates, and resource allocations. These spirited discussions sharpened the focus, although not always resolving differences among Task Force members. These issues, however, are fundamental to the way this nation provides foreign assistance and should be further examined.

- Possible New Budget Categories

The Task Force found the process of separating the Function 150 budget into broad foreign policy objectives provided a useful framework (a) for placing major functions, purposes and programs and (b) for clarifying the division of responsibilities and appropriate roles for a refocused foreign assistance program. They therefore strongly recommend that future foreign assistance programs should be administered and budgeted by objectives, rather than by the traditional single program approach.

This framework would enhance the achievement of U.S. foreign policy goals; strengthen accountability and evaluation; facilitate consolidation, elimination or revamping of individual programs as circumstances require; and lead in time to a reduced emphasis on foreign military assistance.

The Task Force also considered, but did not pursue to a conclusion, whether Function 150 account funds should be appropriated by broad function rather than by agency or specific activity. For example, in the case of "bilateral assistance programs" such a new approach could lead to a reconfiguration of the current categories into five new budgetary lines, namely (i) a Economic Development Fund, (ii) a Peace and Democracy Fund, (iii) Humanitarian, Refugees, Disaster Aid, (iv) a Food Aid and (v) a Military Security Fund.

This kind of new formulation by foreign policy objective is, we believe, more appropriate for the post-Cold War era and for the new Administration's priorities. It should serve to streamline and enhance program effectiveness.

The formulation and approach recommended in this section was subsequently refined and used in the development of the budget FY'95 Request. (See Appendix D)

- Balance of Security and Economic Assistance

The Task Force debated the merits and effectiveness of security and economic assistance in advancing U.S. foreign policy goals in the post-Cold War era. Several questions were debated. Is the current Security Assistance (ESF, FMF) still tailored to meet U.S. needs? Or, should those accounts be reconfigured? More fundamentally, should the U.S. adjust the proportion of foreign assistance it allocates to security and economic assistance in favor of the latter?

Our security needs have changed radically since the collapse of communism and related threats of global aggression and destabilization. As mentioned earlier, national security can no longer be defined in wholly military terms, and is, in fact, undergoing a redefinition. This redefinition is taking place at the official governmental level, and, gradually, but just as significantly, among the American people.

Clearly, existing budget accounts no longer reflect the reality of today's world and U.S. security needs. However, despite extensive study and debate within the Task Force, this report concludes that the United States is still, necessarily, in the process of determining what its security needs will be in the near future.

Nevertheless, we are convinced that U.S. interests, including national security interests, require an adequate budget for development assistance. Therefore, we recommend that as funds begin to be freed from Security Assistance accounts, they be transferred to economic aid, peace-keeping and democratization. A.I.D. would administer the economic assistance and some democratization projects. State and Defense would administer the remaining peace, democracy and security related funds.

Such a proposal would entail a shift, for example, in the aid now extended to Israel and Egypt from a military/security emphasis to economic purposes, but it need not change actual levels of assistance to particular recipients. The changes could be phased in gradually, perhaps eventually leading to elimination of the Military Security Fund.

- <u>Balance of Multilateral and Bilateral Assistance</u>

The Task Force agreed that both bilateral and multilateral assistance make crucial and generally mutually reinforcing contributions to U.S. international interests and objectives.

The rapidly changing international environment and tight U.S. budgetary constraints raise two key inter-related issues which the group addressed:

(1) whether the current U.S. bilateral/multilateral mix represents the most effective balance for achieving U.S. goals, and

(2) whether changes, within or between the bilateral and multilateral accounts, may be needed either to: (a) strengthen the impact of U.S. assistance, or (b) to conform to U.S. budget realities.

These are complex issues, particularly given the large degree of complementarity among programs.

Bilateral assistance programs can successfully further U.S. domestic economic, political and security interests in a manner and to a degree not possible with multilateral assistance. There is no automatic linkage between a U.S. foreign policy goal and an activity or decision undertaken multilaterally. Since the U.S. has more control over its own bilateral assistance, it is an effective vehicle for promoting U.S. policies. This is especially true for democratization and other political goals of aid. Bilateral programs also have a stronger field presence for the U.S. and produce more contacts at the grass roots level. It makes smaller projects and cooperation with NGOs and PVOs more possible and effective. Also in such programs, U.S. firms have preferred access to procurement needs.

One of the most consistently successful aspects of U.S. bilateral assistance is the Peace Corps. Its high visibility and popularity with the American public can largely be substantiated in the field. Over the years, it has participated in a broad range of economic development programs, most of them reflecting our current foreign assistance objectives.

For example, volunteers individually and as groups have contributed to human capital development, and have contributed towards building markets and income opportunities, expanding science and technology, and building institutions -- all at the grass roots level. Their work as teachers, health care professionals, nutritionists, skills trainers, technology experts, small business, credit union and cooperative advisors, have built good will, and helped create favorable conditions for American markets.

Multilateral assistance delivers aid in larger volume than bilateral. It allows significant leveraging of U.S. resources, both in drawing high levels of funding from other donors, and, with multilateral development banks (MDBs), enabling borrowing on international capital markets and lending at a high level. MDBs have strong analytical and technical capabilities and can effectively impose economic policy conditions on borrowing countries, thus spreading market reforms globally.

The Task Force recommends continued strong U.S. support for the MDBs and development activities of U.N. agencies. At the same time, it is important that the

United States make efforts to deal with the problems resulting from varying levels of quality within both the MDBs and the U.N agencies. The Task Force underscored the need to maintain U.S. influence in the multilateral arena and argued for full funding of U.S. commitments. For example, the U.S. is $374 million in arrears to the MDBs for FY'93. The FY'94 budget contained a request for $1.953 billion, not including the outstanding $374 million. However, that request has been cut by $449 million. Added to FY'93, that would put the U.S. $823 million in arrears to the MDBs by the end of FY'94.

There were strongly divergent views among the Task Force members concerning the merits of increasing multilateral funds at the expense of bilateral programs and vice versa. Given these conflicting arguments, this report does not recommend a major change in the allocation of resources between multilateral and bilateral assistance programs. It did, however, make the following recommendations regarding U.S. support for MDBs and U.N. agencies.

The Task Force recommends that MDBs, given their greater resources, continue to engage in a wider range of

development activities than bilateral programs. This would span structural adjustment programs to support policy reform and private sector development, larger infrastructure projects, and social sector programs aimed more directly at the reduction of poverty.

Given the multilateral nature of these institutions, the United States must achieve consensus with other members on policies and operations. Thus the Task Force recommends that under any budget scenario, the United States continue to take an activist role in the governing bodies of multilaterals in order to maximize their developmental impact and ensure that U.S. interests are served. Furthermore, the U.S. should continue to be alert to the need for improved management performance in the multilateral agencies engaged in development.

The Task Force recommends that the United States address global problems, such as environmental ones, by supporting a combination of bilateral, MDB and U.N. programs. A logical division would be for bilateral aid to target smaller, country-specific programs, including those run by non-governmental organizations, and for the MDBs to finance larger projects and induce policy reform,

for the U.N. agencies to address regional problems, and for the United States government to work in standing U.N. fora on policy issues requiring global negotiations.

Concerning U.S. voluntary contributions to the United Nations, from the International Organizations and Programs account (IO&P), the Task Force recommends that the U.S.:

1. work to combine related programs, such as the 14 environmental ones, and to avoid proliferation of similar programs or ones too small to justify administrative overhead;

2. use savings thus achieved to increase support for agencies such as UNDP that emphasize sustainable development, including those, such as the U.N. Capital Development Fund, that stress a grass-roots approach;

3. work to shift some agencies to the 150 category for assessed Contributions to International Organizations (CIO) to improve management and budget discipline and accountability;

4. work to bolster the role of UNDP as coordinator and catalyst for the U.N.'s technical and specialized

agencies, particularly involving field cooperation, and to improve collaboration between UNDP and the international financial institutions (IFIs).

Concerning U.N. assessed contributions, the Task Force found that the approximately 50 agencies in the CIO account serve many U.S. interests in the area of development assistance. This is particularly true of specialized and technical agencies such as WHO, FAO and ILO. Based on past financial and management problems in UNIDO, the United Nations Industrial Development Organization, the group recommended that the U.S. critically re-examine its management and focus. However, subsequent improvement under a new director have prompted the Task Force to recommend a "wait and see" policy regarding any re-examination.

