

UNITED STATES

SUBMISSION

SPECIAL TOPIC

"ADMINISTRATION FOR CO-OPERATIVE ECONOMIC AID UNDER THE COLOMBO PLAN:  
To describe existing government machinery and techniques for the  
administration of financial aid and technical assistance by both  
donors and recipients, and to consider suggestions for possible  
improvement of the machinery for economic co-operation"

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ADMINISTRATION FOR CO-OPERATIVE ECONOMIC AID UNDER THE COLOMBO PLAN

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## Chapter 1 - Laws and Regulations for Aid

### 1.1 Basic Laws and Regulations for Aid - Summary

United States foreign economic assistance is governed, principally, by four pieces of legislation. They are the Foreign Assistance Act of 1961, as Amended; the Agricultural Trade Development and Assistance Act of 1954, as Amended -- usually referred to as Public Law (PL 480); the Peace Corps Act (1961), as Amended; and the Export-Import Bank Act of 1945, as Amended.

#### a. Foreign Assistance Act (FAA)

This Act declares it to be the policy of the United States to:

"...assist the people of less-developed countries in their efforts to acquire the knowledge and resources essential for development and to build the economic, political, and social institutions which will meet their aspirations for a better life, with freedom, and in peace."

The Agency for International Development (A.I.D.) is the authority under this Act for administering foreign assistance. The Act provides four main vehicles by which this is to be accomplished. The first is Development Loans. Loans can be made for development purposes to foreign governments, or to private enterprises. The second is Technical Assistance, provided usually as grants. The third vehicle is a program by which the Government of the United States encourages private American business to invest funds and talents in the less-developed countries of the world. The purpose is to obtain private financing for the activities that will contribute to development by providing jobs for country nationals, encouraging further economic activity within the country, and training workers and managers. A fourth vehicle is a special section of the Act that provides for the voluntary U. S. contributions to multilateral assistance organizations. These contributions are administered by the Department of State and cover a wide diversity of international organizations. The U. S. funds for international lending institutions are provided through appropriations to the Department of the Treasury.

For a more detailed description of other forms of aid under the Foreign Assistance Act, such as Supporting Assistance and the Contingency Fund, see Chapter 2, Sec. 2.2 e.

(viii) and (ix) below.

b. Food aid

This type of assistance is provided under the Agricultural Trade Development and Assistance Act of 1954 as Amended, usually referred to as PL 480 or Food for Freedom Act. Agricultural commodities are made available to less-developed countries through direct grants, sales for foreign currencies or through dollar loans. The local currency proceeds from the sale of PL 480 commodities can, in turn, be used for further A.I.D.-approved development programs.

Although PL 480 was originally designed as a means of disposing of U. S. surplus agricultural stocks, the commodities available under this law are now considered a basic part of an integrated foreign assistance package. The present Act expires December 31, 1970.

c. Peace Corps

In 1961, Congress passed PL 293 establishing the Peace Corps. The purpose of the Act is:

"to promote world peace and friendship through a Peace Corps, which shall make available to interested countries and areas men and women of the United States qualified for service abroad and willing to serve, under conditions of hardship if necessary, to help the peoples of such countries and areas in meeting their need for trained manpower, and to help promote a better understanding of the American people on the part of the peoples served and a better understanding of other peoples on the part of the American people."

The Corps is staffed by qualified citizens and nationals of the United States, referred to in the Act as volunteers, who are assigned to countries throughout the world that have requested the services of the Peace Corps. In practice, volunteers are not assigned to perform services which could more usefully be performed by other available agencies of the United States Government in the country concerned.

d. Export-Import Bank

This source of funds was organized as a District of Columbia banking corporation

under Executive Order No. 6581 as early as February 1934. It was made an Agency of the United States Government by an Act of Congress on January 31, 1935. As originally constituted, the Bank has the power to facilitate the export of goods from the United States through loans and loan guaranties. The Bank was reincorporated by an Act of Congress on July 31, 1945, and this statute has been amended several times since then. On May 21, 1953, a statute was passed by the United States Congress giving the Bank the additional power of insuring American exporters against loss as a result of war and expropriation. In 1968, the name of the Bank was changed to "Export-Import Bank of the United States."

#### 1.2 Laws and Regulations of Aid Implementation

Some significant constraints on the Executive Branch in carrying out U. S. aid legislation are built into FAA and related legislation.

##### a. Waiver provisions

Congress has recognized the need for some flexibility in administering the A.I.D. program. To this end it has provided a general waiver provision, Section 614-a of FAA, which authorizes the President to spend up to \$250 million of assistance funds without regard to legal restrictions, if he considers it important to the national security. A few constraints, in turn, deny the availability of this general waiver in specific circumstances. In addition to the general waiver, most of the statutory restrictions have built-in waiver authorities.

##### b. Restrictions on assistance to certain countries

The Act prevents the United States from giving assistance to countries which break diplomatic relations, those which expropriate the property of a U. S. national or repudiate a valid debt of a U. S. national without making adequate compensation, default on a prior loan granted pursuant to FAA, or fail to take necessary steps to protect U. S. property from mob action. FAA further provides that the United States is prohibited from giving aid to any country which furnishes assistance to Cuba or North Vietnam, allows

from giving aid to any country which furnishes assistance to Cuba or North Vietnam, allows its ships to carry goods to or from Cuba or North Vietnam, or which sells certain goods to either of those two countries.

c. Procurement from non-U. S. sources

Section 604 of the Act requires that commodities financed by A.I.D. be procured in the United States, unless the President determines that the economic or other advantages to the United States of lower cost procurement offshore outweigh any adverse effects on the U. S. economy. This restriction has come into force only in recent years as a result of the unfavorable balance of payments situation of the United States.

d. Shipping provisions

The Merchant Marine Act of 1936 requires the use of at least 50% U. S. shipping in transporting A.I.D.-financed commodities (other than those purchased with foreign currencies) and Section 612(b) prohibits the use of dollars for the procurement of goods and services if U. S.-owned foreign currencies are available, unless the official approving the voucher certifies the reason for the use of dollars.

e. Competitive bidding requirement

Although relieved by Sec. 633 from competitive contracting which might interfere with the conduct of foreign policy or the furtherance of FAA purposes, A.I.D. has, nevertheless, generally adhered to the principles of procurement through free competition.

f. Number of countries limitations

FAA limits the number of countries to which the different types of assistance may be given. Thus development loans may be made to no more than 20 countries. Technical assistance may be furnished to no more than 40 countries in any fiscal year. Supporting assistance (see Chapter 2, Section 2.2 e, (ix), below, for definition) may be given to no more than 12 countries in any fiscal year.

g. Military expenditures provisions

FAA, Sec 620(s), provides that in furnishing aid under FAA or PL 480, the President will take into account the level of the recipient country's military expenditures. If it is found that the country diverts its aid or own foreign exchange to unnecessary military expenditures to a degree which materially interferes with its development, the President shall terminate assistance and PL 480 sales until he is assured that such diversion will no longer take place.

FAA, Sec 620(v), as does also the Appropriations Act of 1969, Sec 119, states that the President shall withhold economic aid in an amount equivalent to the funds devoted by the country to the purchase of sophisticated weapons systems.

Chapter 2 - Government Machinery Responsible for the Administration  
of A.I.D. Programs

2.1 Government Departments Involved

Almost all Departments of the U.S. Government are involved in one way or another either in planning or carrying out our foreign assistance programs. The principal agencies other than A.I.D. itself, are these:

a. The Department of State

The Department of State carries out a program of Educational and Cultural Exchange. By mutual consent of the governments concerned, the U. S. Department of State under this program brought in over 5,000 foreign grantees to the United States and financed 1,750 U.S. grantees abroad in 1968. Exchanges were conducted with 124 countries. Approximately 700 grantees were nationals of the developing country members of the Colombo Plan. The greater part of the program activity is in the area of academic exchange with grants to university students, research scholars, teachers and university lecturers. The exchange program also brings foreign leaders and specialists to the United States to exchange ideas with American colleagues and observe methods and institutions in their professional fields. Americans chosen for their professional distinction and expert knowledge go overseas on short-term grants at the invitation of the State Department to take part in seminars and discussions with foreign professionals in their fields.

Since foreign economic assistance is an important instrument of U.S. foreign policy, it is carried out within the broad guidelines set by the Secretary of State. Within these guidelines, however, A.I.D. develops and defends its own budget; recruits and trains its own personnel; and deals directly with the Congress and other elements of the Executive Branch, including the White House, in negotiating agreements, or complying with statutory and regulatory requirements common to all Government agencies.

Formal coordination of A.I.D. plans and programs with Department of State policies is achieved through Inter-Departmental Regional Groups -- one for each of the Department's Regional Bureaus. The A.I.D. membership on these groups consists of the appropriate A.I.D.

counterpart of the group chairman who is a representative of the Secretary of State. The groups meet on an ad hoc basis to deal with issues or emergencies and determine the policies that guide each member in carrying out Agency programs.

Informal coordination between State and A.I.D. occurs at all levels. The A.I.D. Administrator attends the daily staff meetings of the Secretary of State. A.I.D.'s Regional Assistant Administrators attend the staff meetings conducted by their State counterparts, i.e., the Assistant Secretaries. Also, coordination of economic assistance with political activity is carried out through daily contact between A.I.D. desk officers and State country directors in Washington, and between A.I.D. technicians and Embassy staff members overseas.

Coordination regarding foreign assistance generally takes place at the initiative of A.I.D., first in the program planning and budgeting phases, and later whenever political factors must be weighed before proceeding with a program action. Once agreed politically, a project proceeds under independent A.I.D. planning and supervision.

b. The Department of Agriculture

Public Law 480, the Agricultural Trade Development and Assistance Act which, as described under Section 1.1, above, provides for the sale or grant of surplus of U.S. food, is the major basis for Department of Agriculture involvement in foreign aid. (See Sec 2.3, a, below for more detailed description of food programs.) The Department of Agriculture is also the largest "participating agency." (See Sec 2.2 b, below.)

c. The Treasury Department

The Treasury Department is responsible for foreign financial policy, in coordination with the Department of State, and especially those foreign activities that affect the U.S. balance of payments. It plays a major role in providing guidance to the U.S. representatives at international and financial institutions, particularly the IMF, the IBRD and the new regional banks.

