ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, PPC

FROM: PPC/PDPR, Robert W. Kelly

SUBJECT: Unsolicited Proposal from Hudson Institute

Problem: Your approval is required to authorize a grant of $240,000 to the Hudson Institute to investigate how political instability affects strategic U.S. economic and democratic goals in selected less developed countries. Implicit to this objective is the provision for the introduction of new approaches to the Executive Branch's strategy, particularly that of A.I.D.

Discussion: The Institute submitted an unsolicited proposal to A.I.D. for support to study political instability in relation to economic development and the promotion of democracy in developing countries. The Hudson Institute was founded in 1961. It is a private, not-for-profit research organization. Hudson specializes in the study of policy problems and options for the public and private sectors. The Hudson Institute conducts research on defense strategy, foreign policy, technology competitiveness, education and training, and political and social institutions.

The Hudson Institute has developed a method for assessing U.S. strategy relative to the dynamics of development in LDCs. The Hudson approach is designed to uncover any serious incompatibilities in the three components of U.S. strategy--political, economic, and security. By examining the interrelationships of these components, Hudson proposes a new method for assessing developing countries' needs and designing a better coordinated development strategy.

Funding for this project will be from PPC/PDPR core ($160,000) and PPC Strategic Planning funds ($80,000).

A.I.D. often is requested to implement an activity without sufficient consideration for the inhibiting impact of political instability. But, political instability is a fact of life in many A.I.D. recipient countries. Therefore, A.I.D. must design programs and projects in ways that maximize the chances for success under conditions of political instability. The Hudson Institute proposes to do case studies on Peru, Sri Lanka and one other country to be mutually agreed upon with A.I.D.

Based on PPC's interest in this area, the potential benefit to Agency performance, and Hudson's experience, we recommend funding the grant for $240,000.
Recommendation: I recommend that you approve a grant of $240,000 for the Hudson Institute's study on political instability and the promotion of democracy in developing countries.

Approval

Disapproval

Date 2/4/91

Attachments: 1) PTO/T
2) Hudson unsolicited proposal

cc: DAA/PPC, JBlackton

Clearance: DAAA/PDPR, JvanderVeen Date 21 Jan 91
AA/PPC/P, TO'Keefe Date 2/1/91
Title: A Framework for U.S. Strategy in Less Developed Countries Experiencing Instability

MS/OP is requested to provide a grant to the Hudson Institute. The Statement of Work, Budget and proposal are attached. The proposal is unsolicited.

Signature: 
Date: 
Title: AA/PPC, Recinald J. Brown

Hudson Institute
Funding Citations

1. Project 930-0091 (ARDN)
   Allot. #: FDNA-91-13010-KG-11(143-30-099-00-20-01)
   Approp. #: 72-1111021.3
   Obligation #: 13034023
   Amount: $111,000;

2. Project 930-0089 (EHR)
   Allot. #: FDEA-91-13010-KG-11(145-30-099-00-20-01)
   Approp. #: 72-1111021.5
   Obligation #: 1305401
   Amount: $14,000;

3. Project 930-0092 (PSEE)
   Allot. #: FDSA-91-13010-KG-11(146-30-099-00-20-01)
   Approp. #: 72-1111021.6
   Obligation #: 1306403
   Amount: $115,000.

Total Amount: $240,000
18. Statement of work or program description for this project is described in Attachment No. __________.


A. ![ ] Language Requirements (specify) ____ N/A
   If marked, testing must be accomplished by AID to assure desired level of proficiency.

B. ![ ] Access to classified information ____ will ____ will not be required by technical specialists. (Indicate level)

C. ![ ] Duty postal and duration of technical specialist services at post(s) ____ N/A

D. ![ ] Dependents ____ will ____ will not be permitted to accompany technical specialists. ____ N/A

E. ![ ] Geographic code applicable to procurement under this PIO/T is ____ 000 ____ 899 ____ 935 ____ 941 ____ Other (specify) ________

F. ![ ] Salary approvals to exceed FS-1 salary ceiling are ____ attached ____ in process ____ N/A.

G. ![ ] Cooperating country acceptance of this project (applicable to AID/W projects only)
   ____ has been obtained ____ is in process ____ is not applicable to services required by PIO/T.