- <u>Trade Promotion Strategy</u>

The Task Force had extensive debates over trade promotion and U.S. assistance strategy. There are several issues in this debate:

(1) How can the U.S. best achieve its economic revitalization goals? Through trade promotion? Larger term development assistance?

(2) How can A.I.D. best advance economic revitalization: Through its contribution to others' growth and their subsequent increased import demand? Through direct capital projects funds and tied aid?

(3) Which agency has the mandate for trade promotion and should be charged with the lead?

The Task Force agreed that since investments in sustainable development will result in long-term economic opportunities for the United States (in addition to direct benefits to the recipient country), it would be counterproductive to direct scarce development assistance resources to combat short-term predatory trade practices of other aid-giving countries. The Task Force believes U.S. efforts to assure a liberal international trade

regime should more appropriately focus on OECD, G-7, and bilateral trade negotiations, as well as on traditional programs that directly stimulate U.S. exports (e.g. Eximbank, Trade and Development Agency).

It should be noted, however, that the State Department and U.S. Ambassadors overseas play a vital role in trade promotion -- weighing in to ensure American firms are considered, facilitating contacts for U.S. business, and working to ensure the international trade framework (GATT) is supportive of business.

Consideration was given to a merger of Eximbank, OPIC and TDA into a super-trade promotion agency, but the Task Force concluded that their missions differ sufficiently to warrant distinct agencies. Such a merger might result in an overly large, unwieldy, multi-purpose organization less able to respond quickly to market opportunities. Also, project feasibility studies funded by TDA often lead to U.S. exports financed by Eximbank. Making them part of the same organization would eliminate the arm's-length removal required by the Organization for Economic Cooperation and Development Tied Aid Agreement provision on "associated financing."

The Task Force found that U.S. development objectives can assist but do not necessarily coincide with U.S. commercial interests. It also concluded that the U.S. should maintain strong support for both development assistance and export promotion programs, but recommended that these programs remain separate under the rubric of international programs.

- New Legislative Authority

The Task Force agreed that the legislative authority for many of the 150 Account functions, the Foreign Assistance Act of 1961, needs to be revised to take into account the post-Cold War environment and provide greater flexibility to agencies to carry out their mandates.

The extent of this revision and the details of new legislative authority that could be proposed will depend on final decisions on some of the key issues the Task Force discussed: A.I.D.'s mandate, new budget categories for the 150 Account, and trade promotion strategy. Any reconfiguration of programs and budgets needs to take into account Congressional jurisdictions. (Appendix E provides a chart that itemizes the authorizing and appropriating committee for the current Function 150 account.)

Whatever new legislative authority is created, and whatever configurations are adopted, it is certain that the world will remain a volatile place. Looking towards the certainty of new and changing challenges, however, we are convinced that a foreign assistance strategy, budgeted and administered by the policy objectives used here, would place the U.S. in a good position to face such a future, provide enough flexibility for the unexpected, and serve U.S. national interests.

IV. LEADERSHIP AND RESPONSIBILITY IN FOREIGN ASSISTANCE: COORDINATION OF THE 150 ACCOUNT FUNCTIONS

One common point of agreement among those grappling with the myriad elements of U.S. foreign assistance is the urgent need for the programs to be more effective in achieving their assigned missions in implementing U.S. foreign policy and more efficient in their conduct and operations. This agreement, and the discussion it engenders, usually recommends improved coordination, more coordination, better coordination. Often these proposals lead to a conclusion where coordination is confused with control -- substantial control.

This conclusion is most commonly expressed in the call for a foreign assistance "czar" in whom final authority is vested, or, alternately, a high-level committee charged with reaching consensus on the activities of a broad range of programs that bear little in common except that they are foreign. We believe that many of these suggestions are oversimplified and that any solution first requires more careful analysis of the nature of the problem.

What has often clouded coordination attempts was a failure to acknowledge the appropriate leadership, responsibility and accountability for the activity in question. Without this, "coordination" often becomes a euphemism for "bottleneck" or "turf war."

In an attempt to clarify and analyze the problem, the Task Force first reviewed the legal basis for current patterns and the history of past special coordination efforts. It examined current practices, and sought to define what is meant by "coordination" as it relates to specific functions and goals.

A. <u>The Secretary of State's Legal Authority</u>

The President's constitutional authorities relating to the conduct of foreign affairs have been invested in the Secretary by statute dating from 1789. Principal among the other statutory confirmations of the Secretary's primary responsibility in the related foreign assistance area is section 622(c) of the Foreign Assistance Act (FAA), which states as follows:

> "Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance, military assistance, and military education and training programs....to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby."

The Secretary of State has additional statutory authority and delegated presidential authority over a wide ranging number of specific activities. They include: humanitarian relief, international counter-narcotics efforts, military assistance and training, peacekeeping support, oversight of A.I.D. development assistance programs, foreign food aid programs, coordination of international science and technology activities of federal agencies.[1/]

1/ Humanitarian relief, Sections 401 and 2547, Title 10, U.S. Code; counter-narcotics, Foreign Assistance Act, (FAA) Section 481 (b); military assistance and training, and peacekeeping support, FAA 622(c), Section 2 Arms Export Control Act; A.I.D., Section 101 (b) FAA; food aid, Presidential executive order, 1991; science and technology, Volume 22, U.S. Code, 265d.

The Secretary's mandate, thus, requires that he coordinate the range of foreign assistance programs that form the International Affairs Budget (Budget Function 150).

The Deputy Secretary of State, on behalf of the Secretary, coordinates the international affairs budget and works closely with OMB to ensure that Function 150 budget decisions reflect foreign policy priorities. The Deputy Secretary, using his small Office of Policy and Resources, consults informally with most international affairs agencies on resource allocation issues and ensures funding priorities are supported by key Congressional authorizers and appropriators.

B. Past Coordination Attempts

Past attempts at broadly-based coordination have rarely worked. For example, in 1973 Congress required the President to establish a system for coordination of all policies and programs that affected development assistance in low-income countries, the Development Coordination Committee. This committee seldom met.

As part of the Reorganization Plan that created the International Development Cooperation Agency in 1979 (itself a coordination mechanism), the Development Coordination Committee was reconstituted by Executive Order, but it rarely, if ever, met. Except for its subcommittee on food aid, it served no useful purpose.

C. Current Structures

Despite alleged inadequacies of broad scale coordination, there are current interagency structures for reviewing certain international resource programs that are functional and do establish an important measure of coordination. These include the annual budget process led by OMB, informal coordination of Function 150 by the Deputy Secretary of State, the new Trade Promotion Coordination Committee and inter-agency groups on specific regional and functional issues. There are also formal coordination mechanisms with Presidential charters on priority issues such as counter-narcotics and aid to the former Soviet Union.

A review of these measures may be instructive.

- Annual Budget Process: OMB takes the lead in reviewing all U.S. government budgets, key management issues, and proposed agency legislative agendas as part of the President's annual budget process. All international affairs and national security budgets are approved by the Associate Director; the OMB Director decides high priority or contentious issues and the President considers Secretary-level appeals from agencies on only the most controversial matters.

- Trade Promotion Coordination Committee: As exports have assumed an increasingly important role in ensuring economic growth, the number of government agencies involved in trade promotion activities has increased. In 1990 the TPCC was created by Presidential memorandum to better coordinate federal export promotion programs, to eliminate redundancies, and

to focus attention on difficult and emerging markets. The Secretary of Commerce chairs this 19 agency committee. The Export Enhancement Act of 1992 gave the TPCC statutory standing to coordinate federal export promotion and finance programs. The plan is to establish priorities for export promotion, and to propose budget allocations that reflect those priorities.