A.I.D., for all these reasons, coordinates with Treasury to assure that U.S. assistance programs are in consonance with U.S. international monetary policies. The Treasury

Department's concurrence must be obtained before A.I.D. can make any development loans or investment guaranties. A senior Treasury official sits on the major inter-agency committees which must approve all loans and guaranties, the Development Loan Committee (DLC) and Treasury chairs the National Advisory Council (NAC) which has general responsibility for U.S. loan and guaranty programs.

In addition to the important role the Treasury Department plays on the DLC and NAC, its officials participate in the formulation of any new A.I.D. proposals on such issues as overall volume of aid targets; the tying of aid to procurement in the United States; "burden-sharing" measurements to be applied to donor countries; and new multilateral assistance techniques. In the last several years, the Treasury Department has had a particularly important say in A.I.D. programs because of the unfavorable trend in the U.S. balance of payments position.

d. The Department of Defense (DOD)

The Department of Defense (DOD) has operational responsibility for military assistance (MAP) and sales. Funds for military assistance are appropriated under FAA. For example, of the just under \$1.8 billion appropriated under FAA for FY 1969, \$375 million, or about 20 percent, was for military assistance. These funds are allocated directly to DOD. Funds for military assistance to Vietnam, Laos, and Thailand are part of the DOD budget.

Funds for military credits -- \$296 million for FY 1969 -- are not a part of FAA but are appropriated separately under the Military Sales Act, also allocated directly to DOD.

The overall responsibility in the U.S. Government for coordinating economic assistance with military assistance/sales is vested in the Secretary of State. Effective January 2, 1968, the Secretary redelegated this responsibility, previously with the Administrator of A.I.D., to the Under Secretary of State.

e. The Department of Justice

This department handles litigation and uncollectable bills for all Federal Agencies, including A.I.D. The A.I.D. General Counsel deals with the Justice Department on such matters.

f. The Department of Commerce

A.I.D. consults this department about the relationship of U.S. foreign aid with the export of U.S. goods and services.

g. Other government agencies

A.I.D. coordinates and collaborates with a number of other Government agencies in a variety of other operational matters. Most important among these agencies are:

(i) The Bureau of the Budget (BOB)

A.I.D., like other agencies and departments of the U.S. Government, is required to develop its requests for funds from Congress in close coordination with the Bureau of the Budget. More specifically, therefore, A.I.D. deals with BOB on a regular basis on all matters relating to the A.I.D. budget and the annual appropriations; expenditure rates; accounting for off-shore expenditures; ceilings on A.I.D. manpower resources; and A.I.D.'s comments on bills pending before, or passed by the Congress.

(ii) The Civil Service Commission (CSC)

This Commission performs a regulatory and a service function within the Executive Branch on a variety of personnel policies and operational matters. This brings A.I.D., through its central personnel office, into regular contact with the Commission.

## 2.2 Special Government Aid Agency

a. A.I.D.

As mentioned in Chapter 1, above, A.I.D. is the principal foreign assistance agency of the U.S. Government.

A.I.D.'s organization in Washington is headed by the Office of the Administrator. The Administrator formulates and executes U.S. foreign assistance policies and programs in accordance with FAA and certain portions of PL 480. His rank is equivalent to that of an Under Secretary of State. A number of functional offices and staffs are concerned with planning, financial control and the legislative and informational aspects of the Agency's work. Operational direction is vested in five geographic Regional Bureaus. All technical and over-all policy aspects related to assistance in the fields of agriculture, population and health are the functions of a bureau called "War on Hunger". Basic policy for Technical Assistance is handled by a newly established bureau under that name. An organizational chart is found on page 11, below.

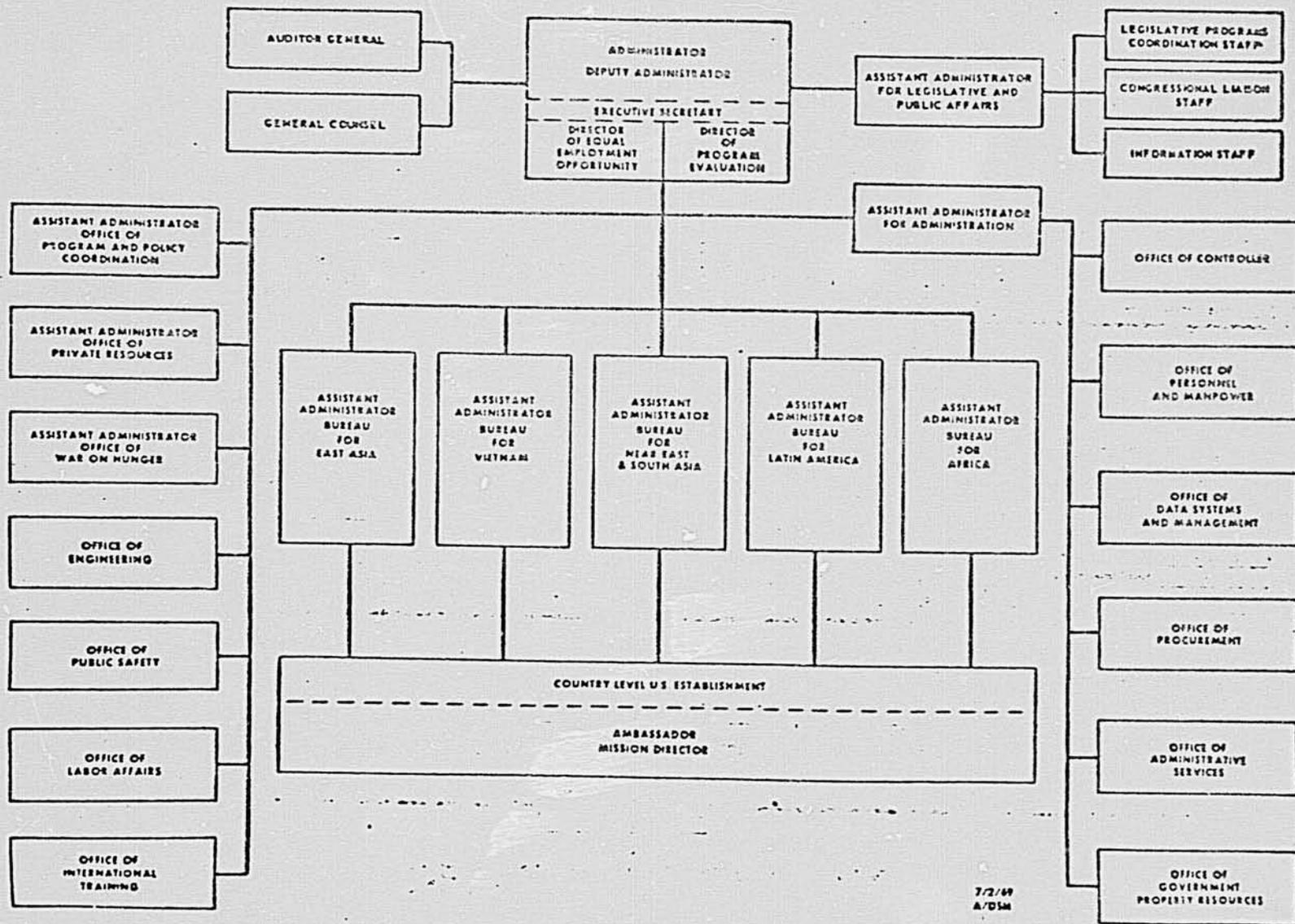
For A.I.D.'s organization in the field, see Chapter 4, Sec 4.1 (a).

b. The Participating Agencies System (PASA)

FAA requires -- and it is long-standing A.I.D. policy -- that the technical skills of other Federal agencies be used to the maximum extent in carrying out U.S. aid programs, particularly in technical assistance. The so-called "participating agencies" play a major role in the foreign aid program. In FY 1967-68, \$47 million of A.I.D. money was spent on programs carried out for A.I.D. by other agencies. At the present time there are 15 agencies under this system, including the Departments of Agriculture, Health/Education/Welfare, Commerce, Defense, Interior, Labor, Housing/Urban Development, Treasury and Post Office; the Farm Credit Administration; the Federal Home Loan Bank Board; the General Services Administration; the National Science Foundation; the Civil Aeronautics Board; and the U.S. Information Agency.

Approximately 1200 employees of these agencies are currently serving overseas on A.I.D.- financed projects. Their services as "technicians" range from complete responsibility for major technical assistance projects, to short term consultation on special problems.

# AGENCY FOR INTERNATIONAL DEVELOPMENT



The participating agencies also carry on research for A.I.D. Agriculture is particularly active in this field. They also train people from the developing countries whom A.I.D. brings to the U.S. for this purpose; review A.I.D. programs and projects for technical feasibility; and conduct special studies for the Agency.

A.I.D. has a General Agreement with each participating agency which describes the services to be performed for A.I.D. Within the provisions of the General Agreement, each A.I.D. Bureau and Office may enter into an individual Participating Agency Service Agreement (PASA) as specific project needs develop. The PASAs spell out the scope of work, staffing needs, and financial details of the project.

Under the PASA system, A.I.D. retains management control of its programs and projects, and, at the same time obtains technical skills and other scarce manpower resources quickly and economically. Under present arrangements, participating agency personnel is not included on A.I.D.'s rolls. While the officials work under A.I.D. supervision, they remain employees of their parent agency.

c. Institutional arrangements for inter-agency coordination

Such coordination is achieved by means of inter-agency committees. These include:

(i) Development Loan Committee

This committee coordinates inter-agency approval of dollar loans, Cooley loans and investment guarantees and establishes criteria for A.I.D. lending. Chaired by A.I.D., its other members are the Assistant Secretary of State for Economic Affairs, similar officials from the Treasury, and Commerce, and the Chairman of the Board of the Export-Import Bank. The committee operates almost exclusively at the staff level.