H. ![ ] Justification for use of external resources for consulting services is ____ attached ____ N/A.

I. ![ ] Clearance for procurement of ADP equipment, software, and services is ____ attached ____ in process ____ N/A.

J. ![ ] OMB approval of any report to be completed by ten or more members of the general public under the statement of work is ____ attached ____ in process ____ N/A.

K. ![ ] Participant training ____ is ____ is not being funded as part of this PIO/T.

L. ![ ] Requirement (contracts only) is recommended for ____ small business set-aside ____ SBA 8(a) Program ____ neither.

M. ![ ] Other (specify) ____ N/A

20. Provisions for Logistic Support

<table>
<thead>
<tr>
<th>Specific items (insert &quot;X&quot; in applicable column at right. If item needs qualification, insert asterisk and explain below in C. &quot;Comments&quot;)</th>
<th>IN KIND SUPPLIED BY</th>
<th>FROM LOCAL CURRENCY SUPPLIED BY</th>
<th>TO BE PROVIDED OR ARRANGED BY SUPPLIER</th>
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<tr>
<td>1. Office Space</td>
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<td>COOPERATING COUNTRY</td>
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<td>2. Office Equipment</td>
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<td>3. Housing and Utilities</td>
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<td>4. Furniture</td>
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<td>5. Household Appliances (Stoves, Refriger, etc.)</td>
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<td>6. Transportation in Cooperating Country</td>
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<td>7. Transportation To and From Country</td>
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<td>8. Interpreter Services/Secretarial</td>
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<td>9. Medical Facilities (Health Room)</td>
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<td>10. Vehicles (official)</td>
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<td>11. Travel Arrangements/Tickets</td>
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<td>12. Nightwatchman for Living Quarters</td>
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[OTHER SPECIFY]
20. Provisions for Logistic Support (Continued)

B. Additional Facilities Available From Other Sources N/A

☐ Diplomatic pouch ☐ PX ☐ Commissary
☐ Other (specify, e.g., duty free, entry, tax exemption)

C. Comments

21. Relationship of Contractor or Participating Agency to Cooperating Country and to AID

A. Relationships and Responsibilities

Grant

B. Cooperating/Selected Liaison Officials John Tsagronis

C. AID Liaison Officials Richard Sheppard
PPC/PDPR/SL
Room 3881 NS
(202) 647-6363

2. Background information (additional information useful to authorized agent)

Please see attachments:
1. Program Description
2. Non-Competitive justification for a grant
3. Project Budget
4. Project proposal
5. W. Odum curriculum vitae
6. M. Blitz curriculum vitae
7. J. Tsagronis curriculum vitae
8. P. Wood curriculum vitae

23. Summary of attachments that accompany the PIO/T (check applicable boxes)

☐ A. Detailed budget estimate in support of increased funding (Block 12)
☐ B. Evaluation criteria for competitive procurement (Block 14A)
☒ C. Justification for procurement by other than full and open competition or noncompetitive assistance
☒ D. Statement of work or program description (Block 18)
☒ E. Waiver(s) justification(s), clearance(s), certification(s) (Block 19) (specify number ___ )
Statement of Work

I. INTRODUCTION

The Hudson Institute has submitted an unsolicited proposal to the Agency for International Development for funding to further develop a method Hudson has produced for assessing U.S. strategy and the dynamics of development in less developed countries.

The Hudson Institute was founded in 1961 by the late Herman Kahn and colleagues from the Rand Corporation. Initially Hudson focused on policy issues involving national security and international order. Today, in an era of global change, Hudson's mission is to help the U.S. promote democracy and for developing countries to become more secure in economic growth, cultural values, defense, and foreign policy.

II. BACKGROUND

The Agency for International Development administers economic assistance programs that combine an American tradition of international concern and generosity with the active promotion of America's national interests. A.I.D. assists developing countries to realize their full national potential through the development of open and democratic societies and the dynamism of free markets and individual initiative. A.I.D. assists nations throughout the world to improve the quality of human life and to expand the range of individual opportunities by reducing poverty, ignorance and malnutrition.

While A.I.D. has always concentrated on economic development, experience has taught that political and social dimensions are inextricably linked to any developing country's (LDC) ultimate economic performance. With varying amounts of success, A.I.D. has often attempted to incorporate political and social concerns into program and project design. Problems of political instability, social inequity, and unnecessarily repressive forms of government, however, have continued to inhibit the success of A.I.D.'s development efforts. In addition the U.S. Government continues to receive criticism, at home and abroad, for its failure to coordinate its various foreign policy goals with respect to LDCs. A.I.D.'s Administrator has called upon the Agency to seek out ways to enhance its contribution to and its coordination with overall U.S. Government objectives.