- The Working Group on Multilateral Assistance (WGMA): Treasury chairs this weekly staff-level inter-agency meeting to review specific MDB loan proposals and forwards its "decisions" as an interagency recommendation to the Treasury principals who issue voting instructions to U.S. executive directors at the banks. Other participating agencies include State, A.I.D., EPA, USTR, USDOC, DOT, Federal

Reserve, OMB, and Interior's Bureau of Mines. WGMA bases its decisions on a variety of factors, including the economic, technical, and environmental aspects of the project itself, the appropriateness of MDB assistance to the sector in question, the borrowing country's relations with the international financial institutions, and U.S. legislation affecting our voting in the banks. For loans to countries with very questionable human rights records, WGMA also considers the decisions of a separate State-chaired group called the Human Rights Working Group. In cases where WGMA agencies disagree about a particular vote, the matter escalates outside the formal WGMA process, often with direct appeals from other agencies to Treasury principals. WGMA only considers voting instructions and does not discuss MDB policy issues or funding levels.

- Coordination on Key Issues or Areas: High priority assistance issues have received greater oversight and coordination through formal interagency mechanisms. Such issues currently include counter-narcotics, international environmental assistance, and aid to the NIS of the former Soviet Union.

- Assistance for Eastern Europe and Newly Independent States: The Support for Eastern European Democracy Act of 1989 (SEED) calls for the President to name a State Department Coordinator to oversee all U.S. assistance programs and policies for Eastern European countries. These programs are then implemented by specific agencies, e.g. A.I.D., EPA, DOD, etc. Similarly, The Freedom Support Act establishes a Presidentially-appointed coordinator for the Newly Independent States, who determines policy, participates in resource allocation and evaluation and adjustment of the specific programs. Congress can look to these

coordinators for overall accountability of these programs.

- Overseas: Each Ambassador, as the personal representative of the President, has clear and formalized authority over the entire mission. The A.I.D. Mission director, representatives of Treasury, Commerce, DEA -- all operate under the supervision of the Ambassador, who has the responsibility to ensure coordination.[1/]

In addition, the Secretary has authority to resolve disputes between Chiefs of Mission and heads of other U.S. government agencies concerning agency representation and activities abroad.[2/]

1/ U.S. Code, 22nd volume, 3927; and the National Security Decision Directive 38, June 2, 1982.)

2/ NSDD 38

These examples, themselves not a complete list of current inter-agency coordinating mechanisms, show that structures already exist to review: foreign policy goals and strategy, 150 Account resource allocations, trade promotion efforts, food aid country allocations, and MDB individual country proposals.

D. Clarification of Coordination

Despite the existing structures, there is need for improved coordination. The Task Force found there have been instances where opportunities for U.S. businesses have been forgone because various branches of government did not know what others were doing. Agencies have worked at cross purposes or simply pursued widely varying goals in the same recipient country. The government has often failed to take full advantage of the intimate knowledge that many A.I.D. field personnel have of local governments' priorities and business plans. And the U.S. has done less than it could to achieve synergies between its bilateral lending and that of the MDBs.

Budget stringencies and the need to enlarge the market share of U.S. business abroad both make better

coordination a high priority. So does the importance this administration accords to its foreign policy goals of democratization, human rights, environmental protection, population stabilization and the other elements of sustainable development.

To this end, and in order to make the best use of our scarce resources and achieve our foreign policy goals, we must define more precisely what is meant by coordination of foreign assistance and what exactly is to be coordinated.

Since effective coordination begins with establishment of the lines of responsibility and accountability, a number of salient factors regarding each program require identification and clarification. For example:

- What agency/department has primary responsibility?

- Is this responsibility delegated or statutory?

- From where does the program nominally receive its policy guidance?

- What is the nature of the review/oversight required (other than Congressional)?

- Who has responsibility for budget submission?

- What agencies/departments have <u>secondary</u> responsibilities and what is their appropriate role?

Clarifying this basic authority would strengthen management and lessen or eliminate involvement by those who have no major role in the particular program; and it would reduce "turf" battles that tend to be time-consuming, debilitating, diversionary and generally counter-productive to the accomplishment of objectives.

Most importantly, however, it would focus more sharply on <u>accountability</u>. This focus often is fatally blurred or lost as the number of entities involved in "coordination" increases.

Another difficulty with past coordination and various proposals is the failure to clarify what precisely is

Chart A

DEPARTMENT/AGENCY RESPONSIBILITY BY CURRENT FUNCTION 150 PROGRAM CATEGORY

(Activity)	ESF	DA	FMF	MDB	PL-480
Policy Formulation	State	State AID	State	Treasury State AID	USDA AID State
Priority Setting	State AID	AID	State DOD	Treasury State	USDA AID State
Budget Preparation	State AID	AID	State DOD	Treasury State	USDA AID
Resource Allocation	State	AID	State DOD	MDB	USDA AID
Program Implementation	AID	AID	DOD State	MDB	USDA AID
Oversight/ Evaluation	AID	AID	DOD State	Treasury	USDA AID
In-Course Adjustments	State AID	AID State	DOD State	Treasury State AID	USDA AID

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954

being coordinated. There are a number of steps in the process from policy formulation to program implementation that may require coordination:

1. formulation of United States Government policy
2. setting priorities for USG policy goals
3. budget preparation
4. resource allocation
5. program design and implementation
6. oversight and evaluation of programs
7. in-course adjustments to allocation, programs and policies

The various government agencies and departments have differing levels of interest in each of these steps, depending on the relative importance and sensitivity of the program to that organization's foreign policy mandate.

This step by step breakdown of responsibilities is amplified in Chart A which shows department/agency responsibility and accountability by current Function 150 program categories (ESF, FMF, DA, PL-480).

On Security Assistance (ESF and FMF), for example, the State Department takes the lead on establishment of U.S.

government policy, setting the priorities for U.S. government policy goals, budget preparation and resource allocation. But the Department leaves to the implementing agencies the decision-making and accountability for program implementation and oversight and evaluation of programs, A.I.D. for ESF, and Defense for FMF. Any necessary adjustments after a program is functioning would involve both State and A.I.D.

Similarly, policies for the U.S. government's participation in Multinational Development Banks are jointly formulated by Treasury, State and A.I.D. Treasury is responsible for setting the priorities; State takes the lead in preparing the budget.

The MDB allocates the resources, designs and implements the programs; Treasury provides the oversight. Treasury, State and A.I.D. are all involved in any in-course adjustments.

As these examples show, different agencies have the lead role at different levels of the coordination process in order to fulfill their specific mandates. The chart illustrates the need for various inter-agency coordinating

Chart B

DEPARTMENT/AGENCY RESPONSIBILITY BY FOREIGN POLICY OBJECTIVE

	Humanitarian	Peace	Democracy	Sustainable Development Country–Specific	Sustainable Development Transnational
(Activity)					
Policy Formulation	State	State	State	State AID Treasury	State AID Treasury
Priority Setting	State AID	State DOD	State AID USIA	State AID Treasury	State AID Treasury
Budget Preparation	AID State	State AID	State	State AID Treasury	State AID Treasury
Resource Allocation	State AID	State DOD ACDA	State AID USIA	State AID Treasury	State AID Treasury
Program Implementation	AID State	State DOD ACDA	AID State USIA	AID	MDBs AID
Oversight/ Evaluation	AID State	State DOD ACDA	AID State	AID State Treasury	AID MDBs Treasury
In–Course Adjustments	State AID OFDA	State DOD ACDA	State AID	AID State	AID MDBs

mechanisms, according to the particular function to be coordinated (ESF, FMF, etc.) the activity (resource allocation, in course adjustment), and agency mandate.

A second Chart (B) shows levels of coordination according to foreign policy objective. Again, different inter-agency mechanisms are required for different activities and agencies.

E. Recent Proposals for Enhanced Coordination

There have been a number of recent proposals to enhance coordination of assistance programs. The 1989 "Hamilton Gilman Report," for example suggested three possibilities:

(1) Coordination from the White House by a special Presidential Advisor, a Deputy National Security Advisor, the reestablishment of the Council on International Economic Policy, or a Presidential Advisor who oversees an International Development Cooperation Council.

(2) Coordination at the cabinet level, through a cabinet committee or by giving one cabinet officer overall responsibility.

(3) Coordination by a new foreign economic cooperation administering agency.