(ii) Inter-Agency Staff Committee on PL 480

This committee coordinates food sales and grants of food for emergency use and specific projects under PL 480. Members are the Department of State/A.I.D.,

the Departments of Commerce, Treasury, Agriculture, and the Bureau of the Budget.

d. Major categories of U.S. economic aid under FAA

The A.I.D. funds approved by Congress are programmed through five major channels:

Development Loans (DL)

Development loans and Technical Assistance funds for Latin America are appropriated separately from those elsewhere.

Technical Assistance (TA)

Supporting Assistance (SA)

Contingency Fund

Contributions to Multilateral Organizations

(i) Development loans -- purposes

These loans are intended for program, sector and project activities.

Increasingly, loans are given for technical assistance as well, either as part of, or separately from, a capital project.

Program Loans. These are available to finance general imports in support of a comprehensive development effort. Through program lending A.I.D. makes available to the borrowing country the spare parts and raw materials that are necessary to sustain countries' existing industrial facilities. In recent years, a major portion of program loans has financed fertilizer imports. Program loans, because of their general influence on the economic and financial situation of the country have set the scene for overall discussions with recipient countries on the progress of development and the maintenance of financial stability.

Sector Loans. This type of loan provides financing for activities in a given sector and may also be related to policy or institutional changes in that sector by the borrowing country. Thus, an agriculture sector loan might be based on an undertaking by the borrower to establish or improve rural credit institutions or new pricing policies for agriculture. The imports that are financed by a sector loan are not necessarily related to projects in that sector.

Project loans. These are given to enable the borrower to finance the foreign exchange costs of activities that produce revenue directly or that are important to the infrastructure of the country. Examples are the establishment or expansion of manufacturing facilities, development banks, irrigation, power, multi-purpose water resource development, mining, ports, transportation and communication, fisheries and grain storage facilities. Loan funds are available also for projects designed to promote social development, including schools, hospitals and housing, and for such social programs as adult education, public health, or community development. The technical assistance needed for project planning, surveying, and feasibility studies, and the training of key personnel, all may be covered by the project loan. Management assistance during the start-up period may also be included. Sometimes development loans are used to support undertakings that promote development of private enterprise in the borrowing country, such as intermediate credit institutions or cooperatives.

(ii) Criteria of development loans -- legislative

Development loans for any of the aforementioned purposes may be made only where there are reasonable prospects of repayment. The following additional criteria are taken into account in determining whether or not a loan is approved. These criteria apply to all borrowers -- governmental, quasi-governmental, or private:

Whether financing can be obtained in whole or in part from other free-world sources on reasonable terms. In judging whether alternative financing is available on reasonable terms, the criteria applied and terms offered by other lending institutions and governments and the repayment capacity of the country are considered.

Whether the activity to be financed is considered economically and technically sound.

Whether the activity gives reasonable promise of contributing to the development of economic resources or the increase of productive capacity. The records of discussion in Congress indicate that this provision is meant to include loans for social development projects and programs.

Whether the activity is consistent with, and related to, other development activities being undertaken or planned.

Whether the recipient country is responsive to the vital economic, political and social concerns of its people and demonstrates a clear determination to take effective self-help measures.

Whether the possible effects of the loan upon the U.S. economy -- with special reference to the balance of payments and areas of substantial labor surplus -- are acceptable.

(iii) Terms of development loans.

Principal and interest on development loans made under the authority of Chapter 2, Title I of FAA are repayable in dollars. A.I.D. loan terms are based primarily on the Agency's objective of providing assistance to foster long-term economic growth and on an estimate of the borrowing country's capacity to service long-term foreign debt. Maturities for development loans have ranged from 15 to 40 years and have included grace periods of up to 10 years. Interest rates may range up to 5 3/4 percent but are usually substantially lower. The minimum rate of interest on A.I.D. development loans is now statutorily fixed at 3 per cent per year, starting after a grace period of 10 years during which time the minimum rate of interest is 2 percent. The combination of terms applicable to each potential borrowing country is established on the basis of a periodic worldwide review.

(iv) The "Two-Step" arrangement

For loans to private borrowers and for public self-liquidating revenue-producing projects, an effort is made to maintain a normal debt burden on the borrower without aggravating the recipient country's balance of payments difficulties. Usually, a so-called two-step arrangement is concluded among the borrower, the host government, and A.I.D. The arrangement provides for repayment by the borrower on normal commercial terms, i.e., approximately those of the Export-Import Bank. The final borrower repays in local currency to the recipient government, which then assumes the obligation to repay A.I.D. in dollars on terms similar to those which A.I.D. would apply to direct loans to the government. Alternatively, A.I.D. may lend low interest, long-term funds to the government, which relends on commercial terms directly or through development banks for private or public, self-liquidating purposes. A.I.D. also may make direct loans on normal terms to private enterprise and revenue-producing, self-liquidating public projects, bearing in mind the capacity of the country to repay.

(v) Technical Assistance

Funds for technical assistance, besides occasionally being included in loan arrangements, are provided in the form of grants. They are authorized by FAA

"to promote the economic development of less developed friendly countries and areas, with emphasis on assisting the development of human resources through such means as programs of technical cooperation and development."

Training. Much of the Technical Assistance program is directed to training specialists, technicians, professionals, and administrators, by sending abroad American specialists and advisors, or by bringing trainees to the United States. See Chapter 4, Secs 4.4 and 4.5, below for detailed description of training programs.

Institution building. This includes assistance in establishing or improving school systems and universities, agricultural extension services, public health systems, trade and credit institutions, labor unions and cooperatives.

Surveys and other services. Under this category U.S. technical assistance provides advisory personnel to the country's planning efforts, its research facilities and investment surveys.

Commodities. Funds may also be used to construct physical facilities required for the development of human resources or for general demonstration purposes; for the equipment and materials needed to support the efforts of specialists, such as workshop tools for vocational school, DDT for malaria eradication, or simple audio-visual aids for use in expanding public health education to rural areas.

(vi) Legislative criteria and limitations on the use of funds

The use of technical assistance funds is governed by a number of legislative and policy criteria.

Legislative Criteria. Technical assistance activities must give reasonable promise of contributing to the development of educational and other institutions and programs directed toward social progress; they must comply with the norms established for development loans regarding technical and economic soundness, consistency with other development activities, recipients' self-help efforts, and impact on the U.S. economy.

Limitations on the use of funds. Normally technical assistance grant funds may not be used where development loans would be more appropriate. For example, they are not used to finance capital projects that directly earn foreign exchange. They are not normally used to finance self-liquidating capital projects or for balance-of-payments or budgetary support. The fact that a project has social or human resource benefits does not preclude it from loan financing where the recipient country is considered to have the capacity to service the loan.

(vii) Technical Assistance contracts with private and government agencies

Especially in the area of technical assistance in institution building, A.I.D., in the last ten years or so, has drawn increasingly on private American

organizations with the needed experience, information and personnel. For example, many American universities are working under contracts financed by A.I.D. to establish or improve universities and school systems in developing countries. Land grant colleges are helping establish agricultural colleges and extension services. American cooperative and credit organizations are conducting technical assistance programs to spur the growth of cooperatives for housing, savings, agricultural credit, rural electrification and marketing of consumer goods. U.S. Government agencies also supply specialized personnel needed by A.I.D. for technical assistance assignments. See Chapter 2, Sec 2 (b), above for discussion of PASAs.

(viii) Supporting Assistance (SA)

The purpose of this type of aid is to provide assistance where the usual criteria for development loans or grants cannot be met. The amount and specific uses of such aid are devised so as to make the maximum feasible contribution to development.

Specifically, SA is designed to enable countries to make a contribution to the common defense or to internal security, in a volume greater than their economies could support unaided. SA is intended to maintain economic stability in countries where drastic reduction of current support would involve economic and political disintegration.

SA, which may take the form of a loan or a grant, can be used to finance (a) capital projects, (b) commodities and services for emergency or refugee relief projects, police and internal security activities, (c) general commodity imports, and (d) in exceptional cases, cash transfers.

(ix) Contingency Fund

As the term implies, this fund is available for meeting urgent and unforeseen requirements for economic assistance; or for meeting requirements that cannot be clearly defined or accurately costed in advance. The fund may be drawn upon for any of the purposes of economic assistance.

(x) Contributions to multilateral organizations

As in previous years, the A.I.D. budget proposal for FY 1970 includes the U.S. voluntary contributions to various UN agencies, primarily the United Nations Development Program (UNDP). Other UN agencies included in this part of the A.I.D. budget request are the UN Institute for Training and Research, the World Meteorological Organization, UN Forces in Cyprus (see chart on page 20).

2.3 Other Government-Supported Agencies Concerned with Foreign Assistance

As mentioned in Chapter 1 above, there are a number of other agencies of the U.S. Government that operate assistance programs, either separately or in conjunction with A.I.D. These are described below.

a. Food for Peace

The U.S. Congress in 1954 passed legislation entitled "Agricultural Trade Development and Assistance Act", i.e., PL 480.

