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"FOREIGN MEDDLING & BUREAUCRATIC NIT-PICKING
OR
INTERGOVERNMENTAL RELATIONS
IN OVERSEAS AND DOMESTIC AID SETTINGS"

A Discussion Paper
by Francis D. Fisher for
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Foreign Meddling and Bureaucratic Nit-Picking or...

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The U. S. government administers its programs of foreign aid much better than its domestic assistance programs.

When I make this comment to my confreres in HUD, HEW, OEO or the Department of Labor (and to those in city and State government) the general reaction is astonishment. The conclusion, to be sure is surprising but even more, there is surprise at the very notion that foreign aid and domestic aid are two of the same thing, fit to be compared, that both are species of the same genus: intergovernmental development assistance efforts. The failure to note the similarity of two situations in which one government helps another to solve economic and social problems, whether the two governments are of the same or different nationality, suggests we may not be taking full advantage in our domestic programs of some of the lessons learned with such pain in foreign aid.

As a practitioner of intergovernmental assistance programs, ^{and} who has moved from foreign to domestic aid, I hail this seminar for raising the question of transferability of experience, and offer a few observations suggesting common principles of administering the flow of social resources from one government to another. My observations will not extend to the common subjects of development activity, although interesting parallels between the underdeveloped world abroad and the underdeveloped world of a U. S. ghetto suggest the appropriateness of an

exchange of experiences in how best to tackle such problems as housing, health, promotion of small entrepreneurs, development of local credit institutions, acquisition of job skills, to name but a few. I will limit my comparative comments to principles of program administration in the intergovernmental assistance process.

Evolution of Country Programming in U. S. Foreign Aid,
From Project to Program Aid

Let me first share with you some topical comments about what is happening with our domestic assistance programs ~~which~~ focused on the urban environment, pointing out ways in which some of the foreign assistance approach to administrative structure and problem-solving is, in fact, now beginning to be adopted on the domestic side of the U. S. Government.

I recall to you the early efforts of U. S. foreign aid, a collection of specific project activities, with emphasis on American technical assistance, and organized around specific subjects (agricultural extension service, secondary education, hydro-electric power, etc.) To administer these projects we often created institutions, bi-national in character and separate from the usual unique foreign government ministry. In Latin America we called these "Servicios." In China, and

and later Taiwan, there was the Joint Commission on Rural Reconstruction.

Over time, U. S. Foreign assistance has shifted from these subject oriented efforts to the country programming of today. As Joan Nelson summarizes it:

"Among the program planning principles that have emerged from twenty years' experience with large-scale foreign aid programs, the most basic are the closely linked concepts of country programming and concentration. Country programming implies (she writes) both tailoring U. S. efforts to the particular circumstances of the individual country, and coordinating all types of U. S. aid into an integrated "country program" rather than conducting semi-independent technical, capital, and commodity aid efforts. Concentration simply means focusing aid on a few high-priority goals.*

The effort first of all is to identify the major problems of the underdeveloped country, to assess its own resources, identify important resulting gaps, and to end up by determining the appropriate resource flows from abroad, fixing the amount and kind. Last of all comes specific project design.

Institution Building

At the same time, the character of the special bi-national assistance administrative structure was questioned, and emphasis was given rather to strengthening already existing indigenous institutions. Aid programs built fewer schools and better

*Nelson, Joan; "Aid Influence, and Foreign Policy" Macmillan, 1968, page 49;

education ministries; the mechanism for setting electricity tariffs got ^{as much} attention ^{as} along with the new dam, less attention was directed to wheat rust and more to the question whether wheat should be grown and the appropriate agricultural price policies.

More significant indicators of success were defined, the gross National Product per capita received more attention, pictures of happy children with a full bowl of rice, less.

Country Team

As part of improved foreign aid programming, the different objectives of the United States Government in a particular country were forced into a rational relationship with each other, not always an easy or painless process. (It is almost a maxim that for every United States agency pursuing a particular objective there is one working in opposition). AID may want increased beef production and exports from an underdeveloped country; the Department of Agriculture may fear foreign beef competition. The AID Mission may wish to inhibit the squandering of an underdeveloped country's foreign exchange by its citizens travelling abroad; the United States Travel Agency opens its arms to foreign visitors from everywhere. The Department of Defense and the U. S. Treasury often differ in their estimates

of the appropriate amount of an underdeveloped country's budget which should go for military expenditures.

There is now, in the foreign assistance field, a commitment and a process to reconcile U. S. strategy and programs. The Country Team, the Country Program, and the annual assistance cycle, require orderly confrontation and resolution.

Domestic Aid: Multiple Unrelated Programs

We have a rational method for deriving our Indonesia program for Fiscal 1970. But what is our U. S. Assistance program for Detroit for Fiscal 1970? At present we cannot even identify the person or governmental unit to which the question should be addressed. Our domestic assistance efforts consist of an extraordinarily large collection of specific statutory authorizations, hundreds of them, (the Department of Housing and Urban Development alone administers some 80 to 100 different Congressionally specified programs -- although I am responsible for administering them in the Midwest, I am sorry to tell you I am in doubt as to the exact number!). Each of these is designed to solve some problem worth solving, just as were the early specific projects of foreign aid.

The process of pulling our domestic aid efforts together into a sensible, coordinated program emphasizing attention to

major problems is at a rudimentary stage. When I first arrived at my "mission" in Chicago, my request to talk with the "program officer" brought the reply: "Which program?" There was no one assigned the task of measuring the costs and benefits of alternate ways of meeting general objectives.

The absence of a geographical focus was extraordinary. HUD can supply on a moment's notice information on the total miles of sewer pipe laid in the nation with Federal help last year. But if you should ask, what is HUD doing in a particular city, we cannot tell you, if at all, without a few days of frantically piecing together information about the different program efforts. And HUD is, of course, only one of the Federal development assistance efforts in the cities. There is no "Country Program," no Federal analysis of what Detroit's problems are, its resources, the shortfalls, the needed Federal assistance, the resulting priorities.

Domestic Aid: The Local Development Plan

Yet, there are, today, hopeful changes in city problem analysis, developments which seem to be following the lead of foreign aid. Important improvements are taking place at the local level, where the process of putting together and maintaining an adequate development plan has been receiving special emphasis and federal help.⁴ Local planning is increasingly comprehensive embracing social and economic matters and not so limited to the physical and monumental subjects, until recently so characteristic

of classic city planning. Planning at the local level is also increasingly metropolitan-wide, following problems to their logical boundaries, rather than stopping short at the city line. The federal government under Congressional mandate has twisted some arms to achieve this, suspending grants for water, sewer, and open space until metropolitan-wide planning was underway. The local plan has gained status too, because applications for categorical federal grants are more and more subject to review and comment by local planning bodies.

Section 204 of the 1966 Demonstration Cities and Metropolitan Development Act greatly expanded the categories of Federal Assistance, applications for which are required to be subjected to review for consistency with metropolitan planning.

Developing the Federal Government City Program

As in the case abroad, the local development plan is the major device for coordinating development activity. Good as it ^{might be} is, however, and U. S. city plans are mostly not that good, the U. S. federal government must still identify its goals and priorities and coordinate its resource flows into the locality.

Except for the Model City Program, which I will discuss in a moment and which ^{still} applies only to a certain neighborhood, coordinated federal planning is all but unexistent. As I indicated earlier, even information about existing federal programs has not been

available on a geographic basis.

Under BOB and OEO leadership an effort at organizing data is now going forward, and the Office of Economic Opportunity has just published for the first time a consolidated report on outlays for 70 U. S. cities for fiscal year 1968 covering most federal agencies. The data is still incomplete and in a primitive form but represents a long overdue first step towards a geographically based information system, indispensable for analyzing what is doing in any particular place.

Regional Council - "Country Teams"

Recent developments in domestic aid include not only a start at a data base for cities but also the beginnings of an institution for coordinating federal assistance efforts.

Within the last year, the Regional Administrators of the Federal social agencies, in four cities where regional headquarters happened to be located in the same place, have been formed with the help of the Bureau of the Budget into a kind of "Country Team." President Nixon in his recent statement of March 27 decreed that these Regional Councils shall be constituted in each of the newly delineated eight regions into which the United States has been divided.

Ironing out the different assistance objectives between federal domestic agencies has so far seemed easier than the process of putting together a U. S. Country Program, I suspect.

only because we have not gotten very far in the process. A Model City plan may call for the training of sewing machine operators while the Department of Labor may have determined along with the ILGWU that labor training will not include those skills. CBO may advocate emphasis on neighborhood, HUD on the city, and HEW on the State as the main vehicles through which assistance is rendered. Most differences are more understandable and represent not so much direct conflicts of federal objectives but grow out of the intractable task of allocating scarce money and the ordering of priorities among agreed good things. (In this process we are handicapped by the primitive state of the art of measurement of urban success. Please, academia, give us quickly those much talked about "social indicators" to help us compare the pay-offs of education and health, so we can know whether perhaps the best housing program consists of job training.)

I suspect the trade offs are more easily accomplished with an underdeveloped economy where emphasis on production is clearly called for. A developed economy presents the complicated alternatives of the affluent society, but we should ~~equally~~^{commensurately} have an increased capability of handling data and sophisticated methods of assessing priorities commensurate with our degree of development.

Emphasis on Local Government

The present emphasis on strengthening State and local

government echoes the local institution-building concepts of foreign aid. It is still surprising how many years the structure of domestic assistance efforts reflected the philosophy of the 1930's that things could be run by Washington Bureaucracies. But today we clearly have in the U. S. a bi-partisan decision to assign operational responsibility to the most local level of government possible -- a decision, profoundly democratic in philosophy, and reaching today even to the "sub-city governments" of neighborhood and "citizen participation."

Model Cities

In noting recent developments in administering domestic assistance programs along the lines of foreign assistance programs, special attention must be given the Model Cities program. Although, at present, limited to certain neighborhoods of 150 cities, it provides a promising format which takes advantage of much of our foreign aid experience.

The guide lines of the model cities planning process sound like the AID guidelines for country programming (a small footnote to which is that the Model Cities Director once served as a Deputy Assistant Administrator in AID). The problems of the subject neighborhood are to be analyzed, not just the physical problems, but all the problems of the people who live there,

whether joblessness, schools, health, ^{and} racial discrimination; and ranked in importance. Programs are derived to help solve these problems and both a five year ~~effort~~ ^{plan} and a one year action program set forth. A special effort is made in the model cities program to achieve coordination, both among the various local agencies and between all federal departments which can assist the latter through coordination to be effected through the inter-departmental Model City Team.

Less obvious, but perhaps even more significant parallels with current foreign aid methodology, are provided by the annual periodicity of the programming in model cities and the unbudgetted character of the supplementary fund grants. These supplementary funds, granted in addition to the funds from existing categorical grant programs, are made available in a form which was only finally determined last week, when the first model city grant contracts were signed with three cities. The block grants are to be made available on the basis of brief project descriptions and the certificate of the mayor that the city will administer these supplementary funds with that degree of budgetary detail and fiscal control equivalent to that normally utilized with the city's own funds.

In the Model City program we find, I suggest, the start of what can become a programming cycle, broad program funding in the AID sense, a better identification of goals, local and

national, and a regularized negotiation of differences between the two governments with all the benefits and frustrations that process implies.

The annual programming cycle of model cities, I foresee, might well at some future time be integrated with the periodic review of the Workable Program and the annual budgeting now permitted for urban renewal in the pay-as-you go Neighborhood Development Program, just authorized last year.

We might, in the language of foreign aid, sum these developments on the domestic front by saying that the local sovereignty is being assisted (and required) to think through its own development plan, identify goals, relate physical plans to social problems, and check proposed activities against the plan. The need for local institution building recognized. On the federal side we see the beginning of a country team and a start at annual country programming.

With these recent developments and emerging parallels between foreign and domestic assistance programs, as a backdrop, I would like to comment on several aspects of the intergovernmental relations involved at home and abroad.

Broad Statute - Narrow Statutes

Part of the differences in the structuring of these relations in the two aid settings, foreign and domestic, are the result of

the differences in the underlying statutes. The foreign aid statute is written broadly, domestic legislation has a specificity that would seem inappropriate even in regulations. Part of the reasons for this, I suggest, is that the domestic assistance legislation, as that in the housing field, was adopted in an antagonistic atmosphere and was tailormade to the need for obtaining the slim Congressional margins that approved them.

If today we are restoring an historical landmark in Detroit with federal funds, it is not because any analysis of Detroit's needs and overall federal goals has led to that operational conclusion. Rather, it is because a particular categorical grant program was proposed and adopted by Congress, as a good idea, one which has been pursued diligently ever since by the special bureaucracy created to administer it. The allocation of this particular resource is achieved not in response to problem analysis and comparison with other devices but by spreading it more or less evenly across the countryside. It strikes me as an absurd notion that Congress is a suitable mechanism for determining the precise kind of assistance that it is required in every place, on the unstated assumption that the averaging out of the hundreds of categorical grant programs will result in sensible packages of assistance to each community.

We need policies from Congress; we do not need detailed program regulations. The 900 pages of statutory requirements in the housing

and urban development field compare with the Foreign Assistance Act's brief sentence "to promote economic and social development in the underdeveloped countries of the free world" -- \$2 billion. What countries? What programs? What projects? - these are to be selected by administrators as needed to meet the declared objectives and to be defended (and appropriately so) before vigorous Congressional questioning.

As a result of being given a policy mandate, Foreign aid administrators ask themselves: what should we be doing to meet our objectives? Domestic aid administrators given excessively specific project authorizations, ask themselves: how can we be sure we are complying with subsection 221(d)(3)(iii)(2)?

Domestic aid administrators are not required by their statutes to ask themselves: is this worth doing? Congress has ordained its value. My present instructions, believe it or not, are "please do not comment on the worth of a proposed urban renewal project;" I am only to certify that "it qualifies? under the Act." Eligible projects, that is, projects which are not out-and-out illegal, get in line for funding.

Who Does What -- Federal Nitpicking and Foreign Intervention

For reasons of political philosophy as well as efficiency, both foreign and domestic aid programs hold it desirable to maximize the operational decisions made locally, to cut down on "federal bureaucratic nit-picking; or 'foreign' intervention in domestic

concerns." It is my impression that in keeping operational activity as local as possible we do a better job with foreign than domestic aid. The Federal bureaucracy continues to be involved U. S. localities in a degree of operational detail that strikes a foreign aid administrator as most undesirable.

In our HUD office in Chicago we employ 16 real estate appraisers. They approve for the Midwest the price on the purchase and sale of every single parcel of real estate bought and sold by any city as part of its urban renewal program. In the public housing program our office reviews every budget item of each local housing authority's annual budget. Our lawyers do not accept the legal opinion of the City lawyer for St. Paul, Minnesota, as to the legal authority of that city under State law to purchase vacant land for a park; HUD makes an independent legal review.

One might suppose that trusting a local American sovereignty would come easier than trusting a foreign one. Certainly the degree of second-guessing I am engaged in would not be tolerated in foreign aid. Maybe nationalism provides in its case of foreign aid a useful restraint on the tendency of the government providing assistance to retain authority.

Some of the manifestations of this excessive federal involvement in domestic program detail have been touched on: The specificity of domestic legislation is one. Equally important is the funding

method utilized, which can create or not local incentives to cost consciousness. If a recipient is given an allowance he will worry how he spends the money, if he is told to buy himself a suit and given a charge card the result may be different. Where there is no local incentive to watch costs the federal government must inject itself excessively in the operations. This is the problem with urban renewal and public housing. A great advantage of the program loan, the block grant of a certain set amount, is that the recipient government becomes concerned how the certain amount of funds can best be spent, rather than adopting the attitude that "Uncle will pay" to finish a particular project.

It was important, I think that the Model City funds were allocated to cities on a fairly arbitrary formula, largely based on population and not distributed on the basis of the "worth" of the city proposals. In this way the cities become concerned over the expenditures and the federal role can be appropriately limited to broad judgements.

It will probably require legislation to reform the funding method of public housing and urban renewal to permit the shifting of responsibility for detail to the community, although I am optimistic that the Neighborhood Development Program can be administered to give cities so much money, and no more, for their year's urban renewal program, ^{and this} which would help.

Concern Over How the Local Government Uses its Own Resources:
Self-Help

As the shift is made from categorical assistance to program assistance and a broader view of resources and problems, it becomes increasingly clear that the resources which must be mustered for development are not ^{only those} of the granting government, but also those of the assistance receiving government. That it is a fair concern of the United States what a foreign aid receiving country is doing with its own resources is now generally accepted. The Foreign country's own Development Plan, its public sector investment budget, tax policies, the use of its own foreign exchange are all proper subjects of discussion between governments in foreign aid negotiations. Except for public relations purposes there no longer seems much point in trying to identify a particular school house as "built with U. S. foreign aid."

The examination of local resources and their expenditure as part of assistance negotiations is less ^{well} done on the domestic side. Congress, to be sure, has conditioned certain urban programs, most notably public housing and urban renewal, on a community having its own adequate Workable Program for Community Improvement, requiring a community to demonstrate an adequate local effort of code enforcement and satisfactory relocation

of persons displaced from their homes by government action, but this is an extremely small portion of relevant local effort and even in measuring it, the federal government has until recently been apt to apply national standards of effort rather than a measure of effort related to local capacity. The Workable Program requirements, however, have just been changed and a community will henceforth develop a program of what it is seeking to accomplish related to its own situation and problems. Hopefully the federal government in its negotiations over the approval of these programs will push for goals that reflect the community's full capacity.

In some programs the federal government ignores the application of local resources in a manner which is astonishing. Take for instance, the program of assistance for the purchase of open space. While a complicated rating system exists to help select projects by assessing the extent to which a park proposal meets current federal priority needs, (e.g. attention to the urban disadvantaged or location in a Model City area) no effort whatsoever is currently made to assess a community's total open space program, that financed by local resources as well as that Federally-assisted. An astute community, by shifting not its program but only the selection of those items to be submitted for Federal assistance, can meet Federal priorities

without any change in its program, "The locality will find the pea under any walnut shell Uncle Sam wishes. Heavens. In foreign aid we were on to this game of attribution years ago.

Leverage

A subject of considerable interest to analysts of foreign aid and a central problem for administrators has been leverage. How to accomplish the "resource contribution" in a way which will best exercise its "influence potential"; how to render assistance to a government on condition that it does certain things with its own resources and policies.

At the root of this problem lie the difference in objectives between the governments, differences which one might suppose would be greater between two governments of different nationality (and culture) than between two governments of the United States. This would suggest that between the Federal and local government, the resource contribution could be made with less of the administrative difficulty of imposing conditions, although this is not the present picture.

Differences, important ones, underly the federal system, even in these days of television and national culture. Concerns of the federal government today, problems which Congress has determined can not be left to unguided local use of resources are the poor, civil rights, and a metropolitan approach to

urban problems. As a country, the Kerner Commission report points out, we can not afford the division into two societies, notwithstanding what city and especially suburban governments might do in the absence of federal influence.

Mechanics of Leverage

I have discussed elsewhere some of the leverage mechanics which seem common to the intergovernmental relationship in domestic and foreign assistance settings:

First - How the gain from achieving the resource flow must be balanced against the gain of achieving the conditions. By cumulating the assistance that is at stake over fulfillment of the condition, the chances of its being fulfilled are increased, but the chance of holding up needed resources over a small point is equally increased.

Second - On the domestic side we have our equivalent to the Hickenlooper Amendment overkill. In a major city of America the failure to amend the housing code to require a building owner to construct a second bathroom where one was shared by two apartments, led to the suspension of all grants for public housing and urban renewal.

In the day to day administration of intergovernmental assistance programs there is a great deal of experience relevant

* Fisher, Francis D., "The Carrot and the Stick" *National Journal*
 An *Executive* ...

to the bargaining process between governments. I predict the degree of commonality of problem will increase as the domestic assistance programs continue to move in the directions described today.

Leverage for Social Change: Title IX, Citizen Participation

I close with one more topical comparison. The use of assistance to promote social change within the receiving government. This is a subject which has in the last several years received a great deal of attention in the foreign aid relationship. It strikes me that on the domestic side, federal assistance has been an important force at work in changing politics of the city. I refer to the OEO encouragement of organization of the poor and the increased emphasis of HUD in its urban renewal, public housing, and especially model cities program on an increased role for city neighborhood residents in influencing local governmental decisions. The results are on the front pages of the press.

In the foreign field, the assisted programs of agrarian reform, tax policy and education can, of course, have profound long-term effects on social organization, and Domestic programs, particularly federal aid to education and job training may equally in time affect the political structure. But Congress has

been impatient with the pace of social change abroad and has enjoined AID to proceed with more direct methods.

"Citizen participation" is direct organization of power and has altered the political structure of our cities. Some may argue that it has been upsetting, as some argue that we should assist abroad the efficient dictatorship, but as a country we still seem to be betting on the long term merit of democracy.