Another recent report suggested that the State Department should extend real budgetary control, i.e. resource allocation, evaluation, in-course adjustment, over the entire 150 account. This has the advantage of integrating decision-making on policy formulation and initial resource allocation among multilateral and bilateral aid, among the trade promotion agencies, and among programs that further specific objectives, e.g. counter-narcotics, environment, support for democracy. Another has suggested the National Security Council oversee all budget planning and resource allocation through a system similar to DOD's defense planning guidance.

We conclude that existing coordinating mechanisms are generally sufficient but can be improved. We strongly

recommend that the current practices be sharpened by taking into consideration the above analyses regarding accountability and levels of coordination from policy formulation to program implementation.

Once this line of authority is clarified, interested agencies should make a commitment to abide by it.

In the event that further considerations result in the establishment of a new coordinating mechanism, the Secretary's legal responsibility for international relations and foreign assistance would suggest it should be lodged in the Department of State. As described above, while the Secretary's foreign policy primacy would remain the same, his actual involvement would vary depending on which agency had responsibility.

The task of coordinating independent programs is inherently difficult, but if the mechanism has the support of the President and the principal cabinet secretaries, it could serve a useful purpose. Moreover, if, as this report recommends, foreign assistance programs are to be focused on specific, yet complementary objectives, with

the common mission of meeting the President's foreign policy objectives, improved and more effective coordination is essential.

Perhaps most important of all, the establishment of overarching foreign assistance objectives that will determine how programs are designed, budgeted and administered, should serve not only to enhance coordination, but to make coordination happen to a degree never before possible.

V. CONCLUSION

America is at a watershed. The world we knew for over forty years ended with the demise of the Cold War. We devised policies and programs that brought us extraordinary security and economic success during those years. The world has changed fundamentally, in great part as a result of these policies and programs.

Now we find ourselves going back to basics. The world has so changed that we must redefine our national interests, reset our national priorities, and reorient our government to achieve these priorities. We must do all this while gauging the new threats and possibilities the post-Cold war era brings. And, perhaps most difficult of all, we must design our strategy with resource constraints that force us to make difficult choices among objectives and programs.

We conclude that changes are needed to refocus our foreign assistance on key objectives in a changed world. Some of these are already underway. Others are more fundamental and will require further efforts. Still others will benefit from a broader review.

This is the beginning of a new era. The outlines of the world we face are still emerging. The policy to address them must retain its flexibility. The programs to achieve our objectives must be shaped and reshaped as we continue to refine our foreign policy strategies. This report is a contribution to the beginning of the process to advance America's interests in the post-Cold War era.

APPENDICES

A. Names and Affiliations of Task Force Members
B. Bibliography: Foreign Aid Reform
C. Matrix: Budget Function 150
D. Chart: Function 150 Account by Congressional Committee Jurisdiction
E. Glossary

APPENDIX A

AID TASK FORCE MEMBERS

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Guatemala, Mexico, and
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(Inter-American Foundation)

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106

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U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

BUILDING DEMOCRACY

The purpose of this function is to strengthen and sustain fragile and emerging democracies, to make the world increasingly receptive to democratic values, and to contain the influence of governments and non-governmental movements antithetical to these values. "Building Democracy" is rooted not only in higher moral values, but in U.S. self-interest, that is, in precluding costly or deadly U.S. conflicts with potential future anti-democratic adversaries.

Measures of Success: Number and Vitality of New Democratic Governments.

Measures of Failure: Expansion of New Hostile Undemocratic Regimes, Failure of Emerging Democracies, and Spread of Anti-Democratic Movements.

SUB-FUNCTIONS:

ENCOURAGING DEMOCRATIC TRENDS

The purpose of this sub-function is to strengthen global trends toward democracy, through support to elected governments, containment of anti-democratic movements, and broad dissemination of information regarding shared democratic values.

Building New or Weak Democratic Governments (Overall Level of Support)
Exchange Programs & Information Dissemination Regarding Shared Democratic Values
Containing the Spread of Anti-Democratic Movements
Promoting Respect for Human Rights

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
New or Emerging Democracies Faltering Democracies Communist / Non-Feudal Countries Entrenched Dictatorships Countries with Human Rights Abuses Countries with Anti-Democratic Forces	State Department	US Information Agency AID Democracy Foundations Regional Foundations
	MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
	Defense Department CIA	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs)

PROVIDING TECHNICAL SUPPORT FOR BUILDING DEMOCRACY

The purpose of this sub-function is to provide technical support, often at the grassroots, person-to-person level, aimed at building democratic values, processes, and institutions.

Strengthening Non-Governmental Groups and Institutions to Build Civil Societies.
Exchange Programs aimed at Promoting Shared Democratic Values
Technical Assistance to Building Democratic Institutions and Processes
Elections Programs and Monitoring

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
New or Emerging Democracies Faltering Democracies Countries with Human Rights Abuses Countries with Anti-Democratic Forces	AID	State Department US Information Agency Democracy Foundations Regional Foundations
	MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
	Education Department Justice Department Defense Department	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs)

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

I PROMOTING AND MAINTAINING PEACE

The purpose of this function is to avert potential regional or global armed conflicts, terrorist incidents, and related proliferation of weapons of mass destruction (including nuclear, chemical, and biological weapons). "Promoting and Maintaining Peace" is rooted in U.S. self-interest, as even small armed conflicts, or a limited degree of weapons proliferation may ultimately generate a major threat to U.S. security, possibly resulting in U.S. lives and property lost, or necessitating large U.S. military, humanitarian, or refugee relief expenditures.

Measures of Success: Number of: Avoided/Settled Regional Conflicts, Avoided U.S. Military Missions, States Forswearing Weapons of Mass Destruction.

Measures of Failure: Number of: Regional Conflicts, U.S. Military Missions, States/Groups Obtaining Weapons of Mass Destruction.

SUB-FUNCTIONS:

3 DAMPENING CONFLICTS & PRESERVING PEACE

The purpose of this sub-function is to preclude potential regional or global armed conflicts, or terrorist incidents, which might precipitate U.S. military action, and thereby result in U.S. lives lost and/or large military/security expenditures.

Measures of Success: Numbers of Avoided/Settled Regional Conflicts

Measures of Failure: Numbers and Intensity of Regional Conflicts

Promoting Established Peace Agreements
Promoting Ongoing Regional Peace Efforts
Peacekeeping/Peacemaking to Prevent Wider Conflicts
Efforts to Combat International Terrorism

SPECIAL TARGETS:	LEAD 150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
Israel/Egypt Greater Middle East Balkans Southern Africa Southeast Asia Other Subsaharan Africa Former Soviet Republics India/Pakistan Other Asia Central America Other Regions	State Department UN Peace Forces UN Conflict Resolution Regional Organizations	U.S. Peace Institute
	MAJOR NON-150 AGENCIES:	
	Defense Department FBI CIA	

4 CONTROLLING WEAPONS PROLIFERATION

The purpose of this sub-function is to preclude proliferation of weapons of mass destruction, including nuclear, chemical, and biological weapons, which might ultimately pose a major threat to U.S. security, including U.S. lives and property.

Measures of Success: Number of States Abandoning/Forswearing Weapons of Mass Destruction

Measures of Failure: Number of States Acquiring/Testing/Utilizing Weapons of Mass Destruction

Dismantling/Controlling Nuclear Weapons Programs
Dismantling/Controlling Chemical & Bacteriological Weapons Programs

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Existing Nuclear Weapons States Would-Be Nuclear Weapons States Existing CB Weapons States Would-Be CB Weapons States Existing Long-Range Missile States Countries with Large Conventional Forces	State Department IAEA Regional Organizations	ACDA
	MAJOR NON-150 AGENCIES:	**U.S. NON-GOV'T PARTICIPANTS:**
	Defense Department Energy Department CIA	Defense Contractors

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

ADVANCING U.S. ECONOMIC GROWTH WITHIN THE GLOBAL ECONOMY

The purpose of this function is to advance U.S. participation in common international efforts to preserve a global economy conducive to long-run growth, with employment benefits according to all; to protect and advance U.S. global commercial market share, so that U.S. business and labor may compete, on an equal playing field, with competitors from other advanced economies; and to help ensure a high degree of U.S. business access to economic resources on which the U.S. jobs may depend. This function is rooted in U.S. self-interest: ensuring that the U.S. maintains its national "share" of a growing global economic "pie".