(i) Purpose

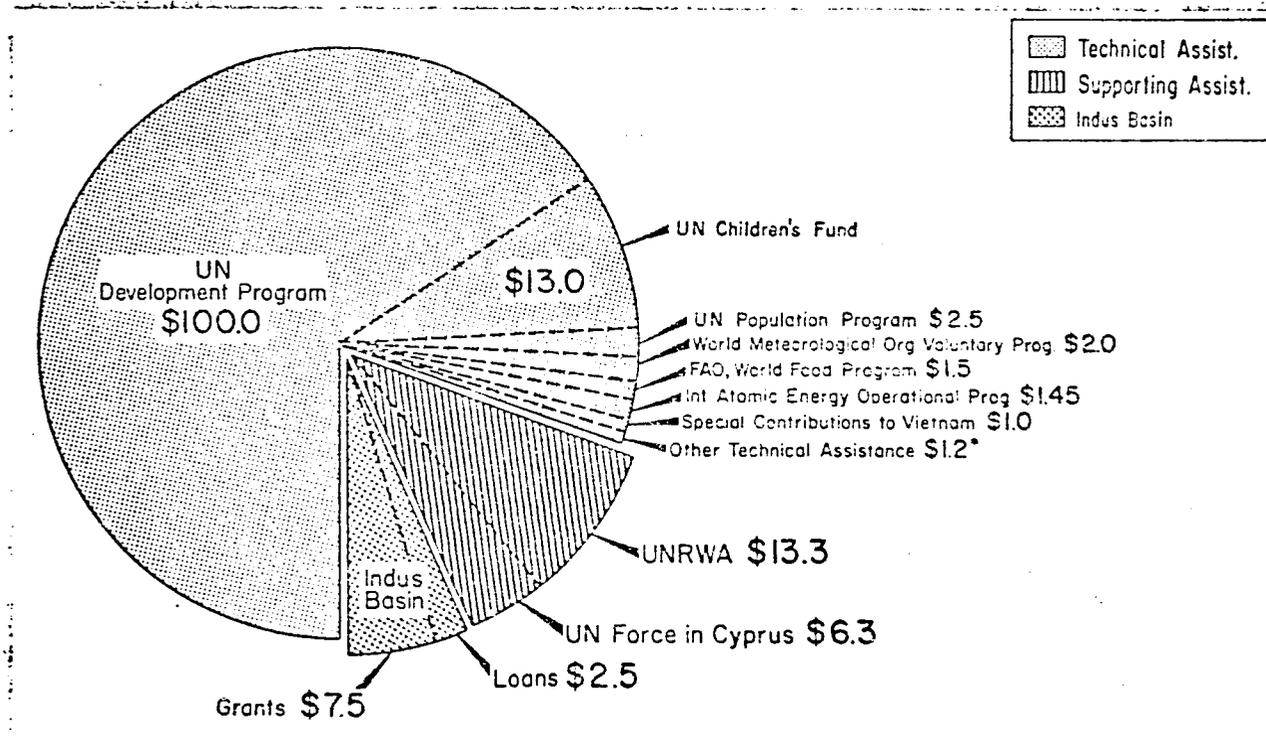
In Section 2 of the Act, Congress outlined the reason and purpose of the legislation in the following language:

"Sec. 2. The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities, tap the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

(ii) Scope

The PL 480 program constitutes an important arm of the U.S. foreign assistance. Since its inception more than \$18.5 billion worth of agricultural commodities have been distributed throughout the world. Wheat accounted for more than two-thirds of these sales. Of the <sup>above</sup> amount, Colombo Plan countries received

VOLUNTARY CONTRIBUTIONS TO  
**MULTILATERAL ORGANIZATIONS**  
 PROPOSED FY 1970 PROGRAMS—\$millions



**TOTAL FY 1970 PROGRAMS—\$152.2 million**

\*Includes:  
 UN Assistance to Congo — \$0.5  
 UN Institute for Training & Research — \$0.4  
 WHO Medical Research — \$0.15  
 Int. Secretariat for Vol. Serv. — \$0.07  
 UN Programs for Southern Africans — \$0.05

over \$10 billion or approximately 55 percent of the whole. In 1968, \$1.2 billion worth of commodities were exported under sale or donation programs. For three consecutive years Food for Peace shipment accounted for nearly one-fifth of all U.S. agricultural exports.

(iii) Forms of financing

Until January 1, 1967, commodities were distributed under four headings or Titles. Pursuant to the decision of Congress "that steps be taken to insure a progressive transition from sales for foreign currencies to sales for dollars and that the transition be completed by December 31, 1971", legislation was passed in 1966 encompassing three Titles. Title I covers all sales, whether for foreign currency or dollars. Title II provides grants for relief. Title III applies to barter contracts, a relatively smaller program.

Sales program, Title I - general. Sec. 101 reads, in part, as follows:

"In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities for dollars on credit terms or for foreign currencies."

Since January 1, 1967, all concessional sales, whether for foreign currencies or for dollars on credit terms, have been conducted under Title I of PL 480. This arrangement requires a progressive transition from sales for foreign currencies to sales for dollars on credit terms.

The new emphasis of the Act links food aid to self-help efforts of participating countries toward agricultural development. With the exception of private trade agreements, all sales agreements are negotiated with foreign governments. Government-to-government agreements may provide for one or more of the following methods of financing: (1) Sales for dollars on long-term credit terms; (2) sales

for foreign currencies on credit terms which permit conversion to dollars; and (3) sales for foreign currencies paid on delivery of the commodities. Private trade agreements are limited to dollar credit financing.

Title I terms. Government-to-government long-term credit sales are made in two ways: (a) dollar credit sales, under terms that permit payment over a period of up to 20 years, with a maximum 2-year grace period, a minimum interest rate is 2 percent during the grace period and 3 percent thereafter, (b) local currency credit agreements which provide for credit sales to be paid in foreign currencies, under terms that permit conversion of the currencies to dollars at agreed-upon rates of exchange. Financing can be made available for up to 40 years, with a 10-year maximum grace period. Minimum interest rates during the grace period and the payment period are the same as those for dollar payments. (For the procedures governing the use of foreign currency sales proceeds, see point (v) below.

Operation of Title I. The Commodity Credit Corporation (CCC) finances the sale and exportation of agricultural commodities both from private stocks and from its own stocks. Actual sales are made by private U.S. businesses to foreign importers, Government agencies, or private trade entities. Section 401 of the Act provides that commodities included in sales agreements under Title I must be determined to be "available" by the Secretary of Agriculture.

Before commodities can be made available for Title I sales programs, consideration must be given especially to anticipated commercial exports for dollars, i.e. PL 480 shipments must be in addition to the receiving country's normal imports, i.e., it must satisfy normal marketing requirements.

The Sales Agreement. A request for PL 480 purchases may be submitted to an American Embassy by a foreign government or private trade entity, or it may be submitted to the U.S. Government by a foreign government's Embassy in Washington. The agricultural attache, other appropriate U.S. Embassy officials, and host government officials develop supporting evidence of need in excess of likely domestic production and normal commercial imports. After analysis by the Department of Agriculture a program is established which provides for sale and financing of specified requested commodities, fixes suitable levels of required commercial imports from the United States and countries friendly to the United States, proposes self-help measures to be undertaken by the requesting government and specifies uses of currency proceeds of the sale. Subsequently, an Inter-Agency Staff Committee which consists of representatives of the Departments of Agriculture, Treasury, Defense, Commerce, and State/A.I.D., and the Bureau of the Budget approves the negotiating instructions to the appropriate U.S. Embassy.

(11) PL 480 - Title III Donations.

Section 201 of PL 480 provides for donations, as follows:

"The President is authorized to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief

requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and non-profit school lunch and preschool feeding programs outside the United States. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as he may request."

Title II assistance is being channeled increasingly into community and self-help projects. The purpose of this redirection of effort is to alleviate the causes which lead to such need.

Distribution procedures. There are three methods: through recipient governments, U.S. voluntary agencies, and international agencies, such as the World Food Program (WFP). U.S. voluntary agencies registered with the Advisory Committee on Voluntary Foreign Aid include such agencies as CARE, Catholic Relief Services, and Church World Service, and international organizations such as the United Nations Relief and Works Agency (UNRWA); and the United Nations Children's Emergency Fund (UNICEF). The U.S. voluntary agencies supervise or assist in the supervision of the program, train local personnel, and contribute funds for the purchase of equipment, supplemental foods, and other necessary supplies. Such contributions are made possible by cash contributions to the voluntary agencies from citizens of the United States and other countries.

A.I.D. is responsible for overall supervision of operations of the foreign donation programs to insure effective use of food resources in recipient countries. In each of the countries or territories in which these programs are conducted, an A.I.D. Food for Peace officer, a member of the U.S. A.I.D. Mission, or a U.S. diplomatic representative monitors operations. A.I.D. auditors from Washington and mission controller staffs periodically conduct audits to determine that programs are being operated in accordance with agreements, U.S. Government regulations, and accepted practices.

Cost to the United States. The Commodity Credit Corporation (CCC), in addition to having the costs of acquisition charged to its budget, may pay the costs for enrichment and preservation of the commodities as well as the costs of packaging, processing, transportation, handling and ocean freight.

Costs to the recipient country. The recipient government pays for the costs of handling, warehousing, internal transportation and preparation. Often it provides

equipment and contributes funds for the purchase of other foods, fuel, and processing. It pays the salaries of local administrators, cooks, teachers, and other personnel. Commodities provided. The U.S. Government provides commodities such as wheat, flour, bulgur, corn, cornmeal, nonfat dry milk, CSM (a corn-soya-milk blend), WSB (a wheat-soya blend), and vegetable oil.

(iii) PL 480 - Title III, Barter.

PL 480, in Sec. 303 provides that

"The Secretary shall...barter or exchange agricultural commodities owned by the Commodity Credit Corporation for...strategic materials."

In arranging for the exchange of agricultural commodities for strategic materials, CCC enters into barter contracts with private U.S. business firms. These firms accept CCC-owned commodities for export and, in exchange, deliver strategic materials from foreign sources. Among the major provisions of such barter contracts are requirements that:

(1) agricultural commodities be exported to designated countries; (2) proof of export to, and import into, the designated countries be submitted by the contractor; (3) barter commodities not be reexported; (4) financial coverage in cash or letters of credit be provided if agricultural commodities are acquired before materials are delivered; (5) materials delivered meet prescribed specifications; and (6) where ocean transportation is necessary for delivery of materials, at least 50 percent be shipped on privately owned U.S. flag vessels, if they are available at fair and reasonable rates.

(iv) The self-help provisions under PL 480.

The principle of "self-help" became an integral part of PL 480 in 1966. The legislation included nine self-help activities focusing on land use, infrastructure, research, education and public investment.

The most recent amendment to PL 480, passed in 1968, added to this list voluntary programs to control population growth. The law requires that not less than 5 percent of local currencies received under Title I programs be made available for voluntary

population control programs, if requested by the importing countries. Section 109 of the Act dealing with self-help reads, in part, as follows:

"(a) Before entering into agreements with developing countries for the sale of United States agricultural commodities...the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities..."