One important and recurring aspect of the political dimension of development has been the serious political unrest which has become known in development literature as "low intensity conflict" (LIC). Since political stability, at least at some minimum level, is essential to sustained economic growth, and since some degree of political instability is present in so many LDCs, A.I.D. needs to understand how to evaluate the potential for development work in a given LIC situation and also how to
design its programs/projects for the best possible hope of overall U.S.G. and host country success in such circumstances.

A cluster of problems inhibit U.S. policy in assisting developing states. The central one is achieving political stability and political development. Prior to the late 1960s, "modernization" had been viewed, in scholarly literature, as a whole piece of cloth—one goal, to be pursued on all fronts with equal priority and vigor. Additional empirical studies discovered not one goal, but several goals within the development process. Moreover, they are as likely to be in conflict as to be compatible. Political stability, economic growth, political autonomy, social equity and democracy are understood by many scholars as being the five key goals of a developing country. The permutations of these five are the maximum number of potential conflicts, but stability and democracy are frequently in conflict as are economic growth and social equity.

The Hudson Institute recently completed a study on "internal war" in which it was shown that internal war is essentially about political stability. To win such a "war" it was concluded that one side must succeed in achieving political stability because, depending upon the strategic and tactical options chosen, insurgents have the potential to vastly complicate a government's allocation of limited resources to maintain political stability and sustain economic growth. When viewed in the dynamic context, the implications of foreign assistance are profound. When, how, and what method of delivering assistance, for example, can be effective in a LIC environment?

The unsolicited proposal from Hudson is designed to refine the analytical method it has already produced by tapping into a wealth of academic research which is available but not yet taken into consideration with respect to the implementation of U.S. policy. The method would then be further refined and tested by applying it to developing countries of considerable importance to A.I.D.

III. OBJECTIVES.

The proposed grant is intended to support the Hudson Institute in continuing the development of its new method and its potential relevance to A.I.D. development strategy. Three countries in different geographic areas will be proposed for in-depth, field-based assessments. Selection is based on criteria such as the nature and magnitude of internal unrest. Primary candidates are Peru, Sri Lanka and one additional country mutually agreed upon by A.I.D. and the Hudson Institute. These countries represent a diversity in types of conflict (e.g. ethnic, ideological, religious). The grant will provide a timely assessment of what integrated strategy would best promote U.S. political, economic, and military objectives. An assessment will be made whether or not U.S. policy may be undercutting stability because of false
assumptions and provide insights into how to promote political stability or other goals relevant to economic development.

The short-term objectives, to be met during the project, include:

   a) what the prospects for democracy are;
   b) what the de facto government's strategy is, and where appropriate;
   c) offering a more comprehensive strategy based on different prioritization of the five development goals; and
   d) implications for U.S.G. economic assistance.

The long-term objectives are: (1) to enable governments and institutions to implement development practices which do not inhibit social and economic development. Political stability, at least at some minimum level, is an essential requirement for successful economic performance on a sustained basis. The focus will be on policies that enhance political stability, since Hudson's approach is based upon it being the sine qua non for progress in other areas. (2) To provide new ideas and thoughts for the executive branch's strategy in select developing countries. The U.S. is at a turning point with the winding down of the Cold War. A wealth of academic research has been accomplished concerning developing countries' political and economic development, work that has not yet begun to impact U.S. policy. The method proposed here leans heavily on that research and is open to additional use of it.

While the cases to be studied all involve active internal wars, the new method is equally applicable to states without such conflicts. In other words, it can be used for assessing the prospects for democracy in any state, identifying the dysfunctional aspects of the regime's strategy, and suggesting a better strategy or redesign of U.S. assistance programs.

IV. PROGRAM DESCRIPTION.

This would be a one-year project to examine three countries based on Hudson's method. The method would be refined as needed based on close and frequent consultation with A.I.D. and other U.S.G. officials and leading academics.

Task #1 (12 months): Apply the Hudson method to U.S. strategies and policies in three countries that A.I.D. agrees upon. This will be accomplished in four phases during the 12-month period.

   a) First, outlines and case studies will be drafted by Hudson in consultation with A.I.D. and other U.S. government officials, regional experts, and academic consultants.
   b) Second, written critiques will be solicited from
consultants with selected expertise for the purposes of updating each case study with the latest in theoretical research, and helping Hudson isolate the most contentious elements of its method so that it can be refined. This phase will also allow Hudson to determine what kind of data collection effort is most appropriate for its in-country research.

c) Phase Three will involve in-country research in three countries to be mutually agreed to by A.I.D. and Hudson to obtain the most current data on political institutions, U.S. assistance efforts, and the prospects for democracy.

d) In the final phase, Hudson will complete its analysis and submit timely, policy-relevant reports to A.I.D., including a strategic approach for economic assistance in the context of political and military conditions that prevail in a country facing internal conflict.

Task #2 (One Day): Convene a seminar to discuss Hudson's research findings and their policy implications. A project-ending seminar will present Hudson's work to a wider audience of U.S. government officials.

V. DELIVERABLES.

In form and substance acceptable to A.I.D.:

- Quarterly program reports (oral or written);
- Case studies for Peru, Sri Lanka and one other country mutually agreed upon by A.I.D. and Hudson;
- Papers (critiques of case studies);
- A year-end seminar with briefing materials; and
- An analytical method that has been tested in real situations and subjected to rigorous academic criticism, which can then be applied to subsequent public policy decisions.
BUDGET

A. Direct Labor
   Overhead Rate (80%)
   Total Direct Labor $75,815
   60,652
   $136,467

B. Direct Expenses

1. Consultants' Papers
   Commissioned critiques of case studies:
   * Political Development Paper $5,000
   * Economic Development Paper 5,000
   * Military Development Paper 5,000
   * Political, Economic and Military Integration Paper 5,000
   Total $20,000

2. Estimated Travel Costs $27,500

3. Year-End Seminar $15,000

4. Final Report and Printing $1,000

Total Direct Expenses $63,500

Direct Costs (A + B) $199,967
G & A 20% 39,993

GRAND TOTAL $239,960
or (Rounding) $240,000
Non-Competitive Justification for a Grant

The proposal from the Hudson Institute is unsolicited. No proposal for a similar activity has been received from any other source.

The activities proposed under the grant will contribute significantly to A.I.D.'s efforts to promote economic development and stability, and democracy, in developing countries. As A.I.D. continues to focus on and expand its development program, it becomes increasingly important to understand how government and other institutions can enhance its various programs or inhibit instability within countries where A.I.D. and other U.S.G. agencies have programs. The Hudson Institute proposes to develop a strategy that enhances political stability since it is a necessary foundation for any country to be stable and successfully benefit from A.I.D. and other U.S.G. assistance. This project will contribute significantly to the development of such a strategy. The information generated by the proposed project will be of great benefit to A.I.D.'s efforts to focus resources in areas where the Agency will have the greatest impact.

Because the Hudson Institute's unique method--linking economic development and democracy to a political stability, we do not believe that any other organization could carry out the proposed work as effectively and as timely as Hudson Institute. The proposed work will focus on the relationship between political stability and its impact on progress for economic growth, political autonomy, social equity and democracy. Three countries will be chosen from different geographic areas where internal war persists in a given country.

After the proposed study is completed at the end of the one year period, the findings will be discussed in a one-day workshop. The workshop would involve A.I.D. and other U.S.G. senior level officials for the discussion.

For the above reasons, Hudson Institute is considered the most appropriate and effective organization for this activity.

Richard Sheppard
PPC/PDPR/SI
Justification for the Use of External Resources

Need and Utilization. The importance of a politically stable society, in enhancing and expanding democracy, social equity, economic growth and political autonomy, cannot be overlooked as the foundation for other aspects of growth and development. Efforts to understand the relationship between political stability and other aspects of a viable developing country will in the long-run have a greater impact on how A.I.D. applies its program to developing countries. This project will provide critical guidance to A.I.D. and others on methods of how to best assist countries with existing or potential internal conflicts.

Review of Prior Work. Extensive literature exists on the impact of political instability on economic stability, social equity and democracy--much of it academic research that has not been reflected in U.S. policy. The method proposed here leans heavily on that research and is open to additional use of it. No other work could be a substitute for the work to be conducted under this grant.

In-house Capacity. No direct hire or organization within A.I.D. was found to have the skills and experience to conduct the proposed research.

[Signature]
Richard Sheppard
PPC/PDPR/ST