Measures of Success: High Levels of Global & Overall LDC Growth with Low Inflation, Improving U.S. Commercial Market Share in Key Markets; and Improved U.S. Commercial Access to Key Economic Resources.

Measures of Failure: Low Levels of Global & Overall LDC Growth with Rising Inflation; Declining U.S. Commercial Market Share in Key Markets; and Declining U.S. Commercial Access to Key Economic Resources.

SUB-FUNCTIONS:

	SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
PARTICIPATING IN GLOBAL ECONOMIC GROWTH EFFORTS	Major Industrial Economies Emerging Market Economies Large Developing Country Economies	IMF WORLD BANK GROUP GATT EXIM / OPIC	State Department EXIMBANK AID OPIC TDA
		MAJOR NON-150 AGENCIES:	**U.S. NON-GOV'T PARTICIPANTS:**
		Treasury Department U.S. Trade Representative Federal Reserve Commerce Department Agriculture Department	Economic/Business Banking

The purpose of this sub-function is to participate in common international efforts aimed at preserving a common global economic environment conducive to long-run economic growth, as well as short-run price and currency stability, across a range of industrialized, developing, and emerging market economies, with benefits according to all participants in the global economy, including the U.S.

Measures of Success: Sustained global economic growth, that growth in key developing/emerging countries, sustained world trade growth, low inflation, relative currency stability.

Measures of Failure: Stagnant global economic growth, stagnant growth in key developing/emerging countries, stagnant world trade growth, rising inflation, relative currency instability.

Participating in Bilateral/Multilateral Efforts to Expand Global Trade
Participating in Efforts to Promote Short-Run Economic and Currency Stability
Participating in Efforts to Promote Long-Run Economic Growth & Development
Participating in Efforts to Promote Privatization of State Enterprises

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

I ADVANCING U.S. ECONOMIC GROWTH WITHIN THE GLOBAL ECONOMY (CONTINUED)

SUB-FUNCTIONS:

PROTECTING U.S. GLOBAL COMMERCIAL MARKET SHARE

The purpose of this sub-function is to help U.S. business and labor compete on at least an equal playing field, with their competitors from other advanced industrial economies, thereby preserving U.S. employment, and advancing the global reach of U.S. business.

Measures of Success: Strong or Improving U.S. Market Share in Key Foreign Markets, with Strong or Improving U.S. Representation by Export Volume, Investment Ownership, and Key Industries/Sectors.

Measures of Failure: Weak or Declining U.S. Market Share in Key Foreign Markets, with Weak or Declining U.S. Representation by Export Volume, Investment Ownership, and Key Industries/Sectors.

- Advancing Commercial U.S. Exports of Manufactured Goods and Services
- Advancing U.S. (Commercial) Involvement in LT Basic Infrastructure
- Advancing Commercial U.S. Exports of Agricultural Products
- Advancing Concessional U.S. Exports of Agricultural Products
- Advancing U.S. Foreign Direct Investment
- Advancing U.S. Involvement in Project Engineering & Definition

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Countries with Low U.S. Market Share Countries with Falling U.S. Mkt Share Markets Targeted by Foreign Business Markets Targeted by Foreign Gov'ts	EXIMBANK Agriculture Department OPIC TDA	State Department

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
Commerce Department U.S. Trade Representative Treasury Department	U.S. Exporters U.S. Manufacturers U.S. Contractors U.S. Engineering Firms

SECURING U.S. ACCESS TO GLOBAL ECONOMIC RESOURCES

The purpose of this sub-function is to help ensure a high degree of access, through broad, open legal access, as well as business contacts, and actual ownership interests, to economic resources on which the U.S. is currently, or likely to be dependent, such as energy, strategic metals and minerals, medicinals, industrial intermediate products, and technological processes.

Measures of Success: Broad open access to key resources by all foreign companies, including U.S. companies; Stable or rising relative U.S. presence in key resource-rich countries/regions.

Measures of Failure: Narrowing access to key resources by foreign companies, including U.S. companies; Declining relative U.S. presence in key resource-rich countries or regions.

- Advancing U.S. Ownership of Global Economic Resources
- Advancing U.S. Contracts to Develop Global Economic Resources
- Advancing U.S. Engineering in Developing Resources
- Advancing Broad U.S. Access to Global Economic Resources

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Countries with Large Oil/Gas Reserves Countries with Large Mineral Reserves Countries with Other Natural Resources Countries with Ind/Tech Base	State Department GATT	EXIMBANK OPIC TDA

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
Commerce Department U.S. Trade Representative Treasury Department Agriculture Department Energy Department	U.S. Energy Companies U.S. Manufacturers U.S. Mining Companies

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

√ PROMOTING SUSTAINABLE DEVELOPMENT

The purpose of this function is to strengthen the lasting capacity of people in developing countries to generate ongoing and shared improvements in their economic, social, health, and environmental conditions, through careful resource management. "Promoting sustainable development" is rooted not only in U.S. concern for human welfare, but in U.S. self-interest: sustainable development is, in part, intended to protect the U.S. against demographic, health, and environmental problems which may have immediate or much larger cumulative consequences for U.S. residents and taxpayers. Sustainable development is also intended to create larger, wealthier markets for U.S. goods and services over the longer term.

Measures of Success: Number of Countries whose Citizens and Governments are Together Advancing Sustainable Economic Growth; the Amelioration of Demographic, Health, or Environmental Problems with Potential Long-Run Cumulative Consequences for U.S. Residents and Taxpayers.

Measures of Failure: Number of Countries whose Citizens or Governments are Working at Cross-Purposes with Sustainable Economic Growth; the Worsening of Demographic, Health, or Environmental Problems with Potential Long-Run Cumulative Consequences for U.S. Taxpayers and Residents.

SUB-FUNCTIONS:	SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
● INVESTING IN PEOPLE	Countries with High Mortality Countries with Poor Health Care Countries with Poor Nutrition Countries with Waterborne Diseases Countries with Widespread AIDS Countries with Low Literacy	AID UNDP WHO UNICEF	State Department Public Foundations

The purpose of this sub-function is to build the human capital and related institutions that underpin economic growth and the development of civil society.

Measures of Success: Improvements in Indicators of Basic Human Needs and Strengthened Human Resources in Target Countries.

Measures of Failure: Absence of Progress in Indicators of Basic Human Needs and Weakened or Stagnant Human Resources in Target Countries.

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
Labor Department Health & Human Services Agriculture Department	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs) Health Supply/Services Companies

Improving Primary Health Care Delivery
Improving Nutrition
Advancing Literacy
Improving Access to Clean Water & Sanitation
Controlling the Global Spread of AIDS

113

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

I PROMOTING SUSTAINABLE DEVELOPMENT (CONTINUED)

SUB-FUNCTIONS:

I PROMOTING SUSTAINABLE GROWTH IN LOWER INCOME COUNTRIES

The purpose of this sub-function is to build institutions which advance markets and income opportunities, particularly for the poor, on a path consistent with broad U.S. objectives for equity, environment, and global economic growth.

Measures of Success: Reductions in the Relative or Absolute Numbers of Poor in Target Countries; Expansion of Opportunities for the Poor; Improvement in Environmental Conditions, especially for the Poor.

Measures of Failure: Increases in the Relative or Absolute Numbers of Poor in Target Countries; Decline in Opportunities for the Poor; Decline in Environmental Conditions, especially for the Poor.

Facilitating Government Policies and Projects to Promote Sustainable Development
Strengthening Non-Government Sustainable Development Projects and Groups
Advancing Private Sector Sustainable Development Efforts
Education and Training
Adaptation and Transferring Appropriate Science and Technology

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Countries with Low/Stagnant Growth Countries with Substantial Poverty Countries with Wide Income Disparities Countries with Marginal Tech. Resources Countries with Environ. Problems	AID World Bank/IDA Regional Dev. Banks Public Foundations	State Department

MAJOR NON-150 AGENCIES:	U.S. NON-GOVT PARTICIPANTS:
Treasury Department Commerce Department	Economic/Business Services Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs)

10 STABILIZING WORLD POPULATION

The purpose of this sub-function is to advance U.S. interests in global population; reducing growth rates to levels consistent with sustainable development, while supporting individual rights, especially of women.