The legislation requires that not less than 20 percent of the foreign currency proceeds under the agreements be allocated for self-help measures. The law further specifies that each agreement "...shall provide for termination of such agreement whenever the President finds that such program is not being adequately developed."

Results. We believe that the self-help requirements have contributed to the agricultural progress of many developing countries. The agreements appear to have encouraged higher agricultural budgets, the establishment of price incentives for farmers, and improvements in marketing in a number of recipient countries.

(v) Use of sales proceeds under PL 480

Title I sales agreements for foreign currencies include the terms for the deposit and use of foreign currency. Each agreement specifies the percentages of the total proceeds that are to be used for grants and loans to the purchasing government.

As shipments are made, the recipient government deposits to the account of the U.S. Disbursing Officer an amount of its own currency equivalent to the dollar amount due. The Treasury Department establishes and administers regulations concerning the deposit, custody, and sale of the currencies. Sec. 104 of the Act reads, in part, as follows:

"Notwithstanding any other provision of the law, the President may use or enter into agreements with foreign countries or international organizations to use the foreign currencies, including principal and interest from loan repayments, which accrue in connection with sale for foreign currencies under this title for one or more of the following purposes..."

Sec. 104 of the Act then lists a wide variety of uses for the foreign currency deposited under the sales agreements. Usually, the larger part of these U.S.-owned funds is devoted to development purposes in the buying country, either through loans or grants. A smaller part is used by the United States to defray its own expenses in the country or for loans to American or local investors, the so-called Cooley Amendment funds.

b. Peace Corps

The Peace Corps is a separate agency under the Department of State. Its objectives as stated by the Congress are three-fold:

"To help the people of interested countries and areas in meeting their needs for trained manpower, and to help promote a better understanding of the American people on the part of the peoples served and a better understanding of other peoples on the part of the American people."

The volunteers serve in a wide variety of jobs, including teachers, agricultural extension workers, surveyors, water and sanitation workers, nurses and nurses' aides, medical technicians, vocational and athletic instructors, youth group organizers, and rural and community development workers. In contrast to A.I.D. professional and technical specialists, whose purpose is to advise and train recipient country personnel and demonstrate new techniques and approaches, Peace Corps volunteers usually serve under host country supervision to fill immediate manpower needs.

The activities of the Peace Corps are conducted separately from those of the Embassy and other U.S. agencies. When its program is being formulated, Peace Corps officials consult with the Embassy and the A.I.D. mission in the field, as well as with the appropriate officials of the host country. A.I.D. program planning in turn takes account of possible Peace Corps projects.

At the end of FY 1968 there were 3,062 Peace Corps volunteers in nine Colombo Plan countries.

c. Export-Import Bank of the United States

Founded in 1934, the Export-Import Bank of the United States is an independent corporate agency of the United States Government. Its basic function is to assist in financing the export trade of the United States. But this is not to say that its activities do not contribute to development. To enable Eximbank to conduct these operations, the Act of Congress which constitutes the charter of the Bank grants it broad banking powers, including authority to borrow and lend, and to buy, sell, and guarantee debt obligations.

(i) General policy.

The charter of Eximbank lays down four basic principles: (1) Eximbank should supplement and encourage--not compete with--private capital; (2) Eximbank fees and premiums charged for guaranties and insurance should be commensurate with the risks covered; (3) in making loans Eximbank should take into account possible adverse effects upon the domestic economy; and (4) Eximbank loans should generally be for specific purposes and should offer reasonable assurance of repayment.

The Bank is authorized under its Export Expansion Facility to support a limited amount of export transactions which may not meet the test of reasonable assurance of repayment but which nevertheless offer sufficient likelihood of repayment to justify Eximbank's support in order to foster the foreign trade and long term commercial interest of the United States.

(ii) Lending activities

Long term. Eximbank lends dollars on long term to cover costs of U.S. goods and services purchased by foreign borrowers (both governmental and private) for such purposes as establishing industries, expanding existing plants, and modernizing transportation and communications. In 1968, the average interest rate on Eximbank credits was 6.4 percent. These loans and the interest they bear are repayable in dollars.

Medium term. In this field, the Eximbank also guarantees commercial bank loans made to exporters, provided the commercial bank releases the exporter of that portion of his obligations so financed, should the overseas buyer fail to pay. In addition to the bank loan, Eximbank expects the exporter himself to provide part of the financing for his overseas sale.

(iii) Insurance and guaranty

In its insurance and guaranty operations, Eximbank is the U. S. counterpart of those institutions of other countries that provide guaranties and insurance to their exporters against the commercial and political risks of overseas credit sales. In cooperation with some 60 private insurance companies comprising the Foreign Credit Insurance Association, Eximbank participates in short and medium term credit and political risk insurance for exporters.

2.4 Reorganization or Expansion of Aid Administrative Machinery

President Nixon in September appointed Mr. Rudolph Peterson to head a Task Force to study the United States aid program. This group is to make its recommendations before the end of the year.

2.5 Future Plans

This year's (FY 1970) proposed foreign aid bill replaces substantial parts of the Foreign Assistance Act of 1961, as Amended, to reflect new priorities and new directions, primarily the increased use of private enterprise in development and the greater focus on technical assistance. Among the innovations in the proposed bill are these:

a. Overseas Private Investment Corporation (OPIC)

This corporation is to take over most of A.I.D.'s present U.S. investment incentive programs and carry out other activities in cooperation with developing nations to increase the contribution of American private investment to development.

b. Technical Assistance

The proposed legislation emphasizes the important role of technical assistance in the development process by grouping in one place the provisions relating to bilateral and multilateral technical assistance and providing a two-year funding authorization. Within A.I.D. a new bureau has been established to advise the Administrator on all phases and aspects of technical assistance policy.

### Chapter 3. Questions of Aid Policy Having a Bearing on the Administrative Machinery

#### 3.1 Formulation of Aid Policy

As mentioned in Chapter 1, above, FAA (Chapter I of Part I) supplies the guidelines for U.S. policy in providing economic assistance to foreign countries. Section 102 gives a statement of policy. It is quoted below:

"The Congress declares that the freedom, security, and prosperity of the United States are best sustained in a community of free, secure, and prospering nations. In particular, the Congress recognizes the threat to world peace posed by aggression and subversion wherever they occur, and that ignorance, want, and despair breed the extremism and violence which lead to aggression and subversion. The Congress declares therefore that it is not only expressive of our sense of freedom, justice, and compassion but also important to our national security that the United States, through private as well as public efforts, assist the people of less developed countries in their efforts to acquire the knowledge and resources essential for development and to build the economic, political, and social institutions which will meet their aspirations for a better life, with freedom, and in peace.

In addition, the Congress declares that it is the policy of the United States to support the principles of increased economic cooperation and trade among countries, freedom of the press, information, and religion, freedom of navigation in international waterways, and recognition of the right of all private persons to travel and pursue their lawful activities without discrimination as to race, color, or religion in the granting of, or the exercise of, personal or other rights available to American citizens is repugnant to our principles.

The Congress further declares that to achieve the objectives of this Act, programs authorized by this Act should be carried out in accordance with the following principles:

First, development is primarily the responsibility of the people of the less developed countries themselves. Assistance from the United States shall be used in support of, rather than substitution for, the self-help efforts that are essential to successful development programs, and shall be concentrated in those countries that take positive steps to help themselves. Maximum effort shall be made, in the administration of this Act, to stimulate the involvement of the people in the development process through the encouragement of democratic participation in private and local governmental activities and institution-building appropriate to the requirements of the recipient nations.

Second, the tasks of successful development in some instances require the active involvement and cooperation of many countries on a multilateral basis. Therefore, to the maximum extent practicable, other countries should be encouraged to increase their contributions to development programs and projects so that the cost of such common undertaking, which are for the benefit of all, may be shared equitably by all.

Third, assistance shall be utilized to encourage regional cooperation by less developed countries in the solution of common problems and the development of shared resources.

of

Fourth, the first objectives/assistance shall be to support the efforts of less developed countries to meet the fundamental needs of their peoples for sufficient food, good health, home ownership and decent housing, and the opportunity to gain the basic knowledge and skills required to make their own way forward to a brighter future. In supporting these objectives, particular emphasis shall be placed on utilization of resources for food production and voluntary family planning.

Fifth, assistance shall wherever practicable be constituted of United States commodities and services furnished in a manner consistent with other efforts of the United States to improve its balance of payments position.

Sixth, assistance shall be furnished in such a manner as to promote efficiency and economy in operations so that the United States obtains maximum possible effectiveness for each dollar spent.

Seventh, to the maximum extent practicable, the furnishing of agricultural commodities, disposal of excess property, and United States payment to international lending institutions, undertaken pursuant to this or any other Act, shall complement and be coordinated with assistance provided under this Part.

a. Role of the Legislature and public opinion

(i) Congressional process

The process of review of the A.I.D. program by Congress extends over virtually the whole Congressional session every year. The first stage is the mention of foreign assistance, traditionally in very general terms, in the President's State of the Union Message each January. The second stage is the President's Budget. The amounts requested by A.I.D.--within each assistance category, and for each geographic region--are included in this Budget. Next comes the President's Economic Report, which contains a section on foreign assistance.

The A.I.D. program is formally submitted to the Congress when the President transmits the Foreign Aid Message and the proposed authorizing legislation in February or March each year. This legislation requests the amounts to be authorized for appropriation in each assistance category for the next fiscal year. Normally, the proposed authorizing legislation is introduced in the House by the Chairman of the

Foreign Affairs Committee, and in the Senate by the Chairman of the Foreign Relations Committee, and is referred to those committees for consideration. A detailed explanation of the proposed A.I.D. program, known as the Presentation Book, is then sent to these House and Senate committees and also to the two appropriation committees. Separate "Project Data" books are prepared for each region, describing each A.I.D. project, at the request of the Foreign Operations Subcommittee of the House Appropriations Committee.

