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APPRAISAL
of the
REGIONAL ECONOMIC DEVELOPMENT OFFICE AND PROGRAM,
BANGKOK

By the
Operations Appraisal Staff
of the
Office of the Auditor General

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D R A F T

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Glossary

<u>Abbreviation</u>	<u>Name of Organization</u>	<u>Location</u>
ADB	Asian Development Bank	Manila
AIT	Asian Institute of Technology	Bangkok
AVRDC	Asian Vegetable Research and Development Center	Taiwan
BIOTROP	Regional Center Tropical Biology	Bogor (Indonesia)
CCB	Central Coordination Board for Tropical Medicine	Bangkok
COORDCOM	Coordinating Committee on Transport and Communication	
EA/RA	Office of Regional Affairs of State Bureau of East Asian and Pacific Affairs	Washington, D.C.
EARP	East Asia Research Program -- a component of SEADAG project	Multiple
ECAFE	Economic Commission for Asia and the Far East	Bangkok
IGCC	Intergovernmental Coordinating Committee on Family Planning	Kuala Lumpur
INNOTECH	Regional Center for Educational Innovation and Technology	Saigon
MCC	Mekong Coordinating Committee	Bangkok
RECSAM	Regional Center for Science and Mathematics	Penang (Malaysia)
RED	Office of Regional Economic Development	Bangkok
RELC	Regional English Language Center	Singapore
RTAS	Regional - Technical Advisory Service (Support to RED)	Bangkok

<u>Abbreviation</u>	<u>Name of Organization</u>	<u>Location</u>
RTS	Regional Transport Survey	
SA/RD	Office of Regional Development of Supporting Assistance Bureau, A.I.D.	Washington, D.C.
SEA	Southeast Asia	
SEADAG	Southeast Asia Development Advisory Group	
SEAMEC	Southeast Asian Ministers of Education Council	
SEAMEO	Southeast Asian Ministers of Education Organization	
SEAMES	Southeast Asian Ministers of Education Secretariat	Bangkok
SEARCA	Southeast Asian Regional Center for Agriculture	Los Banos (Philippines)
SEATAC	Southeast Agency for Transport and Communications -- Secretariat for COORDCOM	Kuala Lumpur
TROPMED	Regional Center for Tropical Medicine	Multiple
USADB	U.S. Director to Asian Develop- ment Bank	Manila

I. Purpose and Scope

The Office of Regional Economic Development (RED) was established in 1966 to implement a U.S. objective to further the growth and competence of multi-national cooperation in Southeast Asia. Some seven years later it seems appropriate to examine progress toward this U.S. objective, and the continuing need for RED in a region where the U.S. maintains strong bilateral USAIDs in those countries where we have particular policy interests.

With a substantially changed U.S. international posture, and an altered perception of the realities of foreign assistance, any inquiry into the current relevance of RED invites a number of questions. What is the nature of U.S. commitments to regional organizations in SEA? Just where does RED fit into the post-war world? Does a separate RED presence serve any unique A.I.D. purpose? Can the need for RED be separated from the idea of continued U.S. support to regional projects? Is there any special rationale supporting RED exemption from compliance with standard A.I.D. programming procedures? Given the A.I.D. desire to concentrate assistance in a limited number of sectors, is the time appropriate to pursue SEATAC and MCC activities through ADB/IBRD? Does a RED presence stand as a disincentive to achieving viability for the SEAMEO program? In essence, the focus of an AG appraisal of RED is on whether the extraordinary vehicle of RED has outlived its usefulness to A.I.D.

AG review of RED and the RED program began in April with an examination of files and documents available in SA/RD. Field review began in Bangkok on June 4. After ten days of discussions with RED staff, and with key Asians available in Bangkok -- from SEAMES, MCC, and CCB -- and of a further reading into RED files, a field trip to regional project sites began. All SEAMEO centers were visited, as well as SEATAC and CGCC; Asian views of RED and the RED program were solicited. Discussions were held at ADB. Discussions also were held with senior personnel of the American Embassies and of the USAIDs. Upon return to Bangkok on July 1, further discussions were held with both American and Asian personnel. These discussions continued through July 6, 1973.

II. Conclusions

While no U.S. commitment to support of regional cooperation in SEA requires the extraordinary vehicle of a separate RED mission, the need is for a periodic reaffirmation of an earlier management decision in this regard. The point is that a changed situation in SEA since activation of RED in 1967, might well stand as a bar to arguing the current need for a RED presence. If this view were to prevail, then any AG concern that might otherwise be raised regarding a RED mode of operations which deviates considerably from established Agency policy, would not arise.

Any appraisal of the RED operation is complicated by the management style of RED itself. The focus is on Asian initiatives and Asian behavior patterns. Normal A.I.D. emphasis on project design and evaluation gives way to RED stress on flexibility and a minimum of A.I.D. intrusion. In fact the RED program can in many ways best be viewed as a series of grants-in-aid.

A case in point is the SEAMEO regional education program which has been a major claimant on RED time and resources. As properly claimed by RED, this program has fostered the habit of consultation among Asians. The question of measuring performance against output, purpose and goal, is, however, not easily addressed. The RED contribution of some two-thirds of total costs, supplemented by non-U.S. donors, has meant only marginal inputs by Asians. Even so, the viability

of the several SEAMEO regional centers is in no way assured, and they may well devolve into essentially national centers. The major and pressing problem for SEAMEO at the moment is the raising of sufficient Special Funds to provide participant training at levels commensurate with the operating capacity of the various regional centers. Other aspects of regionalism in SEA also warrant attention.

With the growing maturity and competence of ADB, the need for direct RED support to Mekong Committee projects or to transportation and communication projects under COORDCOM, becomes increasingly difficult to rationalize. The same applies to those RED projects, national in character, which could easily be included within the USAID program of concerned countries.

In general, AG assessment of the RED operation impels the conclusion that the time is opportune for initial A.I.D. efforts toward regularizing the RED program.

III. Recommendations

Justification for the RED program and mission should be reexamined each year. In the medium term RED should face up to the need:

1. To sponsor a trend toward relocation within concerned USAIDs of national projects presently in the RED program.

2. To focus support to SEAMEO on the provision of Special Funds to SEAMES in the manner of grants-in-aid, and with a minimum of monitoring by RED.

3. To provide assistance to MCC and SEATAC in consonance with policy guidance laid down by ADB and IBRD.

In the light of changing circumstances, we envisage a reduced need for the size, scope and responsibilities of RED, and we perceive the basis for a complete phaseout of RED over the next two or three years.

ANNEX A

The Setting

In early 1965, a U.S. policy position called for support to regional activities in Southeast Asia. This included support to ADB, MCC and other regional entities, as well as support to a special A.I.D. effort.

By the end of 1965 activation of the RED mission had been authorized, and in September 1966 the FAA was amended to include Title VIII covering Multilateral and Regional Programs for SEA. The RED Program was intended to strengthen regional cooperation in jointly sponsored and administered projects involving two or more countries working together on common problems. Projects were to reflect Asian initiatives, operate in a regional framework, and give emphasis to economies of scale and national specialization.

Regional programs ~~of the Eugene Black mission~~ have now developed a momentum of their own.

The ADB is a functioning and maturing organization, located in a new building in Manila, with a staff of over 500 - half of whom are professionals. As of the end of 1972, regular loans outstanding totalled almost \$800 million, and Special Funds exceeded \$200 million. In addition, TA grant activities amounted to \$14 million.

The Ministers of Education have organized themselves into a Southeast Asia Ministers of Education Organization (SEAMEO) with a Council (SEAMEC) and a Secretariat (SEAMES). Under this rubric, there are now six major projects: (1) Regional English Language Center (RELC) in Singapore; (2) Regional Education Center of Science and Mathematics (RECSAM) in Penang, Malaysia; (3) Southeast Asia Research Center for Agriculture (SEARCA) at Los Banos, Philippines; (4) Research in Tropical Biology (BIOTROP) in Bogor, Indonesia; (5) Regional Center for Education Innovation and Technology (INNOTECH) at Saigon; and (6) Research in Tropical Medicine (TROPMED) headquartered at Bangkok in form of a Central Coordinating Board (CCB) with branches currently in six of the eight SEAMEO countries: (6A) Thailand (Pediatrics); (6B) Vietnam (Microbiology); (6C) Malaysia (Parasitology and Entomology); (6D) Philippines (Rural Health); (6E) Singapore (Urban Health and Occupational Diseases); (6F) Indonesia (Nutrition).

The Ministers of Transport and Communications similarly have organized themselves into a coordination group consisting of senior operating officials in this field (COORDCOM) with a permanent Secretariat (SEATAC) located in Kuala Lumpur and ^{including} engineers, economists, and planners from the region, together with some outside consultants. Seventeen A.I.D.-financed feasibility studies already have been completed or are nearing completion; the Asian Development Bank carried out a Regional Transport Survey (RTS) which lists about one hundred of the most promising development opportunities in the region; and SEATAC is now seeking funds from private and public sources for additional studies and/or for construction.

The Mekong Coordinating Committee (MCC), a part of the ECAFE, had been in existence almost since the days of the break-up of the colonial empire in Indochina. Permanent members of the MCC are the four riparian states (Laos, Cambodia, Vietnam, and Thailand). The U.S. has invested in basic studies of the Mekong stream, especially for a Pa Mong study, and has contributed to financing the construction on Nam Ngum Dam. Financing of Phase II of Nam Ngum is now in process, and work is proceeding on the Vientiane Dike in Laos, the Prekh Thnot project in Cambodia, ports and cargoes projects on parts of the Mekong, and clearing of obstacles to transport in Laos. The ADB and the IBRD are executive agents for selected so-called Pioneer Projects, which are large-scale, integrated, agricultural development and demonstration projects in the delta areas. The MCC is continuing its basic studies dealing with main stream development.

These four elements - ADB; SEAMES; SEATAC; and MCC represent the main thrusts of the ^{U.S.} Eugene Black initiative. Supplementary projects include: (1) The SEATO-initiated Asian Institute of Technology (AIT) near Bangkok, (2) an Asian Vegetable Development and Research Center (AVDRC) in Taiwan, and (3) research grants to Asian scholars under the East Asia Research Project (EARP). In addition, there are two projects tangentially linked to the RED program: (1) Southeast Asia Development Advisory Group (SEADAG) and (2) Inter-Government Coordinating Committee on Family Planning (budgetary support for the IGCC) in Kuala Lumpur.

Since 1967 the U.S. has provided financial assistance through RED to the regional program with grants (Supporting Assistance and Technical Assistance), totalling about \$64 million. The RED office has for some seven years been semi-autonomous within the U.S. Embassy in Bangkok. Washington office backstopping for RED is found in a discrete unit within A.I.D.'s Bureau for Supporting Assistance - though previously attached to A.I.D.'s Bureau of East Asia Affairs.

ANNEX B

Composition of RED Program

The magnitude and composition of U.S. funding for the RED program is evidenced by the line items contained in the Congressional Presentation documents for FY 1974, as follows:

	<u>Obligations (\$000)</u>		
	<u>Thru</u> <u>FY 72</u>	<u>Actual</u> <u>FY 73</u>	<u>Proposed</u> <u>FY 74</u>
<u>S.A. Funding</u>			
Mekong Basin Dev. Plan	2,350	1,334	1,400
Mekong Pioneer Projects	-	-	2,000
SEATAC	2,694	302	400
Telecommunication	300	330	-
Livestock	-	-	200
Nam Ngum I	14,407	-	-
Nam Ngum II	-	-	5,000
	<u>19,751</u>	<u>1,966</u>	<u>9,000</u>
Subtotal			
<u>T.A. Funding</u>			
Labor Union Development	2,941	1,171	-
Fisheries	186	100	-
Vegetable Research Center	1,200	600	600
AIT	7,403	827	831
SEAMES	11,538	3,647	2,151
SEADAG	2,857	855	1,000
RTAS	7,236	1,330	1,368
	<u>33,361</u>	<u>8,530</u>	<u>5,950</u>
Subtotal			
<u>Population Funding</u>			
Family Planning	<u>288</u>	<u>202</u>	<u>300</u>
Grand Total of RED Program	53,400	10,698	15,250

Cumulative AID obligations from FY 1968 through FY 1973 in support of the RED program as shown above, total about \$64 million.

Further elaboration of the funding aspects of the RED program may be obtained by examination of project composition for FY 1973.

Mekong Basin Development Planning. This consists essentially of a series of surveys, feasibility studies and minor supply programs, all related to the harnessing and utilization of the Mekong River, covering both mainstream and tributary development in a situation where AID is only one of many donors. For FY 1973 project components are as follows (in thousands of dollars):

<u>Activity</u>	<u>OBL</u>
Institutional Support	\$149
Legal Services	15
Mekong Fish Migration	250
Nam Ngum Phase II (AID/W)	20
Resettlement	250
Reservoir Mapping	320
Delta Soils Mgt.	50
Waterborne Diseases	150
Spare Parts	55
Flood Forecasting	3
Salinity Intrusion	22
Ports & Cargo	50
Total	\$1,334

FY 1974 funding would follow a similar pattern.

Mekong Pioneer Projects. IBRD has proposed a multi-year \$20 million program for construction and operating ten near-term, impact projects stressing agricultural development, adjacent to Mekong tributary streams. AID would contribute up to 25 percent with RED serving as a conduit for AID funds, which would then be commingled with other donor funds for program execution by IBRD/ADB.

SEATAC. FY 1973 S.A. funds include \$177,000 for budgetary support to the Secretariat and \$125,000 for a feasibility study of a port situation in Malaysia. The same pattern would apply for FY 1974.

Telecommunications. FY 1973 funds supplement earlier RED funding of

about the same amount to provide a modest "backbone" telecommunications system for Laos. No FY 1974 funding is requested.

Livestock. This is a precedent-establishing project for FY 1974, whereby RED would fund a SEARCA - sponsored proposal for providing breeding stock for poultry and swine development in Cambodia. This project constitutes an extension of SEAMEO funding, but outside the SEAMEO framework.

Nam Ngum II. This covers a loan to Laos to provide up to 25 percent of the costs of additional generators at Nam Ngum dam. RED would serve only as a conduit for AID funds since ADB would be the Executive Agent for this multi-donor project. Japan is to provide 50 percent of construction costs.

Labor Union Development. This activity has been transferred out of SA/RD to the Asia Bureau.

Fisheries. This is a completed project.

Vegetable Research Center. AID agreed, beginning in FY 1970, to contribute \$600 thousand a year for five years, to finance 40 percent of a new, multi-donor, vegetable research center located in Taiwan. In the past, RED funds have been used primarily for equipment. Current thinking looks to increased local cost budgetary support. The final AID contribution of \$600,000 is scheduled for FY 1975.

Asian Institute of Technology. FY 1974 funding completes AID support to this project. A contract with Colorado State University for FY 1973 provides faculty and administrative personnel and about \$250,000 of budgetary support to AIT.

SEAMES. A breakdown for this program for FY 1973 shows as follows (in thousands of dollars):

English Language - REIC	\$ 66
Science & Math. - RECSAM	1,171
Tropical Agric. - SEARCA	346
Tropical Med. - TROPMED	322
Tropical Biology - BIOTROP	498
Education Innovation - INNOTECH	559
Special Funds to SEAMES	600
SEAMES General Support	<u>85</u>

Total \$3,647

Special Funds refers to RED support, thru SEAMES, to finance up to 50 percent of the costs of movement of people in the way of fellowships, research grants, and exchange of persons, as well as to cover costs of meetings and seminars, related to activities of the SEAMEO centers. Most of these costs require the conversion of dollars to local currencies.

Each regional center is located in a different country. TROPMED, however, instead of consisting of a single center, currently is composed of five operating national centers, each specializing in some facet of tropical medicine with a Coordinating Board located in Bangkok. Distribution of TROPMED expenditures of RED funds for FY 1972 may be shown, illustratively, as follows (in thousands of dollars):

	<u>Capital</u>	<u>Operating</u>	<u>S.F.</u>	<u>Total</u>
Coordination Board		24.3	33.0	57.3
Bangkok	200.0		34.1	234.1
Kuala Lumpur			20.1	20.1
Djakarta	111.2		22.0	133.2
Manila	13.0		16.4	29.4
Saigon			3.1	3.1
Vientiane			2.5	2.5
Singapore			<u>15.9</u>	<u>15.9</u>
Total	<u>324.2</u>	<u>24.3</u>	<u>147.1</u>	<u>495.6</u>

SEAMES General covers direct but non-budgetary support to the Secretariat's own budget which is funded solely by member country contributions totalling about \$215.0 thousand per year. SEAMES General for FY 1973 includes the following (in thousands of dollars):

U.S. Fund-Raising Consultant	5
U.S. Contractor Advisors	7
SGV Audit Services	54
SEAMES Travel	2
Select Committee on Special Funds	14
Interpreters for SEAMES Conference	<u>3</u>
Total	85

SEADAG. Of total \$855,000 SEADAG FY 1973 funding, less than 25 percent was of immediate concern to RED. The balance was handled by SA/RD dealing directly with the Asia Society. EARP funds, although programmed by RED, are, for the most part, allotted to AID country missions as a supplement to bilateral funds. Data for FY 1973 show as follows (in thousands of dollars):

<u>Activity</u>	<u>Allottee</u>	<u>OBL</u>
SEADAG	AID/W	\$659
East Asia Research Program		
Lao Language Curriculum Study	VTE	25
RIHED - Directories	BKK RED	25
THAI Employment Test Research	BKK USOM	7
Indonesian Migration	DJA	49
Rural Elec.	MNL	20
KIRBS	Seoul	24
Conf. Social Sci. Res.	BKK RED	3
Macro. Econ. Model Thailand	BKK USOM	24
Socio-Econ. Study	BKK RED	9
Devel. Data Storage Retrieval	MNL	3
Baccalaurate Second Exam.	SGN	<u>7</u>
Total EARP		196
Total Project		855

Regional Technical Advisory Services. A portion of this category may be identified as project activities, but for the most part, funding

is for overhead costs of the RED program. As of July 25, 1973, the RED Mission included a Director plus sixteen professional positions with two vacancies, and eight secretarial positions with one vacancy. In addition there were three approved slots for direct support to MCC and one position for support to ADB. Data for FY 1973 show as follows (in thousands of dollars):

Project Activities

SEARCA	\$ 12
SEATAC	10
ECAFE	12
CAMS	2
APO	59
AIT	9
AVRDC	7
ALEC	65
Other	<u>18</u>
Subtotal	194

Technical Support

RED Salaries and Allowances	625
RED Staff Travel	111
RED Rent and Utilities	54
Manila Personnel	160
State Admin. Support	42
Other	<u>144</u>
Subtotal	1,136
Grand TOTAL	1,330

Family Planning. This project provides budgetary support to the Secretariat of an Inter-Government Coordinating Committee on family planning, located in Kuala Lumpur. PHA/POP approves funding from Population funds, with RED handling documentation. FY 1974 funding completes support to this project.

ANNEX C

Findings

1. Assessment of the RED stewardship and its management style, is a complex matter. Viewed in terms of the original RED assignment, with its political overtones -- to assist Asians to organize themselves into a matrix of interrelated projects involving a wide and extensive interchange of people -- RED has done well. However, viewed in terms of the standards set for A.I.D. programming, project analysis, and evaluation, RED has done less well. RED does not appear to have a clear sense of direction and a unifying rationale; hard programming questions are not always asked; priority is given to operations over monitoring and documentation. An AG audit report on SEAMES, dated June 29, 1973, reached essentially these same conclusions, as does a GAO letter of August 10, 1973 covering the RED program as a whole.

2. In part the current management situation in RED reflects an unresolved dilemma regarding the role of RED. Encouraging Asians to learn, plan, program, and implement in their own way, as RED emphasizes, is to give secondary consideration to the end product of project activities. This argues against imposing on Asians an A.I.D. mode of operations. Not only is this the RED position, but since Washington continues to approve RED funding requests, RED has a basis for believing that Washington acquiesces to deviations from normal A.I.D. project management practice.

3. Notwithstanding certain shortcomings, many positive statements have been and can be made about the RED operation. RED rates high as an institution and as a program among those Asians directly or

indirectly involved in the RED program. In the view of these Asians, RED is attuned to the environment of Asian sensitivities, is creative, and is forthcoming. These same Asians see in RED a maximum of flexibility and a minimum of "red tape." An example of flexibility is found in the use of cash transfers. For instance, RED expenditures in 1972 for the SEAMEO program amounting to \$2.6 million, 82 percent were in the form of dollar conversions to local currency. The same flexibility applies to EARP where RED makes available local cost financing for USAID research projects. The proponents of the RED program argue that the whole is larger than the sum of its parts. They contend that the spirit of regionalism has been significantly advanced; that the continuous interchange of people and ideas, and the intellectual ferment created in the process of undertaking and running the institutions, represents a substantial political asset, laying the basis for broader regional cooperation and compromise than might derive from just the limited technological subject matter dealt with directly by the program. Some 5,000 Asians have already rubbed shoulders in developing and participating in these activities - a phenomenon which would not have occurred but for the RED program.

4. The RED program entails considerable fragmentation. For example, the Mekong Basin Planning project shows FY 1973 obligations of \$1.3 million distributed over twelve sub-projects. EARP, totalling only \$196,000, has eleven sub-projects. The SEAMES program is, of course, decentralized, operating in six countries and at eleven different sites. Program diffusion is inherent in the RED style of operations, where the prime purpose is to promote the habit of consultation among Asians, and where responsibility for program development and execution lies with the Asians.

5. Adequate staffing of regional education centers, including staff representation from member countries, remains a problem. For example, RECSAM has indicated that, in the absence of an improved provision of instructors from member countries, RECSAM may have to rely on Government of Malaysia instructors in addition to those made available from external donors. Should this become the common practice among SEAMEO countries, it would represent a retreat from original SEAMEO intent.

6. Training programs at regional education centers are of modest dimension, even when host country participants are included. A ten-month course at TROPMED's Nutrition Center in Djakarta graduated fourteen students; SEARCA has one hundred graduate students; a twelve-month course in Public Health in Manila had fifty-six students; RELC and RECSAM participants number in the thirty-to-forty range for medium-term courses. Participants to short-term courses are more numerous. SEARCA had sixty-four participants for several two-to-four-week courses. A series of three-week courses at BIOTROP attracted eighty-two students, of whom one-half were from non-SEAMEO countries. RED estimates that since 1967 close to 5,000 Asians have attended SEAMEO courses, seminars, and workshops.

7. Under guise of "interim" operations, each of the constraints covering support to a program of regional education in SEA -- a \$28 million of funding over a five-year period, on a 50-50 matching basis -- has been stretched for beyond original intent. As of June 30, 1973, cumulative A.I.D. obligations in support of the SEAMEO program totaled \$15.5 million, of which \$7.0 million, or 45 percent,

was made available on a non-matching basis, while the remaining \$8.5 million is to be fully matched. INNOTECH, for instance, despite four years of operations, and \$1.8 million of A.I.D. funds, continues on an "interim," non-matching basis. Using the increased figure of \$22.6 million for life-of-project costing for the SEAMEO program, as shown in the CP for FY 1974, RED projections indicate that \$7.7 million or 34 percent ultimately will be identified as non-matching. Adding to the \$22.6 million life-of-project cost for the SEAMEO program a cumulative obligations figure of \$9.1 million for AIT, the result follows: total A.I.D. contributions to regional education of \$31.7 million will represent closer to 67 percent of total program costs, than the 50 percent originally contemplated.

8. Any effort to measure matching performance for Operating Costs by SEAMEO centers is made difficult because of ambiguity in defining these costs. For example, a RED-financed audit firm examines the records of SEAMEO centers, but focuses exclusively on funds passing thru the books of a given center. Thus, an audit report for RELC shows Operating expenditures of \$136.0 thousand for FY 1971, all funded by the U.S. In contrast, a RELC-prepared document provides a more comprehensive operating cost of \$274.6 for FY 1971 by including \$67.0 thousand for seconded personnel from the Singapore Ministry of Education, and \$71.6 thousand as a contribution in-kind from outside donors, mostly in the way of professional assistance. By FY 1973, RELC shows "Operating Costs of \$455.0 thousand including the cost of operating commercial ventures such as apartments, rooms, restaurants, shops, offices, and a conference complex.

9. For purposes of the 50-50 matching arrangement, Capital Costs are combined with Operating Costs for each SEAMEO Center. Such Capital Costs may cover a time period different from the five-year "permanent" period applicable to Operating Costs. Accordingly, overlapping five-year periods as between Capital Costs and Operating Costs means that the total time span for matching must exceed five years.

10. Review of RED documentation, SEAMES Annual Reports, Board Meeting Reports of the Centers, SEAMEC Conference Reports and other documentation, leads to the conclusion that, as of this date, no systematic effort has been made, either by RED or by SEAMES, to cumulate actual expenditures against target amounts for the purpose of tracking performance on fund matching. At the same time, if one-third of A.I.D. inputs to the SEAMEO program, are to be treated as non-matching, then a cursory review suggests that the 50-50 matching formula, as interpreted by RED, is likely to be satisfied. In this sense, the RED desire to stop monitoring performance on matching as counterproductive to a larger U.S. interest, may well have some validity.

11. The most pressing problem for SEAMES today (and for the SEAMEO set of education sub-projects) is that of raising sufficient Special Funds for a continued inter-country movement of Asians. (Special Funds refer to center costs for training and research scholarships, seminars and conferences, personnel exchanges and Governing Board meetings.) Separately from matching requirements for Operating and Capital costs, RED also agrees to a 50-50 matching of Special Funds as a whole, but on a separate fiscal year basis. A primary function of the Director of SEAMES is to raise Special Funds from public and private sources around the world. In neither 1971-1972 nor 1972-1973 was SEAMES able to raise its 50 percent share of the total "requirement" for Special Funds. In consequence, the level of expenditures for scholarships, etc, has been significantly lower than original budget estimates. This implies that the SEAMEO centers are underutilized, and is consistent with the observation of the Director of SEAMES that expected shortfalls in Special Funds "are not far from staggering." This situation impacts on the amount of A.I.D. funds which can be released for Special Fund purposes. RED concern for the problem of Special Funds was expressed as early as May 23, 1972, in a letter to the Director of SEAMES. Apart from the shortfall at the SEAMES level itself, RED noted that substantial cutbacks in Special Fund budgets create vulnerability regarding host country guarantees to cover such shortfalls in SEAMES fund raising. Instead, RED observes that, with the first test, the host country response was to reduce the scholarship program.

12. As an overall solution to the problem of the shortage of Special Funds, a SEAMEC Select Committee proposed that member countries purchase \$3.75 million each of low-interest SEAMEO bonds in order

to provide SEAMES with an Endowment Fund totalling \$30 million. This Fund would be invested by SEAMES, and the net annual income would be used to cover Special Fund requirements of the centers. AG/OAS soundings at the individual country sites indicated that the proposal would not be accepted - individual country representatives pointed to legal impediments to such grants outside their own country, and suggested alternatives that would effectively either convert the regional centers to national centers, or leave the future of Special Funds in peril. The RECSAM center in Malaysia illustrates a movement toward national centers. There the GOM established a small trust fund with earnings earmarked exclusively for RECSAM operations. An Extraordinary Meeting of SEAMEC held on July 25-27 to consider the Select Committee proposal brought silence from four member countries, and a commitment of a yearly contribution totalling \$280,000 from two countries. Only Vietnam supported the bond idea, and then only in the amount of \$1.0 million.

13. Despite financial problems, SEAMEO centers continue to approve new ideas for project expansion. The TROPMED governing board at its meeting of October 1972, supported a proposal to engage in studies covering Health and Nutritional problems in the Mekong Basin. A SEARCA document of April 1972, titled "SEARCA in the Seventies," after declaring SEAMES funding to be inadequate, proposed that SEARCA supplement its existing core operations by focusing on regional problems, addressed thru country projects, sponsored by SEARCA, and funded directly by donors who share common interests with SEARCA.

14. At the Eighth SEAMEC Conference of January 1973 in Phnom Penh, the Council approved the convening of a preparatory conference for (1) establishing in Phnom Penh a Regional Center for Archaeology and Fine Arts; and (2) establishing in Djakarta a Regional Center for Social and Cultural Studies. Later in the session, the Director of RED spoke to this same subject, and stated (1) his conviction that the SEAMEO projects were more worthwhile, dollar for dollar, than U.S. bilateral aid programs; (2) that the time was ripe for putting together a plan showing how SEAMEO plans to finance itself; and (3) that he would be pleased to forward to Washington recommendations and support for programs approved by the Council.

15. A summary finding would have to be that SEAMEO is not likely to emerge as a financially viable organization. Instead, SEAMEO centers may be expected to devolve into a collection of essentially national centers, although continuing to offer training to participants from member countries. This devolution is almost inevitable in a situation where center Directors are always host country nationals, and where host countries are primarily responsible for operating costs and for the preponderance of staffing.

16. The viability outlook for AVRDC in Taiwan is uncertain. After reducing the 1973 Operating Budget by 13.5 percent to \$783,000, the Director of AVRDC still found it necessary at the Board Meeting of July 13, 1973, to advise that, in the absence of receiving member country contributions, even AVRDC salary payments could not be made for the full year. Yet for 1974, the Operating Budget is projected at almost double the 1973 figure. For 1974 expected income to cover both Capital and Operating outlay is shown at \$1.2 million, of which the RED contribution

is \$600 thousand. Given the present physical plant and professional staff of AVRDC, a shortfall in operating funds implies underutilized facilities. This follows even though the GOC has guaranteed to underwrite shortfalls. ADB has no plans to provide further budgetary support to AVRDC, and termination of A.I.D. support is scheduled for FY 1975. Funding support from the Consultative Group on International Agricultural Research is rendered difficult, because of the political situation surrounding Taiwan. The AVRDC funding stringency is now exacerbated by a demand from Korea that the Korean contribution be used for establishing a subcenter in that country. If this concept were to spread to other member countries, then AVRDC would be in further difficulty.

17. Early feasibility studies in transport and communications under CCCREDCOM were at the initiative of AID/W and are essentially completed. Now SEATAC is striving for wider terms of reference including responsibility for identification and appraisal of priority programs, projects, and policies in the field of transportation and communications. This extends to national projects having a "regional significance," even down to the level of farm-to-market roads. RED support to this SEATAC horizon may serve to place RED in conflict with USAIDs on project selection.

13. Title VIII of the Foreign Assistance Act of 1961, as amended, is not seen as a constraint on any conclusion resulting from an assessment of the RED Mission and program. In 1966, pursuant to the 1965 Johns Hopkins speech of President Johnson, Title VIII -- Southeast Asia Multilateral and Regional Program -- was added to the Foreign Assistance Act. While the language of this Title is hortatory rather than mandatory, it does endorse and encourage cooperative programs in the region. In carrying out this provision, the President was to take into account, besides Asian initiatives and responses, what other bilateral and multilateral donors were doing. In the several years since this Title was incorporated into the Act, there have been manifold increases in the intra-regional activities of both the Asians -- through regional organizations, particularly ADB, and otherwise -- and international organizations. Therefore, the objective of Title VIII is being served and is no longer as dependent as formerly on U.S. initiatives with respect to regionalism in SEA.