Measures of Success: Faster Rates of Decline in Fertility where Appropriate; Strengthening of Women's Empowerment.

Measures of Failure: Absence of Progress in Fertility Trends; No or Little Improvement in Status of Women.

Providing Voluntary Access to Modern Means of Voluntary Family Planning
Providing Information and Education
Providing Greater Reproductive Health Care Services

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Countries with High Fertility Countries with Rapid Population Growth Countries where Women are Low Status	AID UNFPA Other UN Spec. Agencies	State Department

MAJOR NON-150 AGENCIES:	U.S. NON-GOVT PARTICIPANTS:
HHS	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs) Health Supply/Services Companies

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

V PROMOTING SUSTAINABLE DEVELOPMENT (CONTINUED)

SUB-FUNCTIONS:

11 PROTECTING THE ENVIRONMENT

The purpose of this sub-function is to improve environmental management, a crucial element of sustainable development, and to resolve or at early a stage as possible international environmental problems which may have immediate or much larger cumulative consequences for U.S. residents and taxpayers.

Measures of Success: Improvements in Environmental Indicators, Resolution or Containment of Environmental Problems.

Measures of Weakness: Absence of Progress in Environmental Indicators, Failure to Resolve or Contain Environmental Problems, Spread of Local Environmental Problems to Global or U.S. Environment.

Coping with Nuclear Clean-Up and Safety
Repairing Cumulative Environmental Damage
Preserving Landmass and Degradation
Strengthening International Agreements and Mechanisms

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Countries with Severe Env. Problems Countries with Poor Environ. Mngmnt Countries with Potential Env. Problems	AID UNEP World Bank & Regional Dev. Banks Global Environmental Facility	State Department Embassies OPIC EDA

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
EPA Department of Energy Agriculture Department Interior Department	U.S. Environmental Companies Non-Gov't Organizations 501(c) Private Voluntary Organizations (PVOs)

12 STEMMING THE GLOBAL DRUG TRADE

The purpose of this sub-function is to reduce the global production and trade of illegal drugs, to diminish the availability of these substances for U.S. import and consumption.

Measures of Success: Reduction in global production and trade in illegal drugs, and their import into the U.S.

Measures of Failure: Increases in global production and trade in illegal drugs, and their import into the U.S.

Eradicating the Production of Drugs
Encouraging Conversion of Drug Lands
Diminishing the Transit of Drugs
Diminishing the Laundering of Drug Money

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Drug Producing Countries Drug Consuming Countries Drug Transit Countries Drug Money-Laundering Countries	State Department	AID

MAJOR NON-150 AGENCIES:
DEA Defense Department Treasury Department

115

U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

/ PROVIDING HUMANITARIAN ASSISTANCE

The purpose of this function is to provide humanitarian relief to the victims of natural or man-made disasters; to cope with refugee problems and other large-scale migratory movements. While rooted primarily in U.S. ethical concerns, "Providing Humanitarian Assistance" also constitutes a first line of defense against uncontrolled migration to the U.S. and other countries.

Measures of Success: Timely Delivery of Needed Relief to Victims; Amelioration of Existing Refugee Problems; Reduction in Illegal Migration.

Measures of Failure: Delayed Delivery of Needed Relief to Victims, Failure to Ameliorate Refugee Problems; Increase in Illegal Migration.

SUB-FUNCTIONS:

13 PROVIDING DISASTER & CRISIS RELIEF

This program of this sub-function is to provide purely humanitarian relief to the victims of natural or man-made disasters, crises or calamities.

Measures of Success: Timely Delivery of Needed Relief to Victims

Measures of Failure: Delayed Delivery of Needed Relief to Victims

Providing Emergency Relief
Providing Food Assistance

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
Drought Regions Hurricane Zones Earthquake Zones War Zones	AID WFP UNHCR Other UN Agencies	Agriculture Department State Department

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
Defense Department	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs)

14 RESOLVING REFUGEE & MIGRATION PROBLEMS

This program of this sub-function is to cope with refugee and migration problems, and also uncontrolled migration to the U.S. and other countries.

Measures of Success: Amelioration of Refugee Problems; Declines in Illegal Immigration to U.S. and other Countries

Measures of Failure: Failure to Ameliorate Refugee Problems, Increases in Illegal Immigration to U.S. and other Countries

Providing Orderly Migration
Refugee Placement
Refugee Registrations
Refugee Relief
Addressing Root Causes (Human Rights, Employment, Population)

SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
War Zones Countries Near War Zones Drought Regions Countries Near Drought Regions Countries with Substantial Net Migration	State Department USIA/VOA UNHCR Other UN Agencies	AID

MAJOR NON-150 AGENCIES:	U.S. NON-GOV'T PARTICIPANTS:
DOD	Non-Gov't Organizations (NGOs) Private Voluntary Organizations (PVOs)

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U.S. INTERNATIONAL AFFAIRS PROGRAMS (BUDGET 150): FUNCTIONS, PURPOSES, PROGRAMS, MEASURES, TARGETS, AGENCIES

VI ADVANCING U.S. DIPLOMACY

The purpose of this function is to support cost-effective instruments for promoting U.S. interests in the other functional areas mentioned.

Measures of Success: Achievement of U.S. Objectives in Other Areas Mentioned through Bilateral U.S. Political and Financial Diplomacy, Bilaterally and Multilaterally.

Measures of Success: Failure to Achieve U.S. Objectives in Other Areas Mentioned through U.S. Political and Financial Diplomacy, Bilaterally and Multilaterally.

SUB-FUNCTIONS:

	SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
18 BILATERAL PROMOTION OF U.S. INTERESTS	GLOBAL	State Department	USIA

The purpose of this sub-function is to advance short- or medium-term bilateral U.S. political or security interests, and to maintain a U.S. global diplomatic presence designed to support efforts to promote U.S. interests in the other areas mentioned.

Measures of Success: Achievement of U.S. Objectives through Bilateral U.S. Political and Financial Diplomacy.

Measures of Failure: Failure to Achieve U.S. Objectives through Bilateral U.S. Political and Financial Diplomacy.

MAJOR NON-150 AGENCIES:

Defense Department
Commerce Department

Advancing Bilateral Political Interests
Advancing Bilateral Security Interests
Maintaining a Quality Diplomatic & Support Staff to Promote U.S. Interests
Maintaining a Global Network of Support Facilities to Promote U.S. Interests

	SPECIAL TARGETS:	LEAD 150 AGENCIES:	OTHER MAJOR 150 AGENCIES:
19 INTERNATIONAL COALITION-BUILDING TO PROMOTE U.S. INTERESTS	GLOBAL	United Nations UN Specialized Agencies Regional Organizations	State Department

The purpose of this sub-function is to maintain the United Nations, its organs, and its specialized agencies as cost-effective instruments for international coalition-building to leverage U.S. assistance in promoting U.S. interests in the other areas mentioned.

Measures of Success: Achievement of U.S. Objectives through the UN and Broader Multilateral Arena.

Measures of Failure: Failure to Achieve U.S. Objectives through the UN and Broader Multilateral Arena.

Promoting Global Coalition-Building to Promote U.S. Interests
Promote Regional Coalition-Building to Promote U.S. Interests
Promote Specialized or Technical Coalition-Building to Promote U.S. Interests

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APPENDIX C: USING THE MATRIX

In referring to the Matrix, for example, under the overarching goal of "promoting sustainable development," the group identified five programmatic sub-functions -- investing in people, promoting sustainable growth in lower income countries, stabilizing world population, protecting the environment and stemming the global drug trade.

All programs within these sub-functions relate to each other in their goal of strengthening people's lasting capacity to generate ongoing and shared improvements in their living conditions through careful resource management. Those programs, however, that fall within the objective of sustainable growth in lower income countries are designed to build institutions which advance markets and income opportunities, particularly for the poor. Such programs could facilitate relevant government projects, NGO projects or groups, private sector efforts, education and training projects or advance and transfer science and technology. Special targets for such programs would be countries with low or stagnant growth, substantial poverty, wide income disparities, minimal technological resources or environmental problems.