Authorization. The first A.I.D. hearings on the authorizing legislation are normally held by the House Foreign Affairs Committee. Before it appears the Secretary of State, the Administrator, the regional Assistant Secretaries of State, the regional Assistant Administrators of A.I.D., and others. These hearings may take two or three months. After hearings in the House Foreign Affairs Committee or the Senate Foreign Relations Committee, each Committee "marks up" the proposed legislation, making cuts in the authorization request; accepting, rejecting or modifying proposed substantive changes in the Foreign Assistance Act of 1961 (FAA); and adding amendments submitted by Committee members. The mark-up process may take from a week to several months. Subsequently, the House and Senate meet in conference to resolve differences and agree on a single version of the bill.

Appropriation. Once the authorization bill is signed by the President, the Congress turns to the A.I.D. appropriation bill. The Foreign Operations Subcommittee of the House Appropriations Committee holds extensive hearings with the Administrator, the regional Assistant Secretaries of State, A.I.D.'s Assistant Administrators and, at the end, the Secretary of State. During the marking up period cuts are made in the amounts requested in the President's Budget to--or below-- the amounts stipulated in the authorizing legislation. In the course of the floor action in the House further cuts may be made, or the bill may be further amended. When it ultimately passes the

House, it is sent to the Senate and referred to the Senate Appropriations Committee. This committee also hears the Secretary of State and the Administrator in closed session, usually toward the end of the legislative process for the year, and after the authorizing legislation has been passed and the appropriation bill reported to the House floor by the House Appropriations Committee. The Senate Appropriations Committee then marks up the House-passed bill and reports it to the Senate, where it may undergo further change. When the appropriation bill has been passed by both houses, it is signed by the President. It provides the funds A.I.D. uses in its program for the fiscal year.

Legislation for other overseas programs generally takes less time to pass. The Peace Corps and Public Law 480 in the past have enjoyed more favorable reception in the Congress.

(ii) Public opinion

Growing awareness of domestic problems requiring attention, combined with the heavy costs of the Vietnam war, have caused the American people to reassess the priorities to be given to the various items in the budget. The allocation of funds for international development has suffered as a result.

The Overseas Development Council. To help counteract the decline in public understanding of the need for foreign aid, some of the nation's most influential citizens, with the support of national foundations, organized the Overseas Development Council, a private organization which will study and publicize the needs of international development. The Council opened its doors in March 1969.

Public attitudes in the United States on specific aspects of aid remain relatively unchanged. Relief aid is rarely questioned, except in terms of whether the official effort is adequate. The public also appears to take a more favorable view of technical assistance than of soft-term development loans.

b. Role of A.I.D.

As explained in detail in Chapter 2, above, A.I.D. administers the bulk of the official U.S. Government aid programs and, as such, takes a leading role, under the general guidance of the Secretary of State and in coordination with other government departments, in the formulation of these programs.

c. Roles of other government departments

These also have been explained in some detail in Chapter 2, above.

d. Advisory bodies

The following advisory committees, consisting primarily of representatives of the private community, are used by A.I.D. to obtain recommendations on courses of action in aid matters. These committees may be established by law or on the initiative of the A.I.D. Administrator.

(i) The Advisory Committee on Economic Development

It was established by Executive Order and advises the Administrator and senior staff of A.I.D. on matters of economic policy. The meetings of the committee with the Administrator provide an opportunity for full and informal discussion of the many questions of economic policy confronting the Agency. The Committee also advises the Administrator and the senior staff in the fields of research, evaluation and planning assistance and provides a channel of communications between the agency and the professional scholars concerned with developing countries.

(ii) The Advisory Committee on A.I.D.-University Relations

It also was established by the Administrator and provides a forum for the academic community. The committee is primarily concerned with university contracts in the fields of technical assistance, training and research. Here mutual interests and goals can be explored, grievances aired and reforms proposed.

(iii) The International Private Investment Advisory Council

Also established by the Administrator, it makes recommendations on programs in which private investment can play a contributing role. It also acts as liaison for the Administrator with specific enterprises involved in A.I.D. programs.

(iv) Advisory Committee on International Health

Established, like the other committees, by the Administrator, it advises and assists the Administrator on all A.I.D. policies and programs related to health, manpower, and on programs of improving health conditions as a part of economic and social development.

(v) The Advisory Committee on Voluntary Foreign Aid

This committee was established by Presidential Directive to tie together the governmental and private programs in the field of foreign relief and work with interested agencies and groups. It passes on the accreditation of American voluntary groups with overseas programs in foreign assistance and approves their programs. The Committee also offers guidance in the appropriate use of voluntary contributions for foreign aid and correlates government aid programs with those of accredited agencies.

(vi) The A.I.D. Advisory Committee on Research

Established by the Administrator, it advises him on research development, the mobilization and direction of research groups toward Agency needs, and reviews and recommends specific research projects to the Administrator.

(vii) The Labor Advisory Committee on Foreign Assistance

Also established by the Administrator, it advises him on labor programs and policy and recommends courses of action in problem areas in the labor field.

### 3.2 Criteria for Fixing Priorities

In a continuing effort to make U.S. aid programs more effective, each successive A.I.D. program reflects a particular combination of economic and political considerations, as matched against specific availabilities of U.S. and non-U.S. funds.

President Nixon in his foreign aid message of May 1969 emphasized the following points:

The need to enlist private enterprise in the development effort.

The need to place stronger emphasis on technical assistance.

The need to channel more of U.S. assistance through multilateral assistance institutions.

The need to further food production and family planning.

### 3.3 Aid Allocation

#### a. Programming U.S. assistance

##### (i) The country program

Projects and activities in approximately 70 countries are planned annually as part of integrated country assistance programs. These country assistance programs are the product of discussions with the host governments, field mission analysis and recommendations, review by AID headquarters in Washington, and consultation with other branches of the U.S. Government. The recipient country's own planning is taken as the starting point.

##### (ii) The annual budget cycle

The annual budget cycle, within the framework of the so-called Planning, Programming, Budgeting System (PPBS) (see chart on page 37 ) begins with an analysis of the alternative ways in which U.S. aid can most effectively promote development in

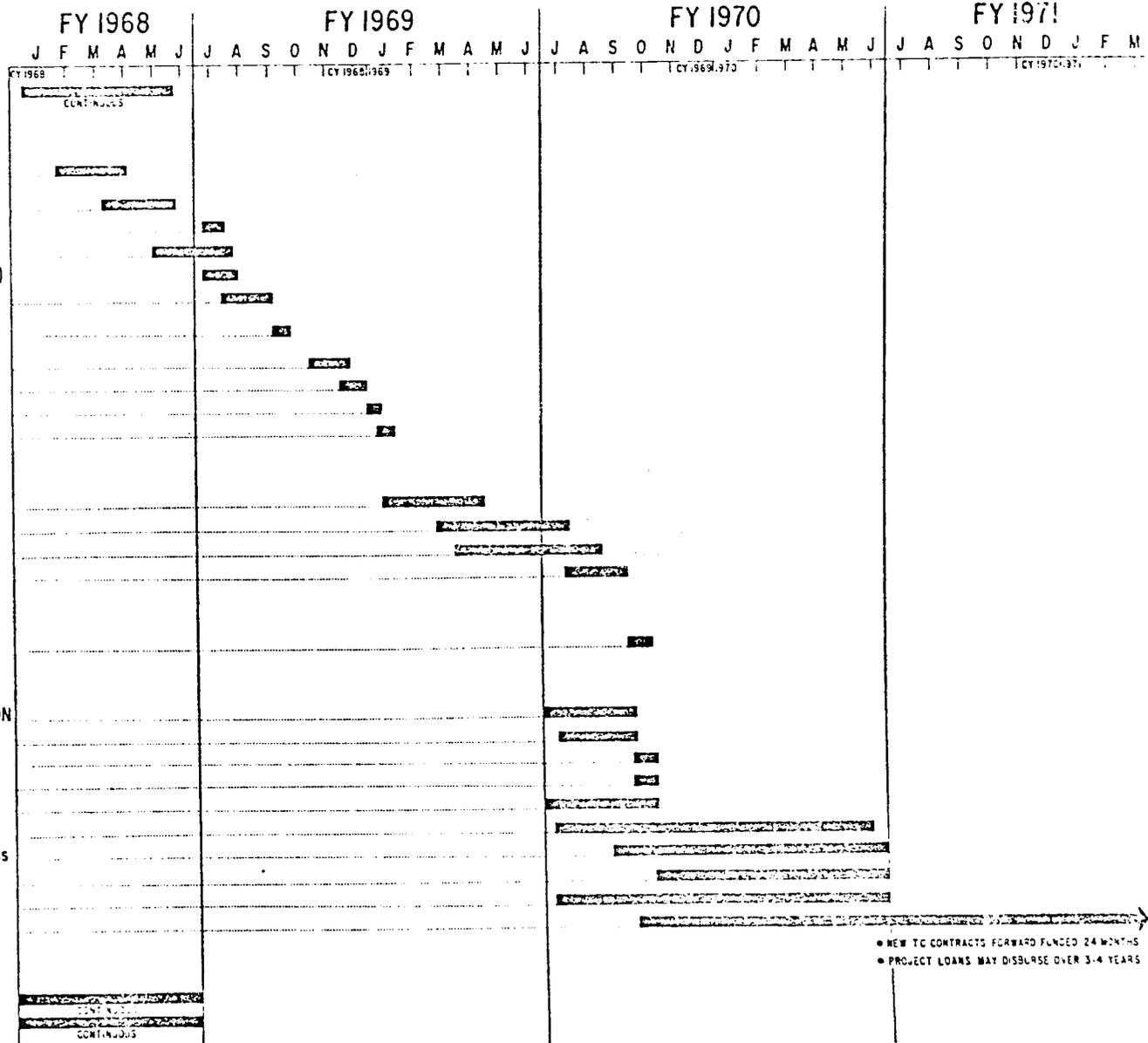
# AGENCY FOR INTERNATIONAL DEVELOPMENT

## PLANNING - PROGRAMMING - BUDGETING - IMPLEMENTATION

FY 1970 CYCLE  
 FY 1969 CYCLE  
 FY 1971 CYCLE

### PROCEDURAL STEPS IN THE CYCLE

- I. General Guidance
  1. B.O.B. PPBS GUIDANCE (Letter and Informal Contacts)
- II. A.I.D. Planning and Budgeting
  2. A.I.D. guidance to field (WORLDWIDE AND INDIVIDUAL COUNTRY GUIDANCE)
  3. B.O.B. SPRING REVIEW (Formal and Informal)
  4. B.O.B.-U.S. Government-wide guidance/Agency BUDGET TARGET
  5. Budget Submission by USAID's (COUNTRY FIELD SUBMISSION)
  6. Budget Submission by USAID's (PROJECT BUDGET SUBMISSION)
  7. A.I.D./W BUDGET REVIEWS
  8. Agency Submission to B.O.B. (PROGRAM MEMORANDA and Summary Documents)
  9. B.O.B. Markup/BUDGET APPEAL Procedure
  10. PRESIDENTIAL Decision/BUDGET to meet Decisions
  11. President's budget TRANSMITTED to Congress (January)
  12. President's FOREIGN AID MESSAGE Transmitted to Congress
- III. Legislative Action
  13. CONGRESSIONAL PRESENTATION Prepared
  14. AUTHORIZATION Process (Hearings to Markup)
  15. APPROPRIATION Process (Hearings to Markup)
  16. Floor Action, Conferences, Final Passage of LEGISLATION
- IV. Presidential Action
  17. A.I.D. Appropriation BILL SIGNED by President
- V. A.I.D. Programming and Implementation
  18. Provisional Operating procedures under CONTINUING RESOLUTION
  19. Formal REVIEW of Operating Year Requirements
  20. Regular OYB published
  21. APPORTIONMENT requested of B.O.B.
  22. Controller ALLOTMENTS established
  23. IMPLEMENTATION Plans prepared by field missions
  24. A.I.D./W REVIEWS AND APPROVES field implementation plans
  25. Negotiation and signing of AGREEMENTS WITH HOST GOV'T.
  26. OBLIGATION of funds under approved plans
  27. IMPLEMENTATION of approved programs
- VI A.I.D. Program Evaluation
  28. REPORTING from field to A.I.D./W
  29. EVALUATION by A.I.D. of field implementation and results



a specific country. After discussion of the country's development plans and aid priorities with the recipient government, the resident mission recommends to Washington, subject to approval by the Ambassador, the level and content of the U.S. program of assistance to the country for the coming year. In addition, the mission indicates the expected range and pattern of assistance for the next several years. The mission's analysis and proposed program are then subjected to intensive review in Washington within the appropriate regional bureau of A.I.D. and subsequently by the Administrator of the Agency. For those countries also receiving U.S. military assistance, the Department of Defense participates in the program review, and the Department of Agriculture takes part when programs include a substantial Food for Peace component.

The programs planned in this way provide the basis for the Agency's annual request to the Congress for appropriation of funds. The level of assistance for individual countries usually is adjusted later to fit the total level of funds actually appropriated.

The entire program planning process for a given year normally takes at least eighteen months, spanning field mission analysis and discussions with the recipient government, Washington review, Congressional action on the appropriations request, final allocation of funds to regions and countries, and commitment of fund for specific projects or programs. Radical changes in a country's economic, security or political situation may make necessary a reassessment of country program proposals at any time during this process.

In short, the bulk of each U.S. aid program is developed country-wise and not on the basis of a general formula. The accent is on country programming rather than individual projects. Export-Import Bank loans benefiting a country that is also receiving assistance under FAA, while normally not planned as part of a country program, are taken into account when the A.I.D. programs are formulated.

b. Distribution pattern of economic assistance

For the past several years A.I.D. economic assistance programs have been concentrated in a number of countries. The FY 1970 presentation to Congress recommends that 90% of the total program be distributed among 15 major countries. Of the 15 major countries, nine are members of the Colombo Plan.

3.4 Bilateral Aid vis-a-vis Multilateral Aid

a. Balance rather than competition between the two forms of aid

The United States has viewed multilateral assistance as complementary and supplementing its bilateral aid effort. We do not see the two in competition with each other but rather as reinforcing one another according to the circumstances and receptiveness of individual developing countries.

b. President Nixon's new emphasis on multilateralism

As mentioned above, the President in his Aid Message of May 1969 proposed that the United States channel more of its assistance through international agencies and arrangements. Specifically, he urged that the United States, together with other nations, increase its contribution to the international development banks, and to the United Nations Development Program (UNDP).

c. More U.S. aid through multilateral channels

In FY 1969, contributions to international organizations under the FAA will be nearly 8 percent of all funds committed compared to about 6 percent in FY 1967. We continue to support suitable arrangements to coordinate programs for individual developing countries and regions with those of other donors. Most of U.S. development lending is provided to countries for which a multilateral aid coordination framework

exists. In FY 1969 more than 90 percent of A.I.D. development loans, as compared to 85% in FY 1968, is expected to be provided to countries in a multilateral context, including CIAP (Latin American region). The United States is a member of all consortia, consultative groups and major ad hoc coordination exercises.

### 3.5 Quantum of Aid

#### a. Targets

With respect to the 1 percent target of GNP for total bilateral flows to the developing countries, the United States associated itself with the following decision taken by UNCTAD in 1968 (TD/II/RES/27, 29 March 1968):

"The Conference accordingly recommends that each economically advanced country should endeavor to provide annually to developing countries financial resource transfer of a minimum net amount of 1 percent of its GNP at market prices in terms of actual disbursements...."

The United States did not accept a date for attaining this target.

Subsequently, at the October 1968 Ministerial meeting of the Development Assistance Committee (DAC) of the OECD, the United States joined in accepting the following language in the Communique of that meeting:

"The DAC took note of the result of the Second United Nations Conference on Trade and Development, held in New Delhi in 1968, and re-affirmed the intention of its Member countries to make their best possible efforts to comply with the Recommendation relating to the aid volume, which specifies that financial resources equalling one percent of Gross National Product at market prices should be provided to developing countries."

In the discussions leading to ultimate adoption of this language, the United States emphasized that the balance of payments situation of the donor must be taken into account in evaluating the degree of progress a donor could make toward achieving the target.

At other occasions since then the United States has reiterated its position that it cannot accept a timetable for reaching the 1 percent target.

b. Aid ceiling for purposes of recipients' planning

Generally, the United States does not formally advise recipient countries of any definite aid ceiling. On the other hand, since all program submissions from the field are the result of close cooperation and consultation with the recipient government, the latter usually is familiar with the general order of magnitude of the amount of aid it can reasonably expect.

3.6 Terms and Considerations Prescribed for Giving Aid

There are a large number of legislative as well as policy regulations governing the implementation of U.S. foreign aid. These have been discussed in the context of the description of the various forms of aid, especially Chapter 2, above.

3.7 Linking Technical Assistance to Capital Aid

The United States makes no attempt to establish a fixed ratio between one kind of aid or another. Technical assistance is made available on the basis of need to the extent that funds are available.

Technical assistance is linked to capital aid when and where this is felt necessary. Many development loan agreements include the provision that the borrower procure technical assistance for a specified amount and in specified fields under the loan. The same system is occasionally used for sector loans with respect to technical assistance in the building of institutions in the sector assisted by the loan.

3.8 Private Sector as a Source of Aid

Much of A.I.D.'s assistance is directed towards strengthening private enterprises in developing countries as a means of generating self-sustaining economic growth.

To this end the United States is prepared to assist developing countries in their efforts to provide a climate that is favorable for foreign investment.

Many American private firms operating in developing countries transfer technology and skills to local personnel at their own expense. The volume of training is believed to be significant, even though difficult to measure quantitatively. A.I.D. programs to support local private enterprise, and related institutions reinforce these U.S. private efforts.

a. Encouragement of private American investment in developing countries -- Specific Risk Guaranty program

FAA provides for the sharing of costs of investment surveys between A.I.D. and private U.S. business firms. The Act also provides for what is known as the Specific Risk Guaranty Program. This is an insurance program whereby, for a fee, the U. S. Government will insure the new investment of an American business in a developing country against inconvertibility of currency, expropriation, or loss due to war or insurrection. Before institution of this program in a given country the United States will enter an agreement with the government of that country. Such an agreement provides that the host country will accept the program, and that the U.S. Government will not guaranty any investment without prior approval of the particular investment by the host country government. The Act also provides for a more extensive coverage known as extended risk guaranty. Under this program a business can insure against all risks, except fraud or misconduct on the part of the investor, up to 75 percent of a given investment. The fee charged for this coverage is substantially higher.

b. Other incentives

For other U.S. Government assistance to private enterprise designed to promote investment in developing countries, see Chapter 4, Sec. 4.3, (a), below.

## Chapter 4 - Administration of Aid

### 4.1 Trained Personnel for the Administration of Aid

The United States relies on a cadre of A.I.D. officers to administer the foreign assistance program. In addition to A.I.D.'s own employees there are the PASA officers (see Chapter 2, Section 2.2, (b) above) and contractors, i.e., employees of private organizations on contract, either individually or through their business or institution, with A.I.D.

#### a. Aid Missions

##### (i) Field missions

There were 38 USAID missions in as many countries in FY 1968. Because size and complexity of A.I.D. programs vary so greatly in many countries, there is no standard form of mission organization. Typically, however, a USAID mission is headed by a Director who relies on the following organizational units to accomplish the tasks assigned to the mission: A Program Office, an Executive section and a Controller. The technical work is assigned to a number of functional divisions such as Food and Agriculture, Education, Health, Public Safety, or Public Works. These functional divisions are staffed with technical experts whose job it is to work closely with host country officials in project development and implementation.

Personnel from other U.S. Government agencies, as well as universities or other institutions, under contract with A.I.D., work with the functional divisions and supplement the skills of A.I.D.'s direct-hire personnel. Each project is monitored by a project manager who is the mission officer primarily responsible for all aspects of the project's development and implementation.

(ii) Special ad hoc missions

Missions of this type are sent for various purposes, from visiting a new country to determine whether a permanent mission should be established to evaluating the circumstances which, in another country, might make it advisable to terminate a permanent mission. Other ad hoc missions are sent to assist the resident staff in formulating a program or appraising the efficiency of its projects. Members in these ad hoc missions are recruited from present or past employees of A.I.D. or those well acquainted with U.S. foreign assistance policy.

b. Aid administration without field missions

Smaller aid programs are administered by USAID offices with an A.I.D. Representative (3 countries), or A.I.D. Branches or Sections of the American Embassy (8 countries). For 19 countries, programs are administered directly from Washington or neighboring countries. In all cases, country programs are submitted to Washington over the Ambassador's signature. For a complete description of the evaluation procedures now in force, see Section 4.6, below.

4.2 Screening Procedures for Assessing Request for Aid

See Chapter 3, Section 3.3, above.

4.3 Pre-Investment Surveys and Surveys of Technical Assistance Needs

a. Pre-Investment Surveys

Basically, A.I.D. has two systems of assisting developing countries with pre-investment surveys. First, there is the general technical assistance program which permits this kind of survey either on a grant or a loan basis. Second, American private firms can obtain financial help in carrying out such surveys.

The "Investment Survey Program" for private investors is administered as a risk-sharing incentive program to attract general investor interest in pursuing opportunities

in developing countries. The prospective investor determines the country, the industry and the project to be surveyed. If after making the survey the investor decides not to proceed with the project, A.I.D. pays 50 percent of the survey costs.

b. Surveys of technical assistance needs

Such surveys are part of the normal formulation of a country program, as described in Chapter 3, Section 3.3, above.

4.4 Experts

a. Recruiting

Among the direct hire officers of A.I.D., who generally have full government employee status and who normally are classed as foreign service reserve officers, there are experts and advisors in such major fields as agriculture, education, engineering and public administration. And, for the most part, A.I.D. relies on these direct hire employees, together with the so-called PASA officers to carry out its programs. Should some particular qualifications not be available, the procedure followed is to canvass other appropriate Government agencies. Should none of them have suitable person on their staff, or be able to release such personnel, A.I.D. then falls back on past employees or contractors. At no time is the position publicly advertised.

b. Types of experts

A.I.D. makes available experts and advisors at all levels, from professional advisors, often recruited originally from universities or research institutions and employed as foreign service reserve officers, to the technical personnel, such as equipment maintenance men, foremen in road or dam construction work, who are normally supplied under A.I.D. contracts with private firms carrying out an A.I.D.-financed project.

#### 4.5 Trainees

Nationals of developing countries are sent to the United States for training under two categories: non-contract and contract. Non-contract trainees are those selected directly by the country missions, usually under a specified project. Contract trainees are those selected by organizations under contract with A.I.D., e.g., a university or a construction firm.

From the beginning of the technical assistance program over 100,000 trainees, or participants as they are called by A.I.D., have visited the United States for training of one kind or another. Thousands have received training, also financed by A.I.D., in third countries. Since 1950, the year the Colombo Plan was formed, until the end of FY 1968, thirteen Colombo Plan countries have sent 22,884 non-contract trainees and 3,397 contract trainees to the United States and 6,227 to third countries.

U.S. training tends to be project-connected but exceptions are made in cases where other specialized training is considered important to the development of the country. Examples are training in such general areas as labor, welfare, police and youth activities.

In the following pages A.I.D.'s training procedures are outlined in some detail, drawing heavily on the official manuals.

##### a. Selection

Candidates are selected in various ways. They may be nominated by USAID technicians or by the recipient government and they may come either from the public or the private sector. The U.S. Mission Technical Advisor, Training Officer and the government representative jointly screen the candidates. Assistance is not given in the form of an award or grant to an individual as is the case in some other major donor programs. Rather, each individual A.I.D. training program is tailored to the

manpower needs of the project to which it is related. The proposed training element of the project is reviewed with the UN Representative to avoid duplication of training effort.

A so-called "Bio-Data Form" describes a participant's education, language ability, previous jobs, prior studies abroad, and if so, under whose auspices. Participants to be trained in the United States are given an English language proficiency test and the score obtained is recorded on the form.

All participants receive: (a) pre-departure orientation in the home country, and (b) orientation in the country of training, whether that be in the United States or a third country.

b. Orientation

(i) Pre-departure orientation

The following four subjects have been found useful by A.I.D. in its orientation programs given to a participant before he leaves his home country:

An explanation of the development program promoted by his own country and the United States and his own role in that development;

A review of his own culture by a host country official or university professor and selected returned participants;

A brief review of American culture to reduce potential "culture shock;"

A review of his tentative technical training program and itinerary and various administrative details, such as passports, visas, advance maintenance allowance and travel arrangements. If the trainee expresses dissatisfaction with the tentative program, issues can be clarified to avoid later misunderstanding. Suggestions arising from these discussions are forwarded to A.I.D., but neither A.I.D. nor the mission is committed to change the program; and

The need to return to his home country, in accordance with the statement signed on his bio-data form, upon completion of training.

(ii) Reception and orientation in the country of training

Reception - In third countries the participant is usually met at the airport by a USAID local employee or a representative of the government. In the United States, the participant is met at the port of entry by a representative of the State Department Reception Center or one of the volunteers from the American community. The "receptionist" reviews the next few days' activity with the participant before directing him to a hotel where reservations have been made..

Orientation to Life and Culture - In third countries a USAID local employee or government employee discuss the country's life, culture, and currency and supplies the participant with maps and other material. In the United States the participant spends his first week at the Washington International Center, a private organization established in 1950 to provide an introduction to the United States for official visitors. A 3-5 day program includes lectures by American academic and professional men on such topics as government, politics, economics, religion, education, civil rights and family life in the United States with question and discussion periods following the presentation.

Administrative Orientation - In third countries a USAID American or local employee explains all the administrative and program rules governing the participant's visit. In the United States the participant receives a copy of the Participant Handbook which contains administrative and program policies that will govern his stay in the United States. He also receives a combination identification-insurance card and detailed information on allowances, sickness and accident insurance, and requirements of the U.S. Immigration and Internal Revenue Services.

Program Orientation in the United States - The participant meets his A.I.D. Program Development Officer (PDO) who is responsible for arranging the training program. The PDO monitors all aspects of the training of participants under his supervision. He explains the program and itinerary, discusses possible changes, if requested, and instructs the participant on the nature and frequency of the administrative and program reports required by A.I.D.

The Pre-University Workshop - A two-week seminar is held every summer in late August at the George Washington and the Georgetown Universities, Washington, D. C. The workshop's purpose is to provide intensive orientation on the American education system and campus living for participants entering U.S. colleges and universities in the fall semester. The Program covers the use of the library and research facilities for writing term papers, examination and grading, and teacher-student relations. It is restricted to those foreign nationals who have never before visited the United States or been exposed to the American educational system.

The Seminar on Communication of Skills and Ideas - A weekly seminar before departure is conducted for A.I.D. by the Michigan State University for the purpose of instructing A.I.D. participants in effective ways of communicating their newly-acquired knowledges and skills to others, and showing them how to become more effective agents of change in their home countries. The seminar staff, directed by communications experts from Michigan State University uses team teaching and demonstrations.

c. Training with or without a university degree

(i) Non-degree training

Some programs consist of planned observation, particularly for experienced technical persons, who do not need long training programs. These "observation" programs, either by individuals or in teams, may include visits to industrial plants, banks, farms,

labor unions, businesses, governmental agencies, universities, and other organizations. They may stay for an hour or two or several days at any one of these places. Other programs may include especially planned seminars, background study in a university, field observation, or "on-the-job" training within a government or private facility. For short-term observation type training, interpreters may be used with a team.

(ii) Degree training

Academic study leading to a degree outside the home country is normally not provided in those fields of activity where adequate training is available in the cooperating country. Degree training per se is not approved, unless it is essential to the position for which the participant is being trained. In most cases, two degree training requests are not approved without a period of time back in the home country between degrees.

Procedures. All programs must be fully justified by the Mission since A.I.D. does not wish to train "repeaters," i.e., persons who have already received extensive training outside the cooperating country, irrespective of under whose auspices the training was given. Standard courses are usually followed by participants trained in academic institutions, unless the institution believes more preparation is required. When additional training is necessary, courses may be added, or the participant may "audit" courses instead of taking them for "credit." Degree students, however, are expected to meet established school standards. Payments to training institutions are made on the basis of formal but flexible agreement. For all trainees attending whatever institutions, an A.I.D. Program Development Officer (PDO) monitors all aspects of the training.--All academic participants are required to file an "Initial Training Report" with their Program Development Officer within one week after arriving at a training institution. This report lists the courses being taken, whether they are for "audit" or "credit," the name of the department advisor, etc. All participants report quarterly thereafter on their progress and difficulties, including their academic grades for all courses, lists of courses selected for the coming terms that have been approved by their faculty advisor. These are then reproduced by A.I.D., Washington, and sent to the U.S. mission for whatever distribution the mission may wish to make within the host country.

Most colleges and universities have foreign student advisors and may have organized programs in which the students are urged to participate. Changes in the participant's program (including extensions) may be made upon his request, if agreed to by the home country and U.S. mission.

d. Restrictions on training outside developing countries

A.I.D. regulations (M.O. 1381.1, paragraph 3 and 4) do not permit U.S. sponsored training outside the developing country when (a) local training resources and facilities are available to meet the training requirements, and (b) other training opportunities are sponsored by the cooperating government, international organizations, private foundations, or other donors.

e. Third country training

This training takes place outside the participant's home country and outside the United States. Training programs of this kind have been financed by A.I.D. in Canada, Panama, Puerto Rico, Okinawa, Japan, or Thailand. Ordinarily, A.I.D. sponsors third country training programs to countries neighboring on, or within the same region as the requesting country, and only in those countries in which there is an A.I.D. mission or A.I.D. representatives to perform the administrative training arrangements necessