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President's Committee to Examine the
Foreign Assistance Program

January 1964.

Hall Working Group Outline

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

AID RECORD COPY

12/27/63

PN-AAA-097

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR:

The Honorable George W. Ball -

At the meeting on Monday of the President's Committee to Examine the Foreign Aid Program, which I chaired in your absence, it was agreed that papers would be prepared on the following subjects, all to be submitted to the Committee on December 30. Each paper is expected briefly to summarize the issues relating to that subject, to state the alternatives open to the President, and to recommend a course of action.

1. The possibility of increasing the use of multilateral, as contrasted with bilateral, arrangements for achieving U. S. foreign aid objectives. Assignment: AID, with participation of Treasury and State.

2. The possibility of using new financial methods for accomplishing aid objectives (such as guaranteeing loans of private U. S. banks). Assignment: EOE, with participation of Treasury and AID.

3. Possible new arrangements for handling military credit sales. Assignment: Defense, with participation of Treasury and AID.

4. The possibility of substantially reducing the number of countries in which AID operates, either by eliminating programs or by eliminating AID personnel in the countries, or both. Assignment: AID, with participation of State.

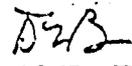
5. Possibilities for increasing efficiency in the aid program (more "selection-out" authority; reduced staffing; reduced "scattering"; reducing the "pipeline"). Assignment: AID, with participation of State and EOE.

6. The possibility of changing the system of appropriating funds (appropriate only to cover current year expenditures, not for "full funding" of projects and loans). Assignment: BOB, with participation of AID.

7. The possibility of increasing the use of private resources in the aid program (e. g. greater use of contracting, investment tax credit). Assignment: AID, with participation of Treasury.

8. The possibility of eliminating some of the legislative impediments to aid operations (how far the "barnacles" hurt the program?). Assignment: AID, with participation of State.

All the above are of course in addition to the work on organizational arrangements, and the paper on fundamental elements in the aid program, which were already assigned at last Friday's meeting.


David E. Bell

cc: The Honorable Kermit Gordon
The Honorable John C. Bullitt
The Honorable William P. Bundy
The Honorable Ralph A. Dungan
The Honorable Thomas C. Mann

December 26, 1963

PRESIDENT'S COMMITTEE
TO EXAMINE THE FOREIGN ASSISTANCE PROGRAM

OUTLINE

HALL GROUP REPORT

POSITION

AID should be maintained as is except for such changes as are essential to:

- a. accommodate to the special status of the ARA Assistant Secretary, and the Alliance for Progress, and
- b. improve AID's operational efficiency and effectiveness.

ARGUMENTS AGAINST MAJOR CHANGES

1. "Reorganization for reorganization's sake," as President Johnson stated on December 16 in signing the Foreign Assistance Act of 1963, must be resisted.
2. Although generally critical of the aid program, the Senate Foreign Relations Committee (Report No. 588 of October 22, 1963) did not recommend substantive changes in AID structure and authorities. The Committee, in fact, commended the agency for recent organizational improvements. Nor did the recent Congressional study of aid administration conducted by Senator McGee recommend reorganization. The report of that study ("Personnel Administration and Operations of Agency for International Development," November 29, 1963) concluded that:

"The cumulative effect of the many crash reorganizations and successions in name and form in past years of the agencies which have administered our foreign aid programs, and the high turnover rate in the other top policy-making positions, make it imperative that a greater degree of stability as well as many internal improvements be brought to the Agency."

"...The most crying need of the Agency is greater stability, in both organization and personnel."

Earlier, the Clay Report of March 20, 1963, concluded that:

"The Act for International Development of 1961 is a good one. The consolidation of aid agencies, improvement in personnel, reduction in marginal activities, better analysis of development requirements, and increased insistence on self-help pursuant to the Act have been steps forward...."

3. Started in 1961, the last comprehensive reorganization is only now beginning to produce operational results. The procedures for implementing programs developed in accordance with new substantive concepts took 1 year to design and have now been in effect for less than two months. There is no adequate basis upon which to judge AID's current organizational and procedural arrangements. In short, AID has only now completed its "retooling" effort.

4. The past two years' reorganization--involving a complete overhaul of basic concepts, approaches and administrative arrangements--must not be sacrificed merely for cosmetic effect. Such an effect would, in any event, be hard to achieve, as the Executive Branch arguments advanced in 1961 in favor of the existing structure of AID are still fresh in the public (and Congressional) mind.

5. Any change adversely affecting the integrated programming, control and coordination of total U.S. economic aid resources will impede, rather than advance, U.S. foreign policy objectives. Fragmentation of the aid program will impair the U.S. bargaining power and will diminish our capacity to insist upon fiscal, political, and social reforms by aid recipients.

6. Most recent authoritative studies have concluded that U.S. economic assistance programs would be most effective and efficient if managed by a single agency.

Such studies include those by:

The Boeschenstein Committee (on World Economic Practices) 1959

The President's Committee to Study the United States
Military Assistance Program (Draper Report, 1959)

The Formulation and Administration of United States
Foreign Policy (Brookings, 1960)

The Gant Task Force (1961)

The Clay Committee (1963)

7. The basic problems of foreign aid concern policy and public (including Congressional) relations. They do not concern organization, procedures, or methods. Reorganization will not solve problems such as the balance of payments, the relation between trade and development, the lack of an organized vocal constituency, or the needs for increased country self-help efforts, greater participation by other developed nations, or increased multilateralization.

8. Sound management and business principles argue against massive changes in the status, structure or role of AID. Such changes would frustrate, at least for the near future, the objectives of efficiency and economy being sought. They would result in disrupted operations, lowered employee morale, and confusion in both intra-governmental and external relationships. All past reorganizations have taken considerable time to produce benefits sufficient to offset the short-term chaos inevitably created.

9. No method of organizing the foreign aid effort will be wholly satisfactory. The search for an organizational panacea is more likely to frustrate the program than improve it. During the past ten years, the program's stability, continuity and orderly administration has been seriously shattered several times by a succession of organizational and operational changes. It has been subjected to upheavals ranging from complete independence to a

limbo-like "semi-autonomy;" from integration to fragmentation and back to integration; and from a grant-Point IV orientation to the current emphasis on loans and private enterprise.

At this juncture, reasonable stability and continuity in the agency's structure and systems of operation are essential if it is to respond to the realities of U.S. foreign policy objectives. These should no longer be sacrificed for the facade of another "new look." Changes should be made only where cold logic and U.S. interests compel and when there is reason to expect greater effectiveness and economy in operations.

AID PROGRAM 1964

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

JAN 2 1964

MEMORANDUM FOR: The President's Committee to Examine the Foreign Aid Program

Attached for consideration are papers prepared by A.I.D. staff on "Possibilities for Increasing Efficiency in the A.I.D. Program". The several approaches being suggested to achieve these ends are set out in the attached detailed papers which are briefly summarized below.

1. More Selection-out Authority (Tab A)

Experience with efforts under special or one-time legislative authorities in 1951, 52, 53 and 1961 to improve efficiency or simply to obey Congressional mandates to reduce the numbers of employees in the Agency by a fixed percentage through selection-out procedures have been unsuccessful and demoralizing. They have tarnished the image of the Agency and hindered solution of the chronic problem of recruitment for highly specialized skills needed in the program.

Selection-out processes, i.e. removal for marginal competence or surplus to program requirements, are accepted as a normal concomitant of the Foreign Service Personnel System. They are generally considered inimical to the Civil Service Personnel System which has somewhat cumbersome procedures for separating personnel, i.e. removal for cause such as mis-conduct, or reduction-in-force, to eliminate surplus employees.

To meet the needs of A.I.D. and to accede to repeatedly expressed Congressional concern for the quality of personnel in A.I.D., a workable approach would be to request special legislation to provide continuing authority—not limited to just a transitional period—for selection-out of marginal Civil Service employees. This legislation should include provision for equitable severance benefits to parallel those provided under the Foreign Service. Such legislation might also provide for forced early retirement of marginal employees, with provision for no reduction in annuities where it was determined that such action would be for the "good of the Agency".

There will be serious and vocal opposition to such a proposal not only from the Civil Service Commission, the veterans' organizations and the employee unions, but also probably from the committees of Congress which are protective of the Civil Service. Also the proposition will probably adversely affect current recruitment efforts. However, properly legislated and fairly administered, such selection-out authority is an important tool for effective administration of the foreign assistance program.

4

2. Reduced Staffing (Tab B)

A.I.D. has already made substantial reductions in its planned employment levels for both FY 1964 and 1965.

In addition efforts are being pushed to reduce staffing even further through: (a) greater use of participating agencies and of contractors; (b) reducing the number of technical assistance projects; (c) eliminating or reducing the A.I.D. program in certain countries; (d) using combined administrative service units jointly with State and USIA in certain overseas localities; and (e) regionalizing certain activities and servicing several countries from a central unit overseas or by use of TDY personnel sent from Washington.

Other techniques to reduce staffing are being explored, e.g., use of a "grant-in-aid" approach in lieu of setting up a standard mission staff to plan, administer and audit A.I.D. programs; greater use of scholarships and "exchange-of-persons" programs requiring minimal or no A.I.D. operational staffing. Some of these may require legislative changes, or at least Congressional endorsement, before the Agency can undertake their use and realize any reduction in staffing.

3. Reduced Scatteration (Tab C)

It is now Agency policy to avoid "scatteration"—defined as undertaking numerous small developmental efforts in a variety of activity fields. Recent restatements of Agency programming and implementation guidance stress the necessity to avoid such dispersal of efforts and to concentrate U. S. assistance—whatever its form—on selected priority goals and objectives. To emphasize further agency policy and ensure its achievement, steps have been taken and will be accelerated to re-organize the overseas missions and country programs around priority goals and objectives rather than around technical functions and activity fields.

4. Reducing the "Pipeline" (Tab D)

The size of the "pipeline" in the foreign aid program has been the subject of considerable discussion in Congressional committees. Critics of the A.I.D. program have charged that the A.I.D. pipeline is too large, that there has been "hoarding" of funds through premature commitments, and that there are sufficient funds in the pipeline to carry the program forward for several years without the necessity for new appropriations.

Any action which can be taken to bring obligations and expenditures closer together will help to reduce the pipeline and improve the image of the program in the eyes of the Congress and the U. S. public. Specific areas which are being focused on and considered for possible changes in policy or emphasis to achieve reduction in the pipeline are:

- Accelerate the making of firm commitments earlier in the fiscal year.
- Re-examine the basis of recording loan authorizations for pipeline purposes.
- Hold up signing loan agreements until assured that Required "conditions precedent" have been or can be met.
- In the technical assistance program, project agreements should not be entered into until detailed implementation actions are ready to be signed and released.
- Cancel and remove from the pipeline long outstanding loan authorizations not yet finalized by signed loan agreements.

5. Other Actions to Increase Efficiency (Tab E)

Additional changes in organization within A.I.D. are being developed to provide more effective program direction. Further decentralization of operational authority to the overseas missions is to be explored as means of increasing A.I.D. efficiency by cutting down the delays of headquarters review.

Increased attention is to be given to expanding the use of automatic data processing, storage and retrieval in areas related to economic planning of country programs, as well as in the loan accounting processes.

Greater emphasis is being placed on up-grading employee skills and productivity through improved training and development programs and application of new techniques for performance rating and conducting employee evaluations.

Paper #5 - Possibilities for Increasing Efficiency
in the AID Program through more Selection-
Out Authority for Civil Service Employees

OBJECTIVE: To raise the level of competence of Civil Service personnel through the separation of marginal employees.

HISTORY OF THE PROBLEM:

An analysis of the authorities which exist for separation of employees in the foreign and "departmental service" of AID conspicuously illustrates the lack of authority for separating, from the departmental service, Civil Service employees whose performance is marginal. This is not true of such employees in the foreign service. They can be separated either under Selection-Out Authorities or, if their appointment is time limited, under the provisions of Section 638 of the Foreign Service Act of 1946 as amended on September 8, 1960. Prior to and possibly in the absence of these authorities there have been special separation authorities which authorized mass separations of "marginal" employees. In the Mutual Security Act of 1952, Congress directed a reduction of 5% in MSA personnel within 90 days of passage of the Act. The legislative history indicated that the reduction (for the purpose of "eliminating the drones") should be made without regard to existing statutes, regulations and procedures for reduction-in-force. MSA officials believed that this authority should be used only to improve the efficiency of the Agency. Accordingly, the basic procedure used to effect the required reduction was patterned after standard CSC preference regulations. If, however, in the opinion of a responsible officer, this would result in impairment of efficiency in a particular case, the facts were referred to a Review Board for recommendation to the MSA director. Only cases in which "impairment of efficiency" was confirmed were adjudicated contrary to the results indicated by the standard CSC reduction-in-force regulations.

In 1951, the change from ECA to MSA, Congress directed a 10% reduction in personnel. The legislative history of this action was not clear as to whether it should be made without regard to standard RIF regulations. After a formal ruling by the CSC, the reduction was conducted in accordance with standard regulations.

The Mutual Security Act of 1953 included a provision for a directed reduction of 10% in administrative personnel within 120 days after passage of the act. By the time the act became effective, FOA had been established as a new independent agency for administering foreign aid with Harold Stassen as Administrator. In carrying out the required 10% reduction, the Administrator decided not to use the procedure which had been followed in effecting the 5% reduction in 1952. The procedure he approved for Washington personnel included:

Use of certain CSC Administrative Judgment and Public Affairs selection tests as preliminary screening devices.

Use of Special Supervisory Evaluations which yielded numerical scores.