Depending on the individual program, A.I.D., the World Bank, regional development banks, Treasury or Commerce would be the lead agency at the design and implementation level. By and large, A.I.D. would play the leading role in this particular area. Without relinquishing its overall supervisory responsibility, the State Department would be involved to a lesser degree at this level. Also, certain businesses or economic services, NGOs and PVOs could be involved, but remain subsidiary to the lead agency.

Overall, the matrix outlines and reinforces visually the Task Force's general conclusions that:

> A.I.D. should play the lead role in: providing technical support for building democracy; investing in people -- building the human capital and related institutions that underpin equitable economic growth and the development of civil society; promoting sustainable economic growth in lower income countries; stabilizing world population; protecting the environment; and providing disaster and crisis relief. In conducting democracy and global programs, the Secretary of State should provide policy guidance

119

to A.I.D. Similarly, the Task Force agreed that providing support designed exclusively to achieve short-term political or security purposes should be the primary responsibility of the Department of State. Economic Support Funds used for development purposes should continue to be the responsibility of A.I.D. (with such ESF funds contained as part of a single development assistance account).

The principal responsibility for the function described in the matrix as "Protecting U.S. Global Commercial Market Share" should be shared by Eximbank, USDA, OPIC, TDA, Commerce, USTR and Treasury. A.I.D. should not be expected to play a major, direct role in this category. Programs designed exclusively to promote trade and exports, or subsidies to investors, logically should be implemented by the agencies having primary responsibility for such functions.

120

APPENDIX D

The Function 150 Current Accounts
by Congressional Committee Jurisdiction

OPERATION	AUTHORIZING COMMITTEE	APPROPRIATING COMMITTEE
FOREIGN OPERATIONS		
Multilateral Development Banks	House Banking Committee	Foreign Operations
	Senate Foreign Relations Committee	Foreign Operations
Former Soviet Union (Freedom Support Act)	House Foreign Affairs Committee	Foreign Operations
	Senate Foreign Relations Committee	Foreign Operations
International Organisations and Programs (Voluntary)	House Foreign Affairs Committee	Foreign Operations
	Senate Foreign Relations Committee	Foreign Operations
Peace-keeping Operations	House Foreign Affairs Committee and Armed Services	Commerce, Justice and State and Foreign Operations
	Senate Foreign Relations Committee and Armed Services	Commerce, Justice and State and Foreign Operations
Non-Proliferation and Disarmament Fund	House Foreign Affairs Committee	House Foreign Operations
	Senate Foreign Relations Committee	Senate Foreign Operations
Refugee Assistance	House Foreign Affairs Committee	House Foreign Operations
	Senate Foreign Relations Committee	Senate Foreign Operations
Trade and Development Agency (TDA)	House Foreign Affairs Committee	House Foreign Operations
	Senate Foreign Relations Committee	Senate Foreign Operations
Eastern Europe (SEED Program)	House Foreign Affairs Committee	House Foreign Operations
	Senate Foreign Relations Committee	Senate Foreign Operations
Peace Corps	House Foreign Affairs Committee	House Foreign Operations
	Senate Foreign Relations Committee	Senate Foreign Operations

Overseas Private Investment Corporation (OPIC)	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Disaster Assistance	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
U.S.A.I.D. Operating Expenses	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
International Military Education and Training (IMET)	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Counter-Narcotics	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
U.S.A.I.D. Debt Reduction (EAI and Others)	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Export-Import Bank (Eximbank)	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Foreign Military Financing	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Development Assistance and Development Fund for Africa	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations

122

Economic Support Fund	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations
Special Defense Acquisition Fund	House Foreign Affairs Committee Senate Foreign Relations Committee	House Foreign Operations Senate Foreign Operations

COMMERCE, JUSTICE AND STATE

Peace-Keeping - Assessed	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce, Justice and State
United Nations - Assessed	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce, Justice and State
U.S. Information Agency	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce, Justice and State
Arms Control and Disarmament Agency	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce, Justice and State
State Salaries and Expenses (including IG)	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce,Justice and State
Board for International Broadcasting (BIB)	House Foreign Affairs Committee Senate Foreign Relations Committee	Commerce, Justice and State Commerce, Justice and State

123

AGRICULTURE

Public Law 480	House Foreign Affairs Committee and Agriculture	House Agriculture Committee Senate Agriculture Committee
Title I	House Foreign Affairs Committee and Agriculture	House Agriculture Committee Senate Agriculture Committee
Titles II & III (Food Aid)	House Foreign Affairs Committee and Agriculture	House Agriculture Committee Senate Agriculture Committee
PL 480 Debt Reduction (EAI)	House Foreign Affairs Committee and Agriculture	House Agriculture Committee Senate Agriculture Committee

LABOR

International Programs	House Foreign Affairs Committee	Commerce, Justice and State
	Senate Foreign Relations Committee	Commerce, Justice and State

-124

APPENDIX E: GLOSSARY

INTERNATIONAL AFFAIRS (FUNCTION 150)
DESCRIPTION OF PROGRAMS

African Development Foundation (ADF). Supports self-help efforts of poor people in African countries. Focuses on activities at local level designed to promote opportunities for community development. Provides grants, loans, and loan guarantees to African private groups, associations, or entities involved in self-help development.

Anti-Terrorism Assistance. Provides grants for program of anti-terrorism aid and training for foreign civilian law enforcement authorities as part of U.S. overall program to combat international terrorism.

Contributions to International Organizations (CIO) - Assessed. Enables United States to meet annual obligations of membership in international multilateral organizations, including the United Nations, in accordance with treaties ratified pursuant to advice and consent of Senate, conventions, or specific Acts of Congress. United States contributes assessed share of budget of each organization of which it is member. With strong U.S. support, multilateral bodies can take lead in responding to international crises.

Contributions for International Peacekeeping Activities (CIPA) - Assessed. Used to pay U.S. share (about 30.4 percent) of U.N. assessed peacekeeping costs (e.g., personnel, both civilian and military, communications, and transportation). Remains essential to U.S. national interests and maintenance of peace in regions of concern to United States. Supports U.N. efforts to maintain cease-fires and create an atmosphere in which negotiations can take place between conflicting parties. Success of peacekeeping operations depends on support, diplomatic and financial.

Debt Reduction. Lowers poor countries' bilateral debt to U.S. Government provided they are pursuing economic reform programs with IMF and World Bank. In case of Latin American countries, they must also be pursuing major investment reforms and have agreed with their commercial banks on satisfactory financing program.

Development Assistance (DA). Consists of grant project assistance in order to target critical problem

areas in those functional sectors that affect many people in developing countries: agriculture, rural development, and nutrition; health; population planning; child survival; AIDS; education and human resource development; private-sector, environment, and energy activities; and private enterprise. Includes Development Fund for Africa.

Emergency Refugee and Migration Assistance (ERMA). Enables President to provide emergency assistance for unexpected, urgent refugee and migration needs worldwide.

Export-Import (EXIM) Bank. Aids in financing and promoting U.S. exports. Bank's authority and resources are used to: assume commercial and political risks that exporters or private institutions are unwilling or unable to undertake; overcome maturity and other limitations in private sector export financing; assist U.S. exporters to meet foreign officially sponsored export credit competition; and provide leadership and guidance in export financing to U.S. exporting and banking communities and to foreign borrowers.

Food for Peace (Public Law 480).

Title I - Trade and Development Assistance. Provides low-interest, long-term credit to recipients of U.S. farm commodities. Payments on loans are made in dollars or local currency. Local currency proceeds may be used by Secretary of Agriculture for trade promotion, agricultural development, and research and to make payments on other U.S. obligations.

Title II - Emergency and Private Assistance Programs. Provides donations of agricultural commodities to meet famine or other urgent or extraordinary relief requirements, combat malnutrition, and promote economic and community development and policy reform. Assistance is also provided for non-profit school lunch and preschool feeding programs outside United States.

Title III - Food for Development. Provides donations, if policy conditions are met, of agricultural commodities to least developed countries for direct distribution activities, establishment of emergency food reserves, or sale with foreign currency proceeds being used to promote policy reforms and for specific economic development purposes.

FREEDOM Support Act (FSA) Funds. Provided in form of grants and loans to encourage democratic and economic reforms in the new independent states of the former Soviet Union. Continued progress toward representative government and market economies in these states is crucial to U.S. national security and is one of highest objectives of U.S. foreign policy. Consist of technical assistance to: create and strengthen democratic institutions; encourage private sector development; improve key human services and provision of medical and food supplies; promote sectoral reform in areas of agriculture, energy, environment, and housing; and support research and training. Separate Defense budget resources are used for weapons dismantlement.

Inter-American Foundation (IAF). Supports self-help efforts of poor people in Latin America and Caribbean. Responds directly to initiatives of poor by supporting local and private organizations. Provides grants to private, grassroots organizations, including community associations and small urban enterprises, or to larger organizations that work with local groups and provide them with credit, technical assistance, training, and marketing services.

International Disaster Assistance. Provides relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes, and earthquakes. Supports disaster preparedness, prevention, and litigation. Includes technical assistance and training for development of host government disaster assistance programs, technology transfer for improved prediction and warning systems, and material and personnel resources for emergency relief and rehabilitation.

International Narcotics Control (INC). Provided to foreign countries and international organizations to help them control production, processing, and illegal trafficking in narcotics and psychotropic drugs. Is distinguished from Security Assistance (military and economic support) used also to combat narcotics problem.

International Organizations and Programs (IO&P) - Voluntary Contributions. In addition to its assessed payments, United States contributes to voluntary funds of over 20 international organizations and programs involved in wide range of development assistance, humanitarian, and

scientific activities. (Examples include U.N. Development Program, U.N. Children's Fund, U.N. Population Fund, and U.N. Environment Program.)

Migration and Refugee Assistance (MRA). Addresses protection and assistance needs of refugees, migrants, and conflict victims worldwide. Used primarily to support programs of international organizations, including U.N. High Commissioner for Refugees, U.N. Relief and Works Agency for Palestine Refugees, World Food Program, and International Committee of Red Cross. When possible, funds are used to resolve refugee situations through repatriation or local integration.

Multilateral Development Banks (MDBs) - Contributions. Under Congressional appropriation, provided to fulfill U.S. obligations of membership in various multinational lending institutions (see below). Through MDB financing, developing countries are better able to raise their living standards and become productive and valuable partners in increasingly interdependent global economy. U.S. support remains critical to continuing ability of international financial system to support and encourage economic reform and development in fast-changing world. Permit leveraging of resources in face of tight government budget constraints and heavy demands on world capital markets. (Each taxpayer dollar generates more than $20 in lending.) Benefit U.S. economy by fostering long-term growth and stability. (U.S. companies receive larger share of MDB procurement contracts than any other donor country.)

> **International Bank for Reconstruction and Development (IBRD), or World Bank.** Finances development projects in less developed countries. By applying banking principles to achievement of development goals, promotes increased economic productivity and helps developing economies meet basic needs of their people.
>
> **International Development Association (IDA).** Member of World Bank Group, provides development financing on highly concessional terms to world's poorest and least creditworthy nations. Is largest source of multilateral lending that is extended on concessional terms to developing countries.

128

International Finance Corporation (IFC). Member of World Bank Group, furthers economic development by encouraging growth of private enterprise in developing countries. Provides and mobilizes loans and equity investments for promising ventures and provides technical assistance.

Inter-American Development Bank (IDB). Promotes economic and social development of Latin America and Caribbean through loans and technical assistance. Lends money through: ordinary capital window that lends at near-market rates; Fund for Special Operations (FSO) which makes loans on concessional terms to region's poorest nations; and Inter-American Investment Corporation (IIC), which makes loans and equity investments for small and medium sized private enterprises.

Asian Development Bank (ADB). Fosters economic growth and cooperation in Asian and Pacific region. Lends at near-market rates through its ordinary capital window and on highly concessional terms to region's poorer nations through Asian Development Fund (ADF).

African Development Bank (AFDB). Makes loans at near-market rates for economic and social development of its African members. (Membership in the Bank was restricted to African nations until 1982 when non-regional countries were allowed to join. United States became member of Bank in 1983.)

African Development Fund (AFDF). Concessional lending affiliate of African Development Bank (AFDB), makes loans to poorest African nations.

European Bank for Reconstruction and Development (EBRD). Supports market-oriented economic reform and democratic pluralism in nations of Eastern Europe and former Soviet Union through loans, technical assistance, and equity investment in private sector.

124

Overseas Private Investment Corporation (OPIC). Promotes economic growth in developing countries by encouraging U.S. private investment in those nations. Assists American investors by: financing investment projects through direct loans and/or guarantees; insuring investment projects against a broad range of political risks; and providing variety of investor services.

Security Assistance. An instrument of foreign policy, covers broad range of programs and activities that employ both funding and legal authorities to provide military, economic, peacekeeping, counter-narcotics, and non-proliferation support to key friends and allies. Appropriated programs consist of Foreign Military Financing (FMF), Economic Support Fund (ESF), International Military Education and Training (IMET), Peacekeeping Operations (PKO), and Non-Proliferation and Disarmament (NPD).

Foreign Military Financing (FMF). Enables selected friends and allies to improve their self-defense capabilities by financing acquisition of U.S. defense articles and services. As grant and low-interest loan program, FMF is distinguished from **Foreign Military Sales (FMS)** system through which government-to- government sales of military equipment are made. In general, FMF provides financing for FMS sales. Select countries, however, have been eligible to use FMF credits for procurement through direct commercial contracts with U.S. firms outside of FMS channels.

Economic Support Fund (ESF). Provides economic assistance to allies and strategically important developing countries. Consists of grants to aid recipient's balance of payments, finance infrastructure and capital projects, carry out developmental projects benefitting local population, and, in some cases, support counter-narcotics activities. Generally fast-disbursing.

International Military Education and Training (IMET). Provides military education, management, and technical training on grant basis to students from allied and friendly nations. Promotes military-to-military relations and exposes

foreign military and civilian officials to U.S. values and democratic processes.

Peacekeeping Operations (PKO) Funding. Supports peacekeeping activities by friendly countries and international organizations in furtherance of U.S. national security interests. As component of Security Assistance, covers non-assessed (i.e., voluntary) contributions to peacekeeping, whether bilateral or multilateral in nature. (Separate and much larger account, **Contributions for International Peacekeeping Activities, or CIPA,** covers assessed peacekeeping activities, but is not classified as Security Assistance account.)

Non-Proliferation and Disarmament Fund. New element of Security Assistance, addresses problems of weapons proliferation (chemical, biological, and nuclear and sensitive technology) in various regions through education and training; destruction and conversion; enforcement and interdiction; and safeguards and verification. Serves as initial diplomatic tool and complements other U.S. Government non-proliferation efforts.

Support for East European Democracy (SEED) Funds. Consist of grants and credits to support efforts of Central and Eastern European countries, including new Baltic republics, to restructure their economies and advance democratic reforms. Target following areas: private sector development; technical assistance and training; democratic pluralism and rule of law; environment and energy; agriculture and agribusiness; and housing (with emphasis on market-oriented policies).

Trade and Development Agency (TDA). Funds feasibility studies and other project planning services on major infrastructure and industrial projects in developing and middle-income countries. By positioning a U.S. firm at initial planning stages of project, increases likelihood that U.S. equipment and services will be used in implementation of project. Leverages funds for benefit of both recipient country and U.S. private sector.

U.S. Arms Control and Disarmament Agency (ACDA). Advises President and Secretary of State on arms control and disarmament activities and participates in

131

negotiations with other countries seeking international agreements to control, reduce, or eliminate arms. Resources devoted to support of arms control negotiations, research, verification, compliance, non-proliferation, nuclear safeguards programs of International Atomic Energy Agency, arms transfer reviews, and preparation of arms control impact analyses of weapons systems.

U.S. Information Agency (USIA). Conducts international informational, educational, cultural, and exchange programs of United States and advises President, National Security Council, and Secretary of State on these matters. Defines, explains, and advocates U.S. policies abroad and seeks to increase knowledge and understanding among foreign audiences of U.S. society and its values. Continues to emphasize programs for Eastern Europe and new independent states of former Soviet Union.