Combining test scores and numerical evaluations through a variety of formulae devised by Mr. Stassen to arrive at retention or termination decisions.

Provision in the termination notice for the employee selected to request a review of his termination by a special Review Board. The Board submitted its report to the Administrator for his final decision.

In the case of overseas employees, the tests were not given; but the Special Supervisory Evaluations were supplemented by a retention preference ranking system modeled after the standard CSC regulations.

385 termination letters were issued to Washington administrative employees, and 272 termination notices were issued both to administrative and program-funded overseas employees. About 150 employees appealed, of whom 59 were reinstated. About 60 additional reinstatements resulted from Mr. Stassen's personal reversal of termination notices after presentations in behalf of employees were made by senior Agency officials.

In 1955, in connection with the conversion of FOA to ICA, Mr. Hollister, the new ICA Director, requested Congressional authority to remove during a six months period, without regard to any other law, non-veteran employees at grade levels equivalent to GS-9 and above. This authority was not obtained. Congress directed that the conversion from FOA to ICA was to be made "in accordance with applicable laws and regulations relating to Civil Service and Veteran's preference".

In 1961, the Conference Committee which considered the Foreign Assistance Act of 1961, which established AID, provided new language for Section 621 which provided that on the date of the abolition of DLF and ICA the President, notwithstanding any other provision of law, shall transfer to such officer or head of Agency, such personnel of DLF or ICA as the President determines to be necessary. The report stated that these provisions of Section 621 "will facilitate the ability of the Administrator to weed out those employees who are not deemed adequate to the important tasks of the Agency without requiring a wholesale replacement of personnel." These provisions were contrary to the views of the Executive Branch which had recommended reliance upon existing authorities and procedures for the transition.

12

The procedure adopted for identifying employees who should not be transferred under the provisions of Section 621, were:

Identification of four groups of employees to be considered for separation.

Foreign service employees ranked as "marginal" by Selection Panels.

Washington employees with a current efficiency rating of "satisfactory."

Employees not permanently assigned.

Any other employees who in the opinions of 12 senior Washington executives and of overseas mission directors do not meet the criteria of performance which will be required in AID.

Use of five three-member Special Evaluation Boards to review available information concerning employees in the above categories and to recommend either transfer or non-transfer to AID.

Review all recommendations of the Special Evaluation Boards, both to transfer and not to transfer, by the regional bureaus and the Office of Personnel Administration.

Termination of the employees recommended as unnecessary by either the Special Evaluation Boards, the regional bureaus, or the Office of Personnel Administration.

Notification of employees not transferred to AID that they may request a review of the decision by a review board. These boards were asked to make recommendations to the Administrator as to whether or not an employee not transferred who requested a review should be offered employment by AID.

Of a total of 6300 direct hire employees, 814 were considered for separation. Of these, 345 were determined to be unnecessary for transfer to AID. 233 requested consideration for reemployment. 71 were approved for reemployment; 25 of these only if appropriate vacancies could be found within three months. A total of 274 were separated.

COMMITTEE RECOMMENDATIONS: The "McGee Report", submitted to the Senate Foreign Relations Committee in December 1963 states that AID Selection-Out Authority does not apply to the "2600 Civil Service Employees at the Washington level." "Some means should be devised to rid the Agency of any deadwood in this category." It recommends that "consideration should be given to providing means of conducting the same type "selection-out" operation with respect to Civil Service employees." The report requests that the Senate Foreign Relations Committee be notified within 6 months on the action taken to correct this "deficiency."

The Clay Committee reported in March 1963 " . . . it is clear that the Administrator needs special flexible, immediate, and continuing authority to separate those employees whose performance is marginal or whose technical skills are not required under changing program requirements. When General Clay appeared before the House Committee on Foreign Affairs April 10, 1963, Chairman Morgan quoted the above statement and asked General Clay whether his committee had found that employees have been carried on the AID payroll who were not needed, and the Administrator was having difficulty in getting rid of such people." General Clay replied that if his committee's recommendations were followed, there would be reductions in personnel. Present regulations which the Administrator would have to follow in effecting such reductions place such heavy emphasis on seniority that some of the best employees would have to be separated because they lack seniority, while less qualified employees with more seniority would have to be retained. It would be preferable if the Administrator were able to retain the best qualified and not be entirely governed by seniority.

DISCUSSION: The experience of the Agency to separate marginal employees under the three blanket authorities discussed above was not satisfactory. "Flash" programs of this type which lack continuity and are urgent because of time limitations result in inequities, lowered morale, a tarnished reputation for the Agency, a limited number of separatees, and the creation of problems in recruiting personnel. The McGee Report and the General Clay Report, however, indicate a continuing program for the selection-out of Civil Service employees appears to be desirable.

1. It would place primary consideration on competence rather than seniority or other considerations.
 2. It would increase the accuracy of the evaluations made of employee competence.
 3. It would raise the level of competence of the "Civil Service" employees.
- 14

4. It would be more equitable and efficient than "flash" programs which lack continuity.
5. Employees would be alerted of the contingency of maintaining high performance standards for employment prior to their appointments.

RECOMMENDATIONS: It is recommended that a bill be proposed to Congress authorizing the selection-out of "Civil Service employees" comparable to that which now covers employees in the foreign service.

Paper #5 - Possibilities for Increasing Efficiency
in the AID Program through Reducing Staff

Problem: How to effect further reductions in AID staffing to increase efficiency in the program.

Discussion: In recent months and weeks, AID has taken a number of actions designed to reduce its staffing both for FY 1964 and for FY 1965. Reduced employment targets for both these periods can only be reached by strenuous efforts to comply with new controls and work-saving improvements already planned or being put into effect. A catalog of these improvements actions has been forwarded to the President in response to his memorandum of November 30, 1963 to all Departments and Agencies.

In order to reduce staffing from the present level, a two-pronged approach is necessary--implementation of planned actions and an examination of new approaches.

A. Implementation of Planned Actions

A number of actions have already been taken to reduce employment levels. These actions include: (a) greater use of other government agencies, private firms, and institutions to carry out technical assistance projects; (b) design of a new manpower control system in conjunction with the Bureau of the Budget; (c) implementation of an Agency-wide management improvement program which has the Administrator's personal backing and will, for the first time require operating officials to plan and carry out and report upon improvements in their own activities; and (d) issuance of severely curtailed employment ceilings for Washington and overseas with a "freeze" on new hiring until the need for filling vacancies can be further reviewed.

B. New Approaches to Reducing Employment

Still further reductions are possible, of course, but basically only if (a) country programs are eliminated or reduced in scope; or (b) the mode of business of the Agency is changed. Such changes in methods for doing business might include: (a) reducing the number of countries in which the program is operated only to maintain the facade of U.S. interest; or (b) by delegating the AID operation to other agencies in certain small, limited objective country programs and transferring the field staff AID now has in those countries to such other agency's payroll; or (c) by changing the method of assistance in some countries, e.g., shift to grants-in-aid, with very limited restrictions that obviate necessity for having any AID personnel stationed in the country.

Beyond the above types of change, further adjustments might be made in the composition of programs in certain countries to reduce staffing needs, i.e., more program assistance through

financing of commodities and less emphasis on technical assistance projects which take people to carry them out. Technical assistance can be approached differently--instead of sending technicians overseas to advise and assist the cooperating governments, we can shift more to an exchange of persons approach--bring to the United States more of the high and intermediate level personages of the cooperating country's institutions for work and training experiences in U.S. institutions. This approach in effect would enlarge upon the cultural exchange programs of the Department of State--which would be the appropriate organization to conduct this form of exchange program. Scholarships could be set up using technical assistance funds as the basis for grants to the selected individuals or institutions. U. S. foundations and universities could be subsidized with technical assistance funds to screen and grant such scholarships, and even to make the arrangements and provide the training.

Paper #5 - Possibilities for Increasing Efficiency in the
AID Program through Reduced "Scatteration"

The Issue:

Should the technical assistance portion of a country program include diverse projects selected on their individual merits rather than on their potential for furthering predetermined program goals.

PROs:

1. In countries where the U.S. objective is maximum political impact, individual popular projects involving social welfare, e.g., mobile health units, child feeding, etc., usually have more immediate impact than those selected purely on the basis of an economic analysis related to predetermined program goals.

2. Placement of U.S. advisors in a number of ministries tends to yield greater total leverage, both political and economic, than concentration in a small number of sectors.

3. Dispersal of TA projects through many sectors of the economy may enable U.S. technicians to have an exemplary effect on a wider range of country activities and at more levels.

4. Where the host country requires assistance in furthering a favored project to which the U.S. would not normally accord priority, it may be desirable--for the bargaining power or good will it will give us--to provide the assistance.

5. Scatteration makes it easier for the U.S. to sponsor desirable projects on a pilot basis in those cases where the cooperating country may not see the ultimate value of an activity to which the U.S. strategy accords priority, thus providing the potential for later acceptance of the goal.

6. To the extent that each technical assistance project helps to build a market for U.S. goods in its own sector, scatteration of TA projects will build more diverse markets for U.S. goods.

CONs:

1. Concentration of U.S. aid resources on critical sectors will provide a sounder base for self-sustaining growth; and more important is the concentration of the usually meager cooperating country resources in priority areas.

2. When a sector with which the U.S. has become identified prospers, the U.S. will get the credit even if the economy as a whole has not done well. Such identification cannot occur if the program is scattered.

3. Policies against scatteration force a more disciplined U.S. analysis and a more critical appraisal of requirements by the cooperating country of the cooperating country's requirements giving special weight to the ability of each country to provide the required resources.

4. Existence of more precisely defined program goals to which all projects must be related will provide a convincing reason for rejection of many unsound projects proposed for assistance by cooperating countries.

5. A concentrated program requires less overhead and can be more efficiently managed.

6. A program concentrated on a few key sectors can be more readily evaluated and adjusted to make it more effective.

7. The objectives of a concentrated program can be more readily understood and thus be more effective.

Conclusion:

The trend in AID has been toward concentration of technical assistance projects in a country and this should continue to be emphasized. Further improvements can be made through issuance of better program guidelines, more precise project selection criteria, more effective program evaluation, better personnel orientation and training and streamlined mission organization oriented toward program goals--all of which will tend to reduce scatteration and permit greater concentration of available AID resources. Program concentration makes possible more effective use both of available AID resources and available cooperating country resources.

Important to the success of achieving U.S. objectives through program concentration is a degree of flexibility which will permit the selection of some projects not directly related to priority goals but which have an impact value.

Paper #5 - Possibilities for Increasing Efficiency
in the AID Program through Reduction
of Pipeline

The term "pipeline" is used for those funds appropriated to a government agency, committed by an agency for specific purposes, but not actually paid out by the Treasury at the end of the fiscal year. Funds appropriated but not committed are not included as pipeline in this discussion.

As of June 30, 1963 the A.I.D. pipeline for economic assistance was \$3.6 billion composed of:

- Capital Projects	\$ 2.0 billion
- Program Assistance	1.0 billion
- Technical Assistance	.4 billion
- Other	.2 billion

All agencies have some pipeline at the close of a fiscal year. Normally pipeline is not a problem unless the amount is out of balance with the total program. A.I.D. has a large capital project pipeline primarily because we finance long lead-time items which cannot be completed within the fiscal year in which the commitment is made. For example, we might finance (a) the building of a large dam or (b) a complicated electric power expansion or distribution system, both of which take several years to complete.

The nature of the A.I.D. program is such that we will probably always have a fairly large pipeline. There are, however, some actions which can be considered which will tend to reduce the A.I.D. pipeline. In some cases these measures would create other problems which would have to be weighed against the pipeline reduction.

(1) Heavy year-end obligations aggravate the pipeline problem.

Congressional Committees usually look at the pipeline as of the end of the fiscal year. If new obligational authority can be firmly planned and committed early in the year, the more likely there are to be expenditures during the fiscal year which would reduce the pipeline. Slow Congressional action on appropriation bills restrict the agency's ability to obligate or commit early in the fiscal year. Every effort should be made to establish firm obligations as early in the fiscal year as possible.

- (2) The recording of "loan authorizations" as obligations tend to raise the pipeline considerably.

In the Development Loan area the agency has traditionally recognized loan authorizations as being obligations. Therefore, outstanding loan authorizations (i.e., loan authorization documents not yet finalized as legal obligations by the execution of a signed loan agreement) are included in the pipeline. As of June 30, 1963, \$688 million of the \$3.6 billion pipeline was outstanding loan authorizations of which \$421 million had been authorized in June 1963. The median elapsed time between loan authorization and signature has been between four and five months. Ex-Im and IBRD, which follow the same practice in treating loan authorizations as commitments, have an average of less than three months between authorization and loan agreement.

The extreme action which could be taken to reduce this portion of the pipeline would be to not treat loan authorizations as commitments or to hold up authorization until all arrangements have been completed to permit an immediate signing of the loan agreement. While this may not be feasible, our working target should be the execution of a signed obligating agreement within four to eight weeks of the date of the loan authorization.

- (3) Multiple year funding increases the pipeline.

Many of our Development Loans are for multiple year funding presumably done to be sure that funds are available when they are needed in subsequent years. The expanded use of Section 202(b) authority or enactment of similar Presidential authority to enter into future commitment subject only to the annual appropriation of funds would reduce the pipeline considerably.

- (4) The time elapsed between the signing of the loan agreement and the actual disbursement of funds has been excessive in many instances.

In the case of Development Loans there are usually "Conditions Precedent" in the loan agreement which the borrower must meet before disbursements may be made under the loan. The delays in the borrower meeting these conditions have in some instances delayed expenditures. Loan agreements should not be signed nor authorized unless there is reasonable assurance that the "Conditions Precedent" can be met within a month after signing the loan agreement.

- (5) Borrowers having once received a commitment of loan funds may lose the initiative to implement the project as rapidly as they should.

Current policy and procedures provide that interest on Development Loans accrue only when actual drawdown is made on the loan and is computed only on the disbursed portion. In order to provide an incentive to the borrower to proceed with the project as quickly as possible, consideration could be given to include in Development Loans a provision which would permit the Agency the option of charging a fee on the undisbursed commitment. This provision could be invoked when it was felt that the borrower was not proceeding as rapidly with the implementation of the project as he should. Keeping the project moving would expedite disbursements of loan funds and help to reduce the pipeline.

- (6) A review of the pipeline indicates that we are obligating funds prematurely, possibly under the impression that it is necessary to assure the availability of funds when funds are really needed later.

There is some indication that there is more than a justifiable gap between obligations and expenditures in the grants and supporting assistance categories as well as in Development Loans.

Program Assistance pipeline can be reduced by obligating in smaller segments with provisions for earlier contract delivery dates and if possible, the financing of items with short lead-time.

In the Technical Assistance area greater emphasis should be placed on the provision that Project Agreement are not to be signed until detailed implementation actions are ready to be signed and released. In those instances where individual projects have been funded one to two years in advance, effort could be made to cut back new funds.

- (7) Special attention should be given to clear up obligations or outstanding loan authorizations which have remained on the books for long periods.

Particularly, long outstanding loan authorizations should be cleared up by early execution of the necessary agreement or by cancellation of the

commitment as appropriate. Funds obligated by project agreement dated prior to FY 1962 should be individually reviewed and if firm implementation action has not been taken, they should be deobligated. Subobligations (i.e., funds related to project implementation orders under project agreements) which are no longer required should be deobligated and withdrawn from the project agreement and not held for other possible uses within an expanded project agreement.

- (8) Firm planning of expenditures prior to obligation and the inclusion of estimated expenditure forecasts in agreements will help analyze performance in the future.

Grant and loan agreements should provide firm final expenditure dates which will permit unilateral action by the U.S. Government in withdrawing funds not expended by that date. Extensions of final expenditure dates should be made only after a conscientious review by senior officials and when clearly justified.

Paper #5 - Possibilities for Increasing Efficiency
in the AID Program

Other avenues which offer potential for increasing the efficiency of the AID program include:

1. Increasing field authorities. The AID organization was established as a decentralized entity with operational authority vested in four regional bureaus. AID has already decentralized a number of basic authorities (e.g., personnel, contracting) to the regional bureaus to give line operators the authority needed to carry out programs and projects. Further delegations of authority from the Washington regional bureaus to the overseas missions in such areas as loan operations, personnel, and program approval and implementation might reduce the requirement for the present size and level of AID/Washington staff.

2. Increasing use of automation. At least two additional areas of AID operations appear susceptible to further automation with consequent savings of staff time and increased efficiency. One is the production and maintenance of the voluminous amounts of economic and social data required for planning, developing, and evaluating programs and projects in recipient countries. Much of these data, which are now collated and maintained manually, could probably be automated using modern automatic information storage and retrieval techniques. The other area which could probably be further automated to ease an ever increasing workload over the next several years is the mass of accounting and other statistical data related to the implementation of AID loans.

3. Improving personnel management. Increased efficiency can be obtained through the development and better use of manpower skills by reviewing, restructuring, and intensifying AID's training and career development program; by improving qualification standards for overseas personnel; and by implementing the newly overhauled performance rating and employee evaluation programs. These improvements are necessary adjuncts of any consideration of measures to reduce staffing. They should also produce savings in the costs of operations as well as yield indirect benefits in improved employee morale.

4. Organizational changes. Whereas a major reorganization is not necessary, a number of significant changes in the current AID organization are in process to provide more effective program direction with no increase in Washington staff. These changes will provide greater emphasis upon the use of private enterprise, more effective liaison with Congress and the public, increased institutional recognition for Point IV activities, and greater attention to the evaluation of program operations.

10/10/63
from
me to [unclear]

POSITION MAPS

I. Problem

From a personnel operations viewpoint, to reduce A.I.D. direct U.S. Americans by 500 to 1000 preferably by June 30, 1964.

B. Alternatives

A. Eliminate activities, functions, or the number of positions engaged in present functions, disposing of the personnel directly involved.

B. Reduce personnel by direct action against individuals regardless of the status of the duties they perform.

C. Utilize attrition by freezing employment with tightly controlled latitude to fill absolutely needed positions.

3. Alternative 2A

A. Identification of activities and functions to be eliminated, or an arbitrary reduction in ceilings, brings into play standard government reductions in force procedures.

B. There are five (5) competitive areas in the Agency, AID/W and the four (4) overseas regions. Personnel eliminated in one area compete first at grade level, then with bumping rights but only in their area and only in the positions for which they qualify.

C. There are 7,487 (11/25/63 figure) U.S. citizen employees in the Agency, of whom 4,521 are overseas. Of the 4,521 overseas employees:

- (1) 90 are consultants or experts who have no competitive rights;
- 26

(2) 469 are other agency personnel who can be returned to their parent agency for disposition;

(3) of the 3,962 direct hire overseas personnel, approximately 2400 are F02-1s whose competitive area is limited to the mission.

D. Total AID/W personnel is 2913 of which:

(1) 2431 are GS employees including 663 veterans;

(2) 82 are consultants or experts;

(3) 53 are other agency employees;

(4) 100 are AD employees serving at the pleasure of the Administrator.

4. Advantages of using RIF.

A. Authorities available and Agency can proceed immediately.

B. Established government procedures which are accepted by all parties.

C. Does not place Agency in the position of being required to prove relative competency of affected employees.

D. Minimizes outside pressures because individual rights are clearly defined in the regulations and procedures.

5. Disadvantages of using RIF.

A. Not individually selective and thus terminates some desirable employees.

B. Generates multiple personnel actions due to exercise of bumping rights.

6. Alternative 2B

A. Existing authorities for separating employees for reasons other than reduction in force.

- (1) Termination of Limited Appointments - Section 638 of the Foreign Service Act of 1946, as amended, provides for the termination at any time of any reserve or staff officer or employee serving under a limited appointment, except for misconduct.
- (2) Separation of Executive Personnel - Section 631(b) of the Foreign Service Assistance Act of 1961, as amended, provides that the chief and his deputy of each special mission shall be appointed by the President and may, notwithstanding any other law, be removed by the President at his discretion.
- (3) Selection Out - Section 625(a) of the Foreign Service Assistance Act of 1961 provides for the separation of employees who fail to maintain adequate performance levels.
- (4) Separation of Excepted Personnel - Section 625(b) of the Foreign Assistance Act of 1961, as amended, provides for the appointment of not to exceed 110 employees who may be removed without regard to the provisions of any law.
- (5) Separation for Cause - Section 637 of the Foreign Service Act of 1946, as amended, provides for the separation of employees for unsatisfactory performance

or for such other cause as will promote the efficiency of the service.

(6) Separation During Probationary Period - Under the Civil Service regulations employees may be separated for failure to qualify during the first twelve months of service.

(7) There are other authorities such as separation for abandonment of post, mandatory retirement, disability retirement, etc., which are of limited consequence in relation to the problem under consideration.

B. Blanket separation authorities used in the past and results achieved.

(1) At the time ECA became MBA, Congress directed a 10% reduction in personnel. The legislative history of this action was not clear. After a formal ruling by the Civil Service Commission the separations were conducted in accordance with standard reduction in force regulations.

(2) The Mutual Security Act of 1953 directed a reduction of 10% in administrative personnel within 120 days after its passage. Standard tests and an appeal board review were used to select employees to be selected from the departmental service. Employees selected from foreign service were not given the test but special supervisory evaluations were supplemented by a retention

preference ranking system modeled after the standard CSC regulations.

385 termination letters were issued to administrative employees and 272 termination notices were issued to administrative and program funded foreign service employees. About 150 employees appealed, of whom 59 were re-instated. Approximately 60 additional employees were re-instated by the Administrator. 538 mt -

- (3) In 1961 the Conference Committee provided that on the date of the establishment of A.I.D. and the abolition of DIF and ICA the President, notwithstanding any other provision of law, shall transfer to such officer or head of agency such personnel of DIF or ICA as the President determines to be necessary. This it was reported "will facilitate the ability of the Administrator to weed out those employees who are not deemed adequate to the important tasks of the Agency without requiring a wholesale replacement of personnel."

Of the total of 6,300 direct hire employees, 814 were considered for separation. 345 were not transferred to A.I.D. 233 requested reconsideration. 71 were approved for re-employment; 25 of these only if appropriate vacancies could be found within three months. A total of 274 were separated.

7. Possible Gaps in Existing Authority

A. Selection out authority. Present selection out authority is limited to Foreign Service Reserve and Foreign Service Staff employees. It does not extend to Civil Service employees. It is proposed that present selection out authority limited to foreign service employees be revoked and new more discretionary legislative authority be obtained for selection out applicable to all employees. The following is suggested language to amend the Foreign Assistance Act:

"Delete subsection (e) of Section 625 relating to selection out of foreign service personnel and substitute the following:

"(e) The services of any person employed pursuant to the authority of this Act may be terminated, notwithstanding this or any other law, when the performance of any employee is determined to be marginal in accordance with regulations prescribed by the President."

B. Blanket discharge authority. The experience of the Agency to separate employees under blanket discharge authorities in the past has been unsatisfactory. Such authority was obtained in 1952, 1958 and 1961. Flash programs of this type which lack continuity and are urgent because of time limitations imposed in the legislative authority, resulted in inequities, lowered morale, a tarnished reputation for the Agency, a limited number of separations, and the creation of problems in recruiting personnel. If it is determined that blanket authority should be obtained, it is suggested that such authority be of a continuing nature so that a program may be planned which will result in a more equitable and efficient separation program. The following is suggested language which will provide blanket authority by amendment to the Foreign Assistance Act:

"Add a new subsection (j) to Section 625 as follows:

"(j) The services of any person employed pursuant to the authority of this Act may be terminated, notwithstanding this or any other law, whenever the President determines that such termination is necessary."

3. Approaches to Alternative 2B

A. Termination of portions of selected categories, e.g. eliminate all WSR-L agriculture technicians.

B. Termination of "marginal" employees through existing or proposed authorities.

C. Advantages

- would make fast action easy.
- (1) Use of selected categories of lowest retention rights would make fast action easy.
 - (2) Elimination of marginal employees would weed out dead-wood and incompetents and avoid discrimination against the better employees.
 - (3) Assuming managerial fortitude, arbitrary determination of employees to be terminated would result in quick, efficient reduction of numbers.

D. Disadvantages

- (1) Elimination of categories would leave the Agency open to attack as to basis for categories, e.g., why, in the past, were some given limited appointments and others not. Further, it would eliminate many excellent employees.
- (2) Any approach to reduction of personnel directed at the individual rather than the function performed opens

the way for innumerable appeals and charges of discrimination.

- (3) The most serious problem is that our system does not, in fact, flush out the "marginal" employee. This is particularly true of Civil Service employees, whose efficiency ratings are limited to unsatisfactory (and presumably already discharged), Satisfactory or Outstanding. How does the agency pick those to be "selected-out" from among those with a history of satisfactory ratings, and justify individual actions? The same is true of the foreign service employees. Last year 14 evaluation panels reviewed 2,020 Foreign Service employees and, from the records, identified but 123 "marginal" employees of whom but 18 have so far been proposed for selection-out. On review many of these determinations were questionable. There is insufficient time to develop a comprehensive re-evaluation program and it would be of doubtful validity if developed on a crash basis.
- (4) Arbitrary elimination of individuals would destroy the morale of the organization and of retained employees, and with its inherent implications of insecurity make virtually impossible further recruitment of good personnel (Agency history bears this out).

9. Conclusion

Assuming that the objective is primarily a rapid reduction in the number of personnel, the first essential is identification of functions and activities to be eliminated and determination of the numbers of personnel to perform retained functions.

Achieving the reduced level in terms both of humanity and of action which would bring least criticism on the agency, dictates use of standard R.I.F. procedures which were designed to meet this situation and could be effected without additional authority.

However, R.I.F. does not assure retention of the better employees and is cumbersome in operation. The only real gap in authority to "select²out" relates to Civil Service employees and proposed legislation for this purpose is included above (7 A). Additionally, blanket authority to separate any employee regardless of other laws may be desirable, though in view of past experience this should be continuing, non-time-limited authority permitting planned utilization. Proposed legislation is also included above (7 B).

It should be noted that use of arbitrary authority to terminate is complicated by the fact that the system does not provide a real basis for identifying the less desirable employees and a crash re-evaluation program would probably not correct the deficiency in view of our vastly varying degrees of supervisory fortitude. We went through this in 1961 with previously noted results. There may in fact be many marginal, incompetent employees in the agency, as is popularly supposed, but if so they have not been identified.

10. Recommendations

A. Identify activities to be eliminated or curtailed and impose restrictive ceilings on retained activities.

B. Apply standard reduction in force procedures where necessary to get down to reduced ceilings.

C. Tightly limit new employment and let our normal heavy attrition operate.

D. Seek selection out authority for Civil Service employees for future use after a redesigned evaluation system is available.

E. Seek continuing blanket dismissal authority for the Administrator's discretionary use.

✓ M. Walker

January 4, 1964

TO: Mr. W. H. Hall

FROM: R. Ertle

SUBJECT: Comments on Personnel Position Paper

This is a good paper setting forth the alternatives which are available, and I generally agree with the conclusions and recommendations. Basically, we can reduce existing personnel either by a nonselective reduction-in-force based on seniority or by some kind of selective action directed at individuals. As the paper points out on page 8, the A.I.D. evaluation system does not, in fact, identify the less desirable employees. Therefore, we are in a poor position to terminate employees on any selected basis which considers relative competency.

In spite of all the talk about dead wood in the Agency, the fact is that we have never been able or willing to identify incompetent employees in any sizable numbers, nor have we had the managerial fortitude to make such judgments stand up under political pressure.

In view of this, I would concur with recommendations A, B, and C on page 10. We should identify activities to be curtailed and impose restrictive ceilings on those which are retained, apply reduction in force where necessary to get down to reduced ceilings, and tightly limit new employment so that attrition will lead to further reduction.

However, I think we should look further at terminating selected categories of FSR-1 employees. There are about 2400 Foreign Service employees serving under Limited appointments, who have bumping rights only in their mission and only in positions for which they qualify at the mission. If the Mission Directors and the Regions took a hard look at all of their Limited employees, they could selectively identify for reduction those categories which tend to include surplus skills and less effective individuals. This procedure would be faster and more selective than a RIF, because the competitive area is limited to each mission.

It might also be timely to take a hard look at consultants and Experts and AD employees, who have no competitive rights. It

Can we get a list of current consultants and lop off some?
May I see the list of AD's?

Best Available Document

Although it is not mentioned in the paper, we might seek some authority to provide for early retirement of Civil Service and Foreign Service personnel.

Heats for me

There are a few typing and other miscellaneous errors which I have marked in pencil and you might also note that the numbers in Item 3 D on page 3 don't add up.

Administrative
1/6/64

AND RECORD COPY

ALTERNATIVE 1: Primacy Within AID of the LA Bureau

This alternative envisions continuing the present AID-LA Bureau organizational pattern but with several significant changes within the AID framework which would:

1. Give the Alliance greater priority;
2. Strengthen coordination and direction of total U.S. efforts in Latin America; and
3. Avoid program and operational disruption inherent in major reorganizations.

Under this arrangement, the Special Assistant to the President for Latin America would give policy direction and guidance to the AID Administrator. Policy or operational issues would be resolved by direct consultation between the Special Assistant and the AID Administrator. In carrying out these policies, the AID-LA Bureau would continue to report directly to the AID Administrator.

The President's Special Assistant would review and approve all LA country strategy statements, economic assistance programs, proposed loans and grants, and proposed allocations of funds to the LA Bureau. Additionally, his prior approval would be required on any significant decisions affecting LA operations, such as senior personnel appointments and procurement policy issues.

The LA Bureau would have priority to draw upon the common service facilities and resources of AID as a whole, such as the centralized procurement and PL 480 operations of AA/MR; the participant training services performed by A/IT; and the fiscal and accounting services of A/CONT.

However, the LA Bureau could establish such additional "in-house" staff and support services as felt necessary, e.g., an augmented private enterprise capability; self-sufficient personnel operations for its Washington staff; etc.

This approach would seem to strike an appropriate balance between the two main Presidential objectives: highlighting the primacy of the Alliance in relation to other development programs; and ensuring maximum efficiency and economy in administration. Administrative duplication would be minimized since the Alliance programs would still be able to exploit fully the existing resources and expertise of the AID staff indicated on the attached statement.

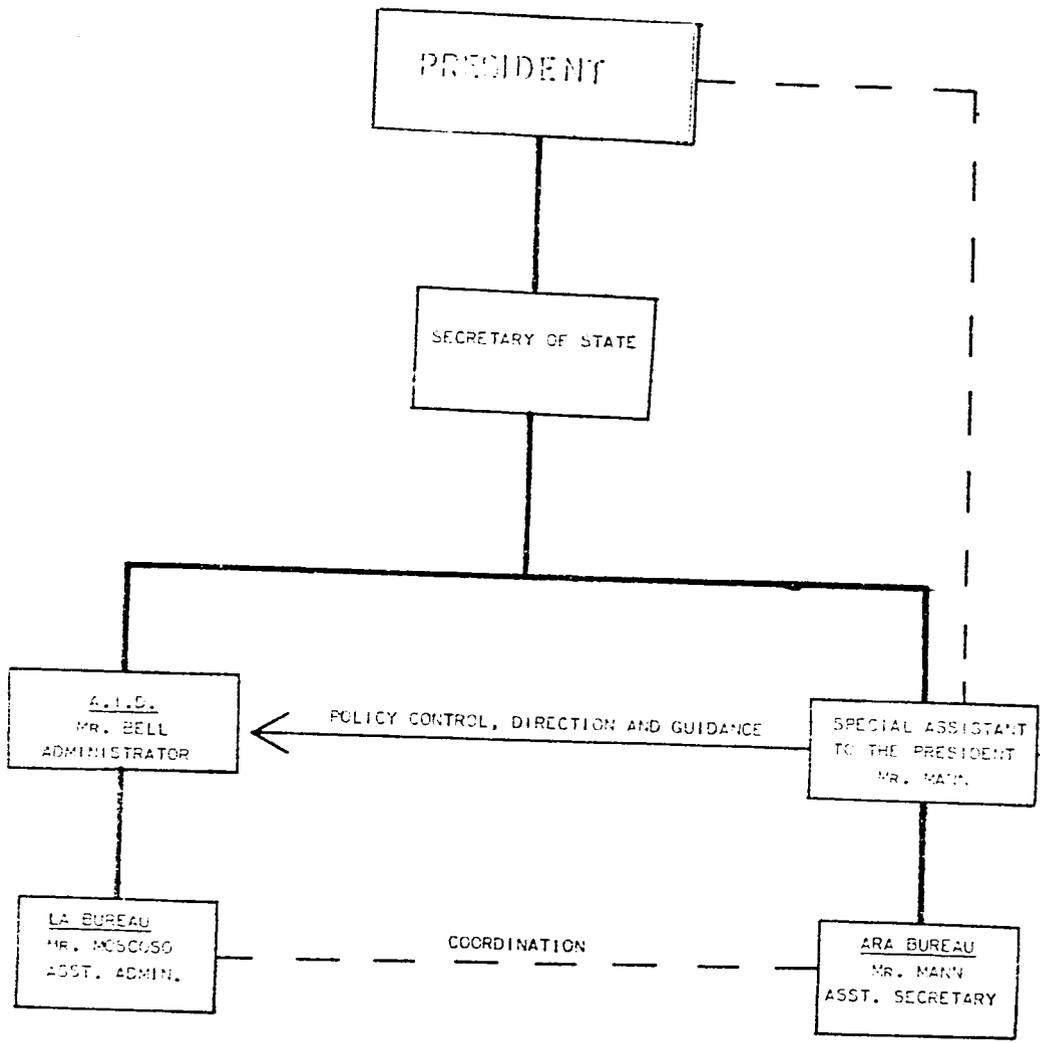
A major advantage of this arrangement is that it would require the fewest substantive changes in existing delegations of authority, no legislative changes, and minimum disruption of operations.

Attachment

Services Performed by A.I.D. Central and Staff
Units for Regional Bureaus

1. Participant Training
Program Development, Coordination and
Administration; Follow-up and Evaluation
2. Procurement
Standards and Procedures; Contracting; GSA coordination;
Excess Property; Food for Freedom; PL 480 Procurement
Arrangements; Voluntary Foreign Agencies; Ocean Freight;
50/50 Shipping; Relations with U.S. Business Community
3. Personnel Administration
Standards; Recruitment; Evaluation; Promotion; Selection Out;
Records and Reports; Security Clearances; CSC Liaison
4. Controller Services
Budgeting; Disbursement; Accounting; Audit
5. Investment Guaranty Processing
6. Professional Management Services
Systems and Procedures; Organization; Data Processing
7. Central Statistical Services
8. Program Coordination and Policy Development - MAP Liaison
9. Central Legal Services
10. General Participating Agency Relations
11. Specialized Technical Service in each technical specialty
12. Investment Survey Processing
13. General Private Enterprise Guidance and Liaison
14. Coordinated Policy Guidance and Liaison with International
Organizations and Institutions
5. Public Safety Program Development and Administration
6. Research

ORGANIZATION FOR THE ALLIANCE FOR PROGRESS STATE AND AID RELATIONSHIPS



17

ALTERNATIVE # 1
A MP
12/26/63

ALTERNATIVE II Transfer Command Authority over the LA Bureau to the President's Special Assistant

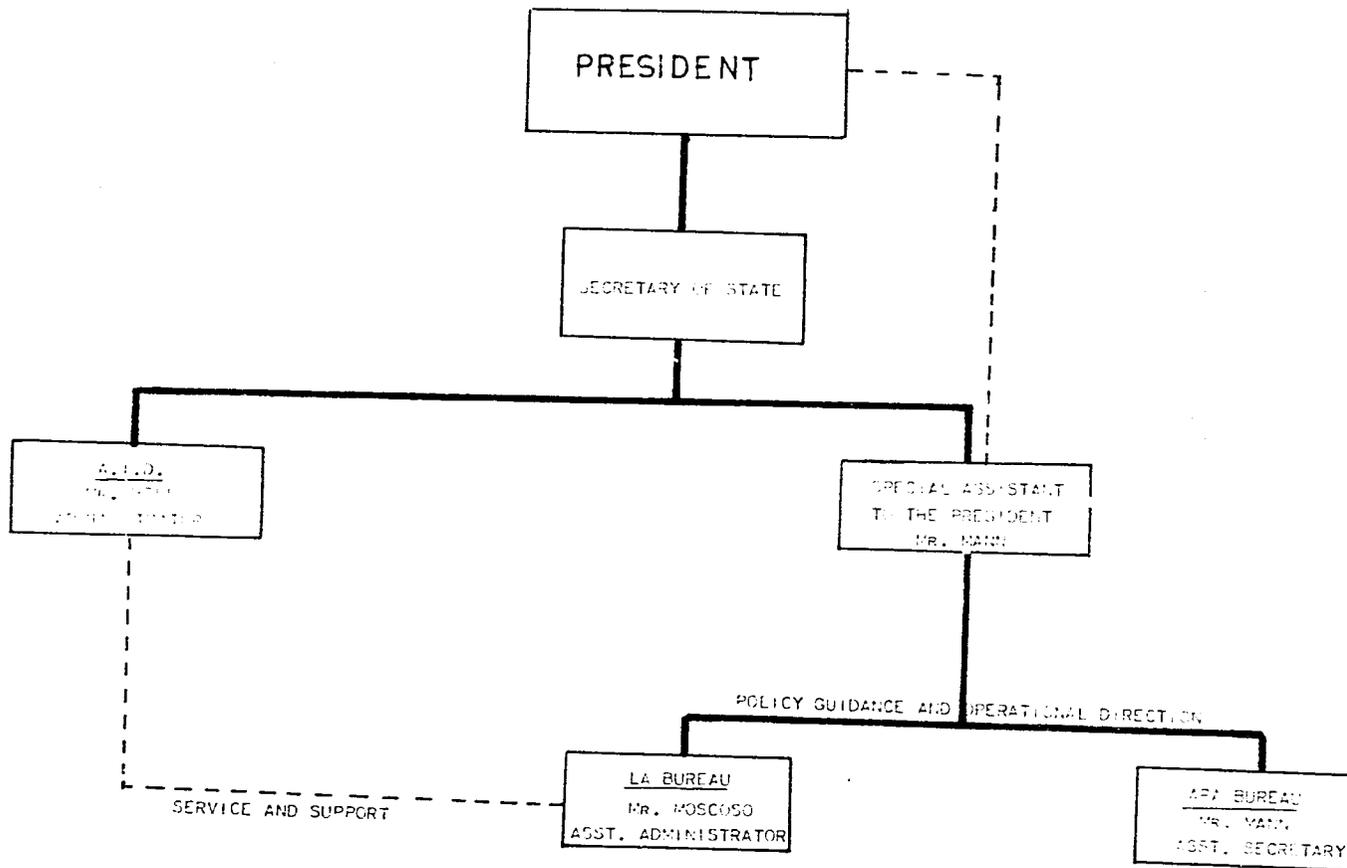
This alternative proposes that the AID Latin American Bureau be removed from the chain of command in AID and be placed under the command authority of the Special Assistant to the President. This can be done within the Department of State by revising the present Delegation of Authority No. 104 from the Secretary to the AID Administrator.

It is envisaged that this semi-autonomous Alliance for Progress Bureau could draw what seems fit upon the total AID organization for service and support in the areas listed on the Attachment to Alternative I, or upon the facilities of the Department of State proper. This arrangement would seem to assure greater operational responsiveness of the Latin American Bureau to the policy mandates of the President's Special Assistant. It would, however, expose him to the heavy management burdens of administering both the AID-LA operations and the State Department's Bureau for Latin American Affairs. Additionally, it poses some troublesome substantive problems, such as: the allocation of common funds (supporting assistance, contingency, and administrative) between the Latin American Bureau and the balance of AID; the desirability of separate legislative and budget presentations to the Congress; the role of the Special Assistant in the Development Loan Committee; the career status and rights of the Bureau's personnel; etc.

This arrangement would avoid the problems of full integration of the Latin American Bureau with ARA. It would permit the Special Assistant to determine which AID or State services he would draw upon, and to what extent he deems it necessary to achieve operational "self-sufficiency" for the Bureau under his direct command.

Although the Latin American Bureau would normally be expected to conform to established AID operational policies and procedures (e.g., participant training policies, procurement policies, contracting standards, etc.), this alternative would facilitate deviations to meet unique Latin American situations. It is assumed that substantive changes in established AID policies, however, would be the subject of initial consideration jointly by the Special Assistant and the AID Administrator, with adjudication by the Secretary of State in those instances where agreement cannot be reached.

ORGANIZATION FOR THE ALLIANCE FOR PROGRESS STATE AND AID RELATIONSHIPS



ALTERNATIVE # 2

A/MP
12/26/63

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ALTERNATIVE III: "Alliance for Progress" Corporation

Another organizational arrangement for administering the Alliance for Progress program is the creation of a government corporation within the Department of State. This arrangement would require enactment of legislation for creation of the corporation. Existing regulations, policies and procedures would also probably require significant modifications to adapt them to the corporation's charter. The "Alliance Corporation" would be subject to the policy direction of the Special Assistant to the President, who could also serve either as the Chairman of the Board or President of the Corporation.

The major arguments for and against this corporation approach are highlighted in the attached.

Other organizational arrangements are of course possible. For example, complete integration of the AID Latin American Bureau and ARA has been advocated by some as the ultimate answer to the need for improved coordination and responsiveness to LA program requirements. A change of this nature, however, appears to pose even more formidable programs than any of the other alternatives suggested, e.g., commingling different personnel systems and authorities; some disruption of both the political and economic operations in the LA region, and the apparent subordination of LA economic assistance to U.S. political interests.

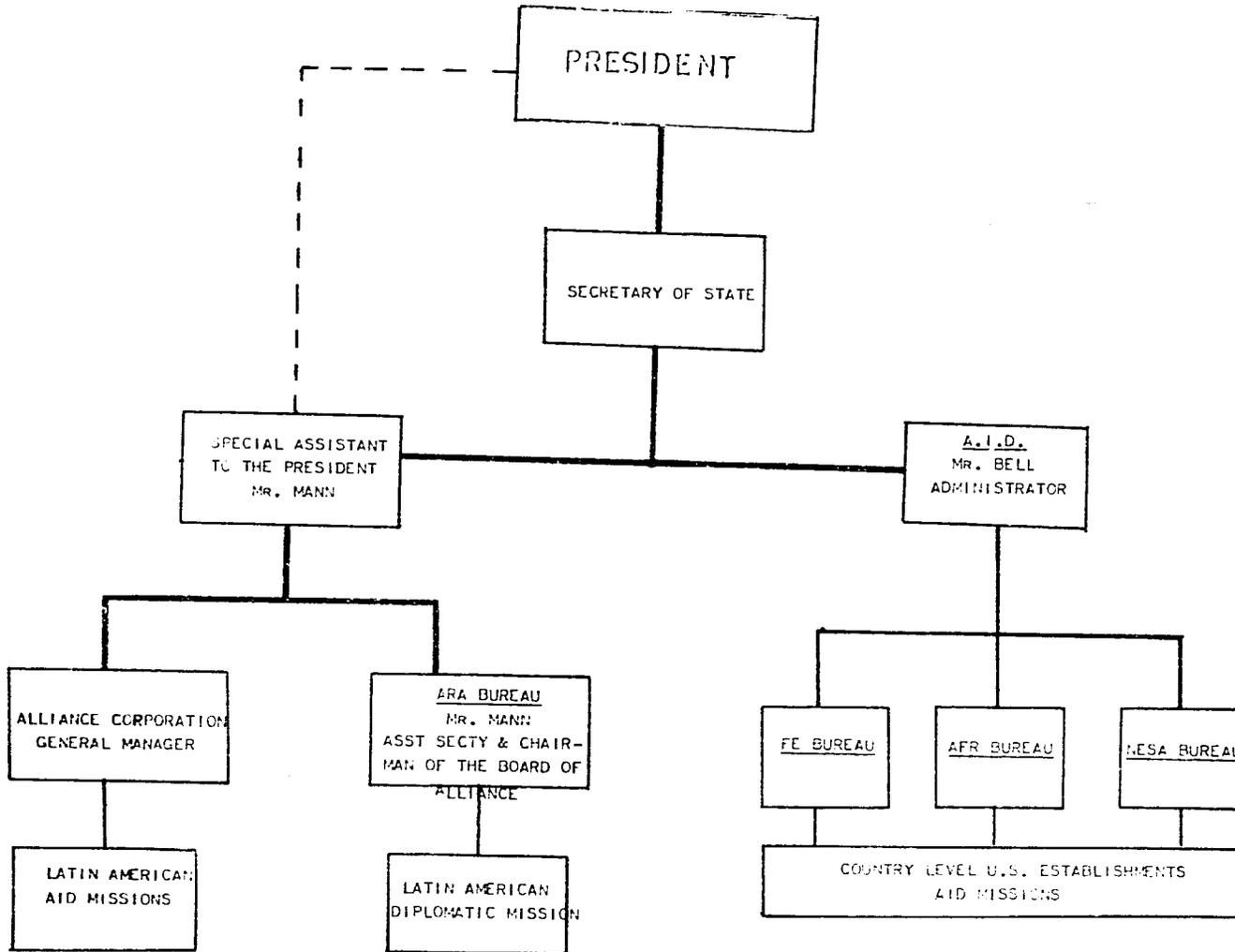
"ALLIANCE FOR PROGRESS" CORPORATIONFOR

1. Status as a corporation would dramatize U.S. interest in Latin American development.
2. Historically, the corporate form confers on an Agency greater freedom to determine its own operating methods and internal management policies.
3. The operations of a foreign assistance agency are comparable in some ways to commercial activities, e.g., lending, granting lines of credit, commodity procurement, underwriting business ventures and commercial letters of credit.
4. A corporation would tend to set Latin American economic operations apart from other U.S. interests in Latin America.
5. The corporate form would make it easier to enlist the participation and support of people and organizations outside the U.S. Government.

AGAINST

1. This might connote to the rest of the world preferential treatment for Latin America.
2. A government corporation has only the latitude which Congress is prepared to give it. Congress is not likely to change its pattern of increasingly restrictive legislation on foreign assistance.
3. Analogies between foreign assistance operations and commercial activities are only superficial; their goals and motivations are entirely different.
4. Any arrangement which hampers essential coordination of U.S. political, military and economic interests in Latin America is undesirable.
5. Under existing arrangements, extensive non-governmental participation is being attained in the Latin American program through contracts, use of consultants, assistance to voluntary agencies, etc.

ORGANIZATION FOR THE ALLIANCE FOR PROGRESS STATE AND AID RELATIONSHIPS



ALTERNATIVE # 3

A/MP
12/26/63

11

December 27, 1963

Summary Brief - Task Force 3

Dispersal or Dismemberment of AID

I. The Alliance for Progress

The question whether the Alliance for Progress as an integrated unit should be separated from the AID program is under high-level consideration and has not been specifically addressed by this Task Force. For the purposes of this paper we have assumed a decision to organize the Latin American program in the same way programs in other regions are organized. We have, therefore, developed proposals which apply to AID programs worldwide. If, however, a decision is reached to organize the Alliance separately, what we have proposed should still be deemed applicable to the balance of the AID program.

II. Development Lending

Proposition: Bilateral development lending activities should be transferred to a new organization, within the over-all structure of the Export-Import Bank, under the supervision of the latter's President and Board of Directors.

(Alternate proposal considered and rejected: To recreate the Development Loan Fund as it existed 3-5 years ago)

Supporting arguments:

1. The development lending program would be affiliated with an institution which is highly respected in U.S. and foreign financial circles and generously supported by the Congress.
2. The program would be assigned to an experienced and highly competent staff--already the primary refusal agency to which

48

foreign borrowers must apply before obtaining concessionary AID terms. Selective augmentation of the Export-Import Bank staff would be much less difficult, costly, and time-consuming than recruiting, training, and organizing a new staff.

3. Since the Board of Directors of the Export-Import Bank is bipartisan, the historic bipartisan commitment to foreign aid would be re-emphasized and strengthened.
4. The program could be better justified to Congress, powerful interest groups and the American public, in terms of promoting American industry and exports, particularly the capital goods sector. This would not necessarily prevent the creation overseas of an impression of enlightened benevolence on the part of the U.S.
5. The probability of obtaining multi-year authorization and ultimately even multi-year appropriations would be enhanced because of the Bank's five-year charter.
6. World-wide acceptance of this arrangement would be aided by its parallel to the IDA-IBRD and the Fund for Special Operations-IDS relationships.
7. As a "banking" organization it would be able to be appropriately hard-nosed in insisting on fulfillment of self help measures as preconditions to credit.
8. By emphasizing orientation toward exports and building on Ex-Im's past relationships with private business it should be possible to develop private sector involvement in the program more fully than at present.

III. Development grants--Technical Assistance

Proposition: To create a technical cooperation administration closely related to the Peace Corps, with a common Director.

1. Subproposition. To keep the new TCA a small coordinating outfit which for actual operations makes maximum use of the resources of the specialized departments and agencies (Agriculture, Corps of Engineers, Interior, etc.)
2. Subproposition. To shift to the UN Special Fund-EPTA the bulk of technical assistance work we are now doing in countries where we have no other significant economic assistance activities.

Solutions considered and rejected:

1. To disperse the entire activity to the specialized departments and agencies.
2. To get out of the business entirely in favor of leaving the field to the UN specialized agencies.

Supporting arguments:

1. The Peace Corps' current operations can be considered, broadly, as technical assistance.
2. The Peace Corps has a favorable public image both at home and abroad.
3. Since it is legally part of the Department of State, the Peace Corps would be in an appropriate channel for foreign policy guidance to the domestic agencies.
4. Use of a separate staff for coordination of technical assistance would avoid confusion of the Peace Corps' mission.

- 5. The proposition permits flexibility as between current Peace Corps operations and technical assistance, particularly in such fields as educational assistance.
- 6. It achieves a substantial reduction in AID personnel and, probably, a net reduction in total Government employment; absorbs substantial numbers of personnel into major domestic agencies.
- 7. By separating appropriations for technical assistance from the "big number" appropriations for capital development, etc., it facilitates the rebuilding of the broad "grass roots" support which Point Four had 12 years ago.
- 8. This could be a substantial move in the direction of compliance with the guidance in the Humphrey amendment to make "fullest ...practicable" use of the domestic agencies.

IV. Voluntary Contributions to International Organizations

Proposition: Budget and program coordination responsibility for voluntary contributions to international organizations should be discharged by the Secretary of State through the Assistant Secretary of State for International Organization Affairs (IO) with the funds being appropriated to the State Department.

Supporting arguments:

- 1. As a practical matter, IO ordinarily takes the lead in representing U.S. interests in UN assistance programs now; hence the transition to new formal arrangements would not be difficult.
- 2. The budget for voluntary contributions has traditionally fared extremely well in Congress (no reductions until this past year),

thus suggesting the desirability of the least radical shift in responsibility.

3. The size and nature of U.S. voluntary contributions are intimately involved in our overall strategy toward the UN and should be developed by those persons responsible therefor.

V. Supporting Assistance and Contingency Fund

Proposition: Major SA programs which derive from the burden of large national military establishments should be transferred to the Defense budget subject to the policy guidance of the Secretary of State; the balance of SA and the contingency fund should be lumped together into a separate "President's Discretionary Fund" to be administered as he directs by either the Secretary of State or the Secretary of Defense.

(Alternate proposal considered and rejected: To have the whole fund appropriated to Sec. State with power to transfer to Sec. Def.)

Supporting arguments:

1. It relates the defense portion of the program to the primary cause, i.e., military preparations for defense of states peripheral to the Soviet Bloc, or the maintenance of U.S. military base rights.
2. It would require focus by Defense on the cost benefit aspects of defense related assistance by placing the programs in competition with over-all Defense Funds.
3. It places proper coloration on the purely political supporting programs, such as Jordan, with minimum requirement of administrative overhead.

4. It makes it possible to argue for a Presidential fund in the same way the CIA Reserve Fund is sold to the Appropriation Committee leaders. In particular would try to sell a revolving fund concept with appropriation each year merely to replenish the fund.

5. Provides maximum flexibility.

(It should be conceded that this is the messiest of the solutions provided; yet it is obvious that this is the most intractable part of the whole program. Where Defense support is primarily monetary or a very simple commodity import problem this proposition is probably manageable but it would be of doubtful adequacy where complicated commodity import programs are required, e.g. Vietnam and Laos. Inherent in the proposition is the confining of this program to grants-- supporting assistance loans being handled under II above.)

VI. Investment Guarantees and Private Enterprise Auxiliary Activities

Proposition: These would be added to the responsibilities of the Export-Import--DIE organization, outlined under II.

The argumentation for this seems obvious though it might be urged that the Departments of Treasury and Commerce play a role in stimulating private endeavor in under-developed countries.

VII. Overall Considerations

We have deliberately deferred overall argumentation to the close because the prima facie case for "breaking up" the AID organization only a bare two years after it was created is extremely difficult to formulate. It appeared preferable to present the constituent propositions and the best arguments therefor in the hope that the committee

could judge the merits of each discretely. To the extent that one or more achieved a net favorable judgment this could then be weighted according to the relative proportion of the total aid, program involved in it. An aggregate of these weighted verdicts would thus constitute the most defensible overall evaluation.

The task force if compelled to argue the case in gross would stress the following:

Increased efficiency from concentration on more manageable areas of responsibility and groupings of really cognate functions.

Making maximum use of Congressional and public good-will toward existing institutions, old and new.

The appeal of change for changes sake.

Any overall argument would have to present at least a partial demolition of the analysis that led to the creation of AID in 1961. One could assert, for example, that the rationale for the program was defective in certain respects:

Integrated country economic planning is not as effective as hoped in view of the disparate nature of our inputs, political obstacles and unforeseeable events.

Despite the magnitude of our total program, the impact of our aid is quite marginal as compared with internal resource availabilities, and therefore our leverage is not as great as we would believe.

61

Concentration on worth-while projects is preferable to mere contribution to broad efforts at growth in that the former will pay more enduring political dividends.

To the extent that comprehensive country planning is a requisite of effective conduct of U.S. foreign policy, it does not require a large unitary Washington establishment but rather a strengthening of embassy economic sections and State Department desks.

55

Arthur Hays Sulzberger
12/31/03

Policy Direction and Coordination of a Dispersed Foreign Assistance Effort

Under any type of organization, foreign assistance remains a major foreign policy instrument subject to the policy direction of the Secretary of State as the President's principal adviser on foreign affairs. Dispersal of foreign assistance operations essentially requires compensating attention to the resources available to the Secretary so that he may insure unified United States foreign policy and coordinated foreign affairs activities. Otherwise the ambassador, as the only effective point of coordination, would be faced with an intolerable burden. Ultimately United States resources would be dissipated in competitive or unrelated efforts and United States foreign relations endangered by conflicting United States activities.

To provide effective government-wide policy direction and coordination the Secretary of State would require assistance from an officer of Under Secretary rank with a small senior staff performing functions somewhat in the nature of those undertaken by the Coordinator for Mutual Security prior to establishment of AID in 1961, but with less detailed involvement in projects for which major operational responsibility has been dispersed to other departments and agencies. Such an officer would be the principal and continuing representative of the Secretary in providing policy direction to other departments and agencies on matters of foreign assistance, and the over-all supervisor of those aspects of the foreign assistance program carried out directly by the Department of State.

No particular inter-departmental mechanisms are proposed in this paper. The Secretary of State would require maximum flexibility in determining how and through what procedures or inter-departmental bodies, if any, he might best meet his responsibilities for policy direction and coordination of foreign assistance operations carried out by other agencies.

The dispersed plan assumes that appropriations for parts of the foreign assistance effort would be made directly to the Export-Import Bank and to the Department of Defense. To provide positive and meaningful policy direction and over-all coordination under this arrangement, the Secretary of State would have to be involved in the programming and funding process ^{at} key stages. Only by such involvement would he be able to insure that foreign assistance operations are so planned as to forward foreign policy objectives and that, over-all, the United States Government's foreign assistance operations do in fact serve as an effective foreign policy instrument.

GM:GTRogers:lm

December 31, 1963

51

*Among
will be - do -
state the positions as
will on the negoti- after discussion
of the dismemberment specifics*

DRAFT
12-24-63

Summary Brief - Task Force 3
Dispersal (or "Dismemberment") of AID: Why and How

I. The Case for Dispersal

Proposition: The Agency for International Development should be abolished and its functions transferred to other Federal agencies and multilateral organizations.

Supporting arguments:

1. There is no unique "common denominator" to the grouping of disparate activities which have been performed by AID. AID has shared with many other agencies the general purpose of promoting U. S. national interests abroad by "economic" means. Any less general purpose cannot be considered common to all the activities of AID. "Economic development of friendly nations," for example, is not the real purpose of some types of foreign assistance. *e.g. Supporting Resettlement, OL 480, 50/50, small business* "Foreign assistance" is a process, not a purpose.
2. *therefore* To integrate all foreign economic activities in a single agency *superficial* would meet the organizational criterion of common purpose, but *it* would tend to create a bureaucratic monster, too large and unwieldy for efficient administration.
3. Long range economic planning is in reality not very effective for most countries and all too often unforeseeable political events throw the best laid schemes into a cocked hat. *It can be done on a sector basis, equally or well as*
4. Despite the magnitude of our total program, the impact of our aid is marginal as compared with internal resource availabilities and therefore our leverage is not as great as we would believe. *total base; if a policy decision made as to the sectors we chose to work in therefore*

It can be done on a sector basis, equally or well as total base; if a policy decision made as to the sectors we chose to work in therefore

↑ We should therefore concentrate more on demonstrably worth-while projects and less on overall development.

5. This past year's disastrous performance on the Hill creates a strong presumption in favor of change -- at a minimum, organizational change for cosmetic reasons alone.

*not seen
this is a statement
made on 8/1/55*

II. The Alliance for Progress

The question whether the Alliance for Progress as an integrated unit should be separated from the AID program is under high-level consideration and has not been specifically addressed by this Task Force. For the purposes of this paper we have assumed a decision to organize the Latin American program in the same way programs in other regions are organized. We have, therefore, developed proposals which apply to AID programs worldwide. If, however, a decision is reached to organize the Alliance separately, what we have proposed should still be deemed applicable to the balance of the AID program.

III. Development Lending

Proposition:

Bilateral development lending activities should be transferred to a new organization, ^{possibly} legally distinct but established within the overall structure of the Export-Import Bank, under the supervision of the latter's board of directors and management.

Supporting arguments:

1. ~~Since this phase of the program constitutes 60 per cent of the effort,~~

1. The development lending program would be affiliated with an institution which is highly respected in U. S. and foreign financial circles and generously supported by the Congress.
2. The program would be assigned to an experienced and highly competent staff ^{already} the primary refusal agency to which foreign borrowers must apply before obtaining concessional AID terms. Selective augmentation of the Export-Import Bank

PL-480
loans?

scope the
development
planning
activity and
field staff?
who monitors
& evaluates?

who guides
the process
chosen for
employment?

let the market place decide?

*use over 1
USAID's*

staff would be much less difficult, costly, and time-consuming than recruiting, training, and organizing a new staff.

- 3. Since the Board of Directors of the Export-Import Bank is bipartisan, the historic bipartisan commitment to foreign aid would be re-emphasized and strengthened.
- 4. The program could be better justified to Congress, powerful interest groups and the American public, in terms of promoting American industry, ^{exports} particularly the capital goods sector. This would not necessarily prevent the creation, ~~and~~ overseas, of an impression of enlightened benevolence on the part of the U. S.
- 5. The probability of obtaining multi-year authorization would be enhanced because of the Bank's five-year charter. *and appropriation?*
- 6. Worldwide acceptance of this arrangement would be aided by its parallel to the IDA-~~IBRD~~ Division of labor within the IBRD organization. *also IDB*

Proposition: Increased emphasis should be placed on multilateral lending.

Supporting arguments:

- 1. ~~It is not~~ Increased emphasis on multilateral machinery for making concessional loans is not inconsistent with Export-Import Bank leadership in bilateral lending. *true*
- 2. ~~In dollar amounts more than half of what we are doing outside of Latin America follows the consortium route.~~ *valid?*

- 3. In many cases, multilateral financing offers the best opportunity to effect needed reforms in foreign countries without risking charges of U. S. intervention in their internal affairs.
- 4. U. S. participation in international lending activities creates a favorable image abroad and helps to involve other industrialized nations in sharing the financial burden.
- 5. The "new look" of IBRD should be fully exploited by the U. S.

IV. Development Grants - Technical Assistance

Proposition: Responsibility for programming and project implementation of bilateral technical assistance activities should be transferred to the domestic agencies.

Supporting arguments:

- 1. The domestic agencies are the richest source of expertise required for technical assistance. Transferring technical assistance to them would promote continuity of technical assistance personnel, whose careers would not be disrupted by overseas tours.
- 2. The domestic agencies enjoy strong support in Congress which should be exploited.
- 3. The domestic agencies, through professional contacts, are able to mobilize significant talent and support in the private sector.
- 4. The Foreign Assistance Act already provides that maximum feasible use be made of the domestic agencies. "Maximum feasible" use has been handicapped by the present structure which excludes the domestic agencies from program decisions.

Problems of field coordination in (a) planning (b) execution

Army will do cost

in the Dept of State

Proposition: The Director of the Peace Corps should be designated Coordinator of Technical Assistance, charged with coordinating the activities of the various domestic agencies and providing foreign policy guidance to them, and assigned a separate staff for these purposes.

on appropriate channels

Supporting arguments:

1. The Peace Corps' current operations can be considered, broadly, as technical assistance.
2. The Peace Corps has a favorable public image both at home and abroad.
3. Since it is legally part of the Department of State, the Peace Corps would be in ~~an good position to provide~~ ^{appropriate channel for} foreign policy guidance to the domestic agencies.
4. Use of a separate staff for coordination of technical assistance would avoid confusion of the Peace Corps' mission.
5. The proposition permits flexibility as between current Peace Corps operations and technical assistance, particularly in such fields as educational assistance.
6. It achieves a substantial reduction in AID personnel and, probably, a net reduction in total Government employment; absorbs substantial numbers of personnel in to major domestic agencies.
7. By separating appropriations for technical assistance from the "big number" appropriations for capital development, etc., it facilitates the rebuilding of the broad "grass roots" support which Point Four had 12 years ago,

and would probably engender more appropriations in total for Tech Assistance

V. Voluntary Contributions to International Organizations

Proposition: Budget and program coordination responsibility for voluntary contributions to international organization should be transferred to the Assistant Secretary of State for International Organization Affairs (IO) with the advice of the Coordinator of Technical Assistance, as appropriate, and State's regional bureaus.

Supporting arguments:

1. As a practical matter, IO ordinarily takes the lead in representing U. S. interests in UN assistance programs now; hence the transition to new formal arrangements would not be difficult.
2. The budget for voluntary contributions has traditionally fared extremely well in Congress (no reductions until this past year), thus suggesting the desirability of the least radical shift in responsibility.
3. The size and nature of U. S. voluntary contributions are intimately involved in our overall strategy toward the UN and should be developed by those persons responsible therefor.

VI. Supporting Assistance and Contingency Fund

Proposition: Major SA programs which derive from the burden of large national military establishments should be transferred to the Defense budget subject to the policy guidance of the Secretary of State; the balance of SA and the contingency fund should be lumped together into a separate "President's Discretionary Fund" to be administered as he directs by either the Secretary of State or the Secretary of Defense.

64

Supporting arguments:

1. It relates the defense portion of the program to the real cause, i.e., military preparations for Defense of states peripheral to the Soviet Bloc, or the maintenance of U.S. military base rights.
2. It would require focus by Defense on the cost benefit aspects of defense related assistance by placing the programs in competition with over-all Defense funds.
3. It places proper coloration on the purely political supporting programs, such as Jordan, with minimum requirement of administrative overhead.
4. It makes it possible to argue for a Presidential fund in the same way the CIA Reserve Fund is sold to the Appropriation Committee leaders. In particular would try to sell a revolving fund concept with appropriation each year merely to replenish the fund.
5. Provides maximum flexibility.

(It should be conceded that this is the messiest of the solutions provided; yet it is obvious that this is the most intractable part of the whole program. Where Defense support is primarily monetary or a very simple commodity import problem this proposition is probably manageable but it would be of doubtful adequacy where complicated commodity import programs are required, e.g. Vietnam and Laos. Inherent in the proposition is the confining of this program to grants --supporting assistance loans being handled under II above.) *is by EX-IM by definition? or by choice?*

VII. Investment Guarantees and Private Enterprise Auxiliary Activities

Proposition: These would be added to the responsibilities of the Export-Import--DIE organization, outlined under II.

65

3.

The argumentation for this seems obvious though it might be urged that the Department of Commerce play a role stimulating private endeavor in under-developed countries.

Papers for Executive Branch Committee on Examination of the
Foreign Assistance Program

Assignment No. 6: Organizational advantages and disadvantages
of separating AID into a lending agency and
a technical cooperation agency.

Part I: A separate lending agency

OUTLINE

A. ASSUMPTIONS

For the purposes of this paper, it is assumed
that:

1. In view of the current political and Executive
Branch climate it is necessary to make a signifi-
cant change in the basic concepts and organiza-
tion for administration of foreign assistance.
2. Lending operations should be separately identified.
The Executive Branch is not prepared to forego
completely a continued significant bilateral
lending operation.
3. Lending operations must continue to be responsive
to foreign policy guidance and control.

B. ALTERNATIVES

Although many possible alternative organizational
arrangements are possible within the above assump-
tions, this paper discusses three basic possibilities:

1. Establishment of a separate lending corporation.
2. Transfer of lending operations to the Eximbank.
3. Assignment of lending functions to separate organi-
zation within AID.

C. CONCLUSIONS

See attached outlines

Alternative 1: Separate lending corporation, headed by a Managing Director, under the direction of a Board of Directors chaired by _____

PRO	CON
A. General Considerations	
1. The conclusions reached by the Senate Special Committee on Foreign Aid in 1967, which supported this approach, are still valid.	1. Arguments accepted by Congress prior to merger of DLF into AID
2. Arguments accepted by Congress in 1967 as justification for creation of DLF.	2. This approach had been tried before, and to try it again would appear reactionary
3. "Banks" have a better image to Congress and the public; possibly also to aid-recipients.	
B. Effects on Lending Program	
1. Greater likelihood of getting long-term appropriations and borrowing authority.	
2. The appropriations would not have to be justified on a country by country basis, but could be initially in the form of capitalization with subsequent appropriations or borrowing authority based on performance and illustrative projects.	
3. The programs of an agency with longer-range, more clearly defined goals, are less subject to short-term pressures from special interest groups.	
4. A bank can more readily enforce specific self-help contributions to projects, and harder loan terms.	
C. Relationship to Other U.S. Programs	
	1. Integrated country programming would be considerably more difficult.
	2. Net U.S. bargaining power vis-a-vis aid recipients would diminish, as would, consequently, our capacity to insist on fiscal, political and social reforms.
	3. The bank would have a capital assistance orientation; the residual would have a grant orientation; loans for technical assistance would therefore be less likely
	4. Either the Alliance or the lending function would be fragmented.
	5. The "bank" would be less responsive to overall U.S. foreign policy objectives.
	6. The residual AID functions would become more vulnerable than at present.

PRO

CON

D. Management and Personnel

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Easier to attract top banking skills. 2. The restaffing involved would permit more careful choice of personnel. 3. There would be no need for a permanent field organization with missions in each country. 4. Being smaller than AID, the agency would be easier to manage. | <ol style="list-style-type: none"> 1. Would still need a mechanism for grant-financed capital assistance. 2. Separate duplicative staff offices would be needed to perform functions now performed by CLE, IS, GC, MR, CONT, A/TA, A/M, DIFE. 3. The hiatus and dislocation would hurt the program and aid-recipients as well as lowering morale. (Start-up would be easier if responsibility for all old capital projects stayed with residual agency.) 4. AID is beginning to be well-managed. No change will really satisfy Congress, but such a change will surely disrupt operations. |
|--|--|

E. External Relations

1. Liaison and cooperation with the U.S. and international banking community would be improved.
2. Easier access for the public.

Alternative 2: Lending functions assigned to a separate organizational unit within AID

PRO

CON

A. General Considerations

1. The change might not be extreme enough to satisfy Congress.

F. Effect on Lending Program

1. More consistent lending policies.

C. Relationship to other U.S. Programs

1. Integrated country programming would be more possible than under other alternatives.

1. Integrated country programming would be more difficult than at present.

2. Unified direction and policy guidance overall foreign assistance would be retained.

3. AID's bargaining power to insist on reforms or political measures by aid recipients would not suffer greatly.

4. The Alliance would be fragmented, but less so than under the other alternatives.

D. Management and Personnel

1. There would be a minimum of dislocation and loss of continuity, morale and personnel.

2. Greater flexibility in use of personnel.

3. AID staff offices and overseas missions could be used.

1. Would destroy regional concept, make difficult the recruitment of top people and lose country and regional expertise.

2. Less opportunity for restaffing.

3. Lines of authority and responsibility within the agency would be blurred.

E. External Relations

1. Improved access for public.

2. Improved relations with other lending institutions.

Alternative 3: Transfer of lending operations to Eximbank

PRO

CON

A. General Considerations

- | | |
|--|---|
| <ol style="list-style-type: none">1. Eximbank enjoys good relationships with2. "Banks" have a better image to Congress and the public; possibly also to aid-recipients. | <ol style="list-style-type: none">1. Congressional presentation difficulties. |
|--|---|

B. Effect on Lending Program

- | | |
|--|---|
| <ol style="list-style-type: none">1. Greater likelihood of getting long-term appropriations and borrowing authority.2. The appropriations would not have to be justified on a country by country basis, but could be initially in the form of capitalization with subsequent appropriations or borrowing authority based on performance and illustrative projects.3. The programs of an agency with longer-range, more clearly defined goals, are less subject to short-term pressures from special interest groups.4. A bank can more readily enforce specific self-help contributions to projects, and harder loan terms. | <ol style="list-style-type: none">1. The hiatus and dislocation would hurt the program and aid-recipients as well as lowering morale. (Start-up would be easier if responsibility for all old capital projects and loans stayed with the residual agency.2. Eximbank is oriented towards the needs of American businessmen rather than the requirements of U.S. foreign policy or the needs of aid recipients. |
|--|---|

C. Relationship to Other U.S. Programs

1. Integrated country programming would not be possible.
2. Net U.S. bargaining power vis-a-vis aid recipients would diminish, as would, consequently, our capacity to insist on fiscal, political and social reforms.
3. The Ambassador's role would be more difficult.
4. The bank would have a capital assistance orientation; the residue would have a grant orientation; loans for technical assistance therefore would be less likely.
5. Does not solve the problem of grant-financed capital projects.
6. The "bank" will be less responsive to overall U.S. foreign policy objectives.
7. The residual AID functions will become more vulnerable than at present.
8. Either the Alliance or the lending function would be fragmented.

11

Alternative 3: Cont'd

PRO	CON
<hr/> <p>D. Management and Personnel</p> <hr/>	
1. Eximbank is a going concern with experienced personnel.	1. Best personnel might be attracted to traditional Eximbank functions, rather than this program.
2. Easier to attract top banking skills.	2. AID is beginning to be well managed. No change will really satisfy Congress, but such a change will surely disrupt operations.
3. The restaffing involved would permit more careful choice of personnel.	
4. Being smaller than AID, the agency would be easier to manage.	
5. There would be no need for a permanent field organization with missions in each country.	

<hr/> <p>E. External Relations</p> <hr/>	
1. Easier and closer relations to the U.S. and international banking community.	
2. Easier access for the public.	

OTHER CHANGES IN OPERATING
POLICY AND AID ORGANIZATION

Excluding alterations in the organization and relationships of the Alliance for Progress, this paper assumes that a number of significant changes in current AID policies and organization already planned will be made but that a major reorganization is not necessary or desirable. Suggested changes, a number of which are already in train and others which are here suggested for consideration, follow:

I. Policy

- A. Increase efforts to place "soft" development lending on a multilateral basis.*
- B. Maximize AID's reliance on external U.S. resources and facilities, governmental and private. This will require the issuance of an unequivocal directive followed by aggressive action at all levels of the agency. It will minimize AID's direct operational involvement in programs and projects, particularly in the Technical Assistance area. Preliminary action on this has been taken and is reflected in the 1965 Budget submission.
- C. Eliminate or place on a "token" basis, AID programs wherever feasible in countries where U.S. interests are limited or of a "U.S. presence" character. This is already underway.
- D. Explore the practicability of handling loans for certain countries through the U.S. commercial banking community under some form of U.S. guaranty.
- E. Develop new approaches to the administration of assistance programs overseas. For example, the "Delegated Post" concept could be extended to additional countries, and even further simplified.

*See Owen paper of Dec. 24, 1963.

173

The use of "Consolidated Administrative Management Organizations" could be expanded.

- F. Accelerate the effort to standardize State-AID regulations and procedures.
- G. Where increased efficiency or economy will result, merge various State-Aid common services.
- H. Mount an aggressive, expanded program of public information to improve the agency's external image.

II. Organization

- A. Create an Undersecretary of State for Economic Affairs with responsibilities broader than those of the Administrator of AID. *
- B. Merge Congressional relations (and possibly public information) functions into one office also responsible for the legislative presentation and coordination functions.
- C. Clarify the role and functions of HRSD and reorganize it appropriately. Redesignate it the "Office of Technical Assistance Coordination" (or similar title) to connote special emphasis on technical assistance. Also, transfer the Office of International Training and the technical information services of the Communications Resources Division to the redesignated Office of Technical Assistance Coordination.
- D. Limit DFPE functions solely to private enterprise, and transfer its loan policy functions to PC. Also transfer the Small Business operation from MR to the new Office of Private Enterprise.

* See Owen paper of Dec. 24, 1963.

- E. Transfer the Office of Engineering to MR and redesignate MR as the "Office of Procurement and Engineering."
- F. Transfer IDOS to PC.
- G. Consolidate the various management offices into a new Bureau for Administration, with the following changes:
 - 1. Abolish the Management Inspection Staff; transfer the Investigations Division to the Office of Security; transfer the immediate office of MIS to the Bureau for Administration as the nucleus of a new "Operations Evaluation Staff" reporting directly to the Assistant Administrator for Administration.
 - 2. Upgrade the General Services Division to office status within the Bureau of Administration.
 - 3. Abolish the Statistics and Reports Division, distribute appropriate functions to PC and the Office of the Controller.
 - 4. Transfer the Data Processing Division (computer operations) of A/MP to the Office of the Controller.
 - 5. Abolish the Communications Resources Division; transfer its technical information functions to HRSD and its media functions to the Public Information Staff and the Office of General Services (Visual Presentation Branch).

UNITED STATES GOVERNMENT

Executive Office of the President
Bureau of the Budget*Memorandum*TO : Mr. Sam Walker
Agency for International Development

DATE: January 2, 1964

FROM : International Division (Rosenthal) JR

SUBJECT: Possibilities for Increasing Efficiency in the AID Program

Following our telephone conversation of December 31, 1963, the following are informal comments of the International Division on your proposed memorandum to Mr. Ball reviewing the subject titled staff paper.

Selection-out Authority - We would support your proposed increased use of this technique for both FSR and GS employees. We feel the failure of this technique in the past, however, has not been primarily because of lack of authority or lack of support from the Civil Service Commission, but has been because of poor internal personnel management. It has been often charged that AID supervises attempt to circumvent personnel regulations as much as they use them. It is, therefore, difficult today to document the case of a marginal employee and to take selection-out actions. We feel that if AID responds affirmatively to the recent Civil Service study on AID, if AID makes maximum use of the recommendation in the about-to-be issued AID/BOB manpower management survey report, and if AID takes advantage of the presence of a new personnel officer, than AID can significantly improve its personnel management and be in a better position to use the selection-out process as an effective technique for increasing AID's efficiency.

Reduced Staffing:

a. Most of the efforts under this category are semantic changes or are being done anyway for other reasons. We feel that AID might be doing itself a disservice if false impressions were given. The proposed elimination of trust funded foreign nationals as a category of U. S. government employment will certainly reduce the size of the AID staff in a numerical sense, but it will certainly have little significant effect on actual operations. This paper move should not be presented as a management improvement leading to increased AID efficiency.

b. Reduction in the number of technical assistance projects and total country programs is being done for political and program improvement reasons and not primarily to reduce personnel. The incidental chop-off of staff as a result of such moves should, of course, be noted. But AID should be careful to point out how the elimination of projects primarily to reduce staff might have a serious negative effect on the program.

c. The facts related to the use of participating agency employees as a way of reducing direct-hire AID staff should be checked out. We understand that the latest figures indicate a reduction in the number of these

participating agency employees instead of the assumed increase.

Reduced Scatteration - Have any really comprehensive steps actually been taken to re-organize overseas missions? The core concept, the sector approach, the greater use of private contractors and participating agency personnel, and the "turn around", are all new approaches that have been talked about in the past two years. However, we seem to get the impression that these new approaches have not lead to real change, nor are they likely to do so with the present support given them.

11

most recent was a study mission in the last 2 months of 1962 to southeast Asia. As a result of this long-range survey I have had an excellent opportunity to observe our overseas assistance programs, both in countries conducting "hot wars" against Communist activities and those fighting battles against equally heinous cold war subversion attempts.

In the report following that study mission I suggested that our AID programs could be tightened up in several ways, including the more careful selection of priorities, firmer controls on the types and direction of aid, and selective cuts in personnel in AID missions.

As a result of our findings on this study mission, I delved further into the problems of AID's operations and staffing in special hearings conducted in May and June together with numerous interviews and conversations with persons concerned with many different aspects of these programs. At the conclusion of these hearings and my investigation of these problems, I made a special report to the Committee on Appropriations outlining both my findings and suggestions for future improvements. This report is available to the Members of the Senate. I might add that even during the hearings and investigations many of the problems we had encountered in southeast Asia were being corrected.

Among the suggestions made in my report were the following:

First. That the Agency take steps to equip itself with a field evaluation and survey group to provide objective evaluations of projects underway or under consideration.

Second. That a country-by-country review of existing programs be undertaken so that we will be better able to understand and evaluate our position at any given time.

Third. That recipient countries make meaningful contributions to any program instituted by AID.

These are just a few of a sizable number of suggestions and recommendations contained in this report.

As this report testifies it was a massive job to turn this aid program around. It took a longer time than many of us expected, but the fact is that the foreign aid program is now making long strides toward effectiveness.

I had an opportunity, during the hearings we conducted, to observe the new AID Administrator, David Bell. He is intelligent, tough-minded, responsible, and responsive. The Agency for International Development has indicated to me the progress made on each of the points and recommendations contained in our report.

For example, the number of aid officials on acting status has been reduced sharply; "selection cut" panels, for eliminating marginal employees, have got underway; several key posts have been filled with new, competent men.

It is still true, of course, that much needs to be done, in personnel and elsewhere—but much has been done already, and much is being worked on right now.

In addition to the reasons being given to our report, a number of other basic

improvements have been made and are continuing under the direction of the Administrator:

First. Steps have been taken to reduce further the already small negative effect of AID on the current U.S. balance of payments. As a result, about 85 percent of the dollars appropriated for fiscal year 1964 will be spent for purchases in the United States. By next fiscal year—fiscal year 1965—it is estimated that the negative effect of AID assistance on the balance of payments will be reduced to \$500 million.

Second. Loans have become the major instrument of foreign assistance. In fiscal year 1964, 60 percent of total economic assistance will be in loans, compared to 30 percent in 1961.

Third. Special efforts have been introduced and expanded to increase the role of private enterprise, both in the developing countries and in the United States in the development effort. Since September 1962, 16 completely new investment guarantee agreements have been signed with developing countries. In 11 other countries, coverage has been expanded. During this fiscal year, the total of investment guarantees of all types will cross the \$1 billion mark. Local currency loans to private investors under Public Law 480 have increased rapidly. AID has loaned more than \$150 million in development loans to private enterprise since AID was established. AID has mounted a new program to help U.S. private enterprise to survey investment opportunities around the world.

Fourth. AID has met with increasing success in its efforts to get other industrialized nations to provide more assistance on more liberal terms. The British recently issued a white paper outlining their intention to substantially liberalize the terms on which they provide assistance. The Canadians have just announced a major step-up in their assistance effort.

Fifth. AID is hardening its loan terms as the capacity to repay of recipient countries improves. Greece, Israel, Taiwan, and Thailand provide examples of countries in which loan terms have been progressively hardened from fiscal 1962 to 1963.

Sixth. AID has completed termination of economic assistance programs to 15 countries which have achieved sufficient self-sustaining growth.

Seventh. More effective methods of administration of the program overseas have been developed. Already AID has created 10 "delegated posts" in which the ambassador performs AID functions, thus eliminating the need for a separate AID mission and director. In other countries, steps are being taken to consolidate management functions of AID, USA, and embassies.

Eighth. Concentration and selectivity both among AID recipient countries and within individual country aid programs have been increased. Now—20 countries receive 80 percent of economic assistance—10 countries receive 80 percent of military assistance.

Ninth. Task forces were established to review all procedures for carrying out assistance programs. The first proced-

Mr. PASTORE. I yield 5 minutes to the Senator from Wyoming (Mr. McGee).

Mr. MCGEE. Mr. President, we are hearing again much talk about reorganization and evaluation of foreign aid. It seems to me that our memories tend to be a little short. Let us think back just a little. The Congress in 1951 laid the groundwork for a new and significantly more effective concentrated foreign aid program. It consolidated the many agencies and functions of U.S. foreign assistance activities into a single agency. The legislation enacted just 2 years ago took full account of the congressional concern over the past foreign aid program. The new act reflected the congressional consensus about the policy direction and established congressional guidelines for administration of this complex program.

Mr. President, over the past 5 years I have had the opportunity to make a carefully calculated sequence of inspections of the trouble spots of the world that figure so heavily in all our foreign aid activities. These missions were conducted for the Committee on Appropriations. The

urs generated by this review have already been established. These procedures are designed to focus responsibilities more sharply, reduce paper flow, expedite action, and shift more responsibility to those charged with implementing the program in the field.

Tenth. To improve performance and minimize the need for full time permanent employees, AID is making increasing use of the vast talents of the entire American community in its assistance efforts. These include business and industry, colleges and universities, private service organizations, and other Federal Government agencies and State governments.

Eleventh. AID has exercised tighter control over personnel levels and functions. Major personnel functions have been decentralized to the four regions, thus improving efficiency and reducing duplication. Many missions have been reduced in size; others notably in Latin America have been increased. Sharp reductions in personnel have been effected in Greece, Israel, Korea, Libya, Ethiopia, and Free China. Loan officers and public safety advisers have been added—with increase offset by reduction in other technical specialties.

Mr. President, it is ironic that at the very time when our foreign assistance program is getting the best direction and guidance it has had in the last decade that we should hear demands that it be dismantled. It is ironic that just at the time when the Agency for International Development is beginning to accomplish the goals that the Congress set for it that we now hear in these halls demands for its abolition. It is ironic that at a time when the AID has changed and reformed its procedures and personnel practices that we hear demands for changes and reforms already being accomplished.

Certainly changes needed to be made; they have already been made. Certainly reforms need to be instituted; they are already being instituted. The reorganization of 1961 was in itself a major and total reorganization of our foreign assistance program designed to accomplish the very tasks its critics now claim it should be doing. It is true that the executive branch did not move with the speed and dispatch in carrying out that reorganization that some of us would have liked. But it is equally true that this is now being carried out and that it would be a grave error to interrupt that process. Indeed, demands for reorganization, overhauling, reorientation may very well be the greatest danger to achieving the efficient, effective, consistent, sensible foreign aid program that we all desire and that this country needs.

What we are seeing washed up on the beach is the wreckage resulting from a storm at sea 4 years ago. We must remember that most of the examples of waste and inefficiency being cited in the body almost occurred prior to reorganization of 1961 and prior to the present direction of the Agency.

I find it hard to understand how we can achieve continuity in the serious planning demanded by critics of foreign aid if we are to tear it up every year.

leave it in a state of uncertainty, toss it back and forth in the debates in this Congress, wait for 6 months before we appropriate its money, and then expect it to be coherent, organized, crisp, and lean in its presentation to us and in its operations abroad.

Mr. President, there can be no doubt that this is a point in which there is unanimous agreement—that foreign aid is an essential instrument and tool of foreign policy. It can, must and will be continued in one form or another. Nearly all of the opponents of this legislation have paid that concept lip service by saying they are not opposed to foreign aid but only the way it is being carried out. If effective administration and organization is their goal, then let them study more closely, as my colleagues and I have done, its administration and operating procedures. They will find them much improved. They will find the quality of management decisions and economic judgments better now than they have been in recent memory. Areas that need to be improved are being improved. Changes that needed to be made have been or are in the process of being made.

The proper role for Congress is to establish and write policy, not to administer the executive branch. Let us confine ourselves to that more important and significant role, policymaking, not administering difficulties particularly applicable to the foreign assistance program which now has one of the best top management teams of any Federal agency. It would be ironic indeed, perhaps tragic, if this Agency were to be gutted, destroyed, or seriously crippled precisely at the time when it is meeting the criteria for effectiveness and efficiency set for it by the Congress.

Sum

180

LIMITED OBJECTIVE PROGRAMS

Problem: The Clay Committee allegation that we are doing too much for too many has been most frequently interpreted to mean that we have programs in too many countries. Our rationale for the smaller limited objective programs has apparently been unconvincing or is rejected. Thus it seems necessary either to put forth a more convincing justification for these smaller programs or to get out of them.

Background: The FY 1964 A.I.D. Congressional presentation described programs in 81 countries. Forty-six of these were limited objective programs and were to receive the following percentages of total economic and military assistance.

	Number of Countries	Percent of Total FY 64 Assistance Request				
		IL	DL	EA	Economic	Military
A. Base Rights	6	1.4	4.1	5.3	2.4	1.0
B. Counter-Ells Influence	11	2.1	19.0	11.3	5.7	2.9
C. Limited Development ("Presence")	22	1.0	9.5		1.8	
D. Holding Action	7	.3	3.6	.4	.7	.6
Total Limited Objectives	46	4.8	36.2	17.0	10.6	4.5

Under present policies it will be several years before SA payments for base rights end. But even then some IL and DL programs might be continued in the base rights countries. Cambodia is dropping from the counter-ellis influence category and programs in other countries such as Thailand, Burma, Syria and Somalia are possible candidates for reduction or termination. Ceylon has dropped from the holding action group and several other programs in this group could be discontinued. But the bulk of the countries and program continuation possibilities are in the limited development group.

Pros and Cons of Limited Development Programs

The limited development programs which are almost all in Africa and consist mainly of technical assistance projects are justified on the grounds that they:

- a. demonstrate our interest and support for the newly independent countries and their leaders,
 - b. make a real though limited contribution to development,
- and

19

c. make it politically feasible for recipient government leaders to continue to rely primarily on ex-empire donors.

Other possible justifications are that they provide a cover for intelligence operations and that they give us a foot in the door in case it should be necessary to increase our assistance to forestall a turn to Communist sources.

The principal arguments against such programs are:

a. They have a high cost in terms of administrative attention required. Although most of the limited development countries are delegated posts with relatively small A.I.D. staffs, the normal requirements of an A.I.D. mission must be met and the overseeing of so many small missions is a complex administrative task. The ratio of total economic assistance (including PL 480 and Exim Bank) per A.I.D. overseas employee is \$1.8 million on a worldwide basis, but only \$380,000 in the limited development countries.

b. The limits on our intentions can never be made entirely clear to the local government without losing the political benefits that such programs are intended to bring. There is a tendency for recipient governments to ask support for various projects and to feel rebuffed when such requests are turned down.

c. There will be continuing pressure for these programs to grow and possibly even more incentive for recipient governments to accept Communist assistance if this appears to lead to increased U.S. aid.

d. Having programs in such individual African countries may contribute to the economic fragmentation of the continent.

Alternatives to Economic Assistance

The arguments in support of limited development programs must stand on the grounds that the objectives are important to the U.S. and that suitable or more desirable alternatives to the existing type of A.I.D. programs are not available. Some of the possible alternatives are as follows:

a. The World Bank, which already has programs in 9 of these 22 countries and may be undertaking programs in 2 more, is an alternative source of demonstrating U.S. concern.

b. The U.K., Italy, and various Western European countries are already major suppliers of technical and capital

assistance and offer alternatives to complete dependence on the former metropole. Presumably they can provide most of the types of assistance which would be available under the programs.

e. A.I.D. could provide various types of assistance for groups of countries outside the context of a formal country program.

These might consist of:

1. A technical back program carried out in collaboration with the Peace Corps, USAID or the Embassies.
2. Providing other types of equipment to support Peace Corps operations.
3. Financing university or other technical assistance contracts for a particular project in a country.

Such activities could be reviewed and approved by the regional bureaus and monitored by technicians stationed in neighboring countries or sent out from Washington. However, if A.I.D. retained a relatively active role in these countries while claiming to have terminated programs, we would be open to charges of having changed the form but not the substance.

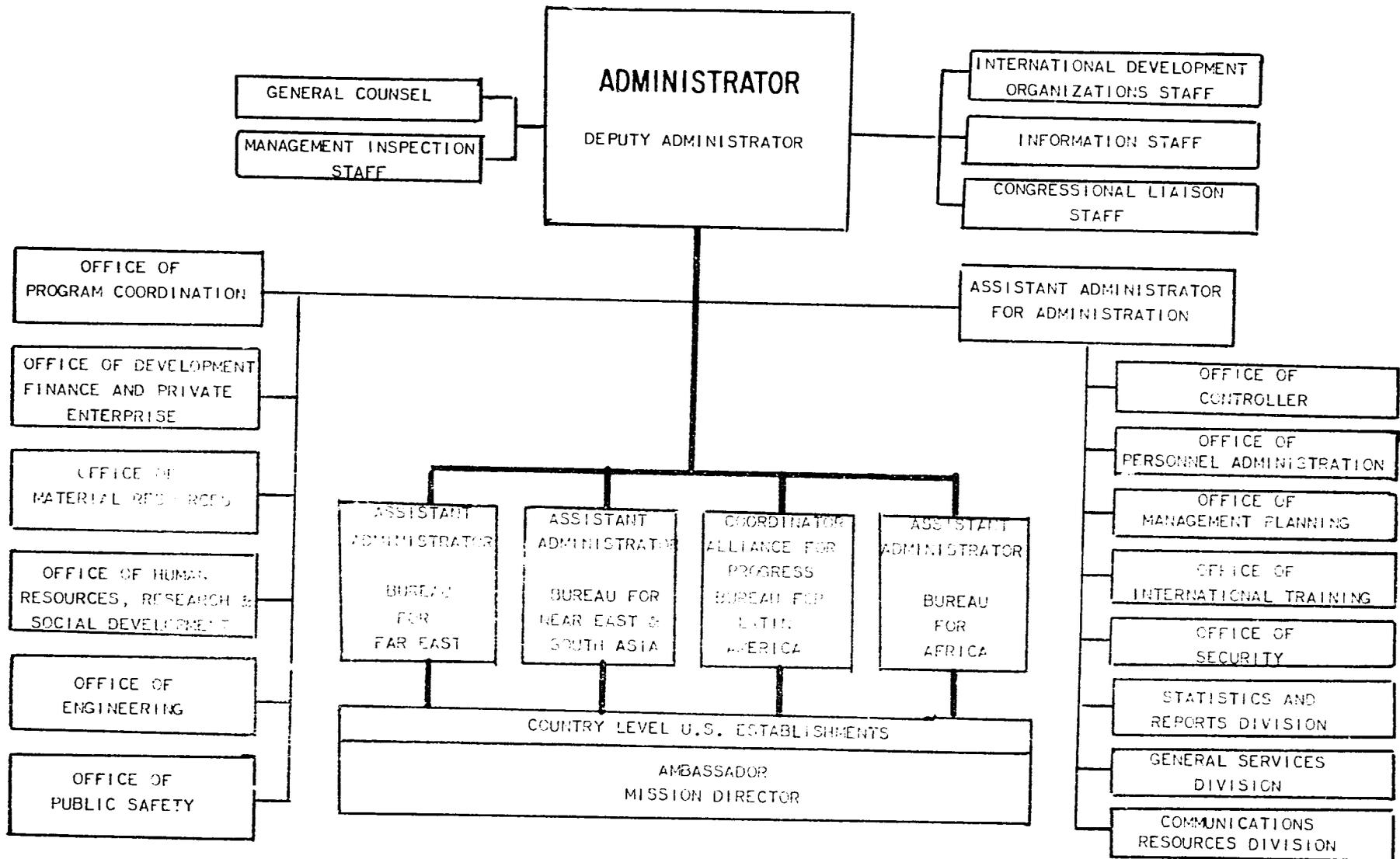
Recommended Position

a. That A.I.D. consider substituting the above techniques for formal programs in all the limited development countries and also in Cyprus, Burma, Syria, Iraq, Paraguay and Haiti;

b. That no new unilateral assistance project contracts be funded and that existing ones be brought to reasonably rapid completion;

c. That in the future regional funds be used to finance commodities for selected Peace Corps projects and that regional pools of technicians be used to encourage a definite shift to multi-country activities.

AGENCY FOR INTERNATIONAL DEVELOPMENT



12/21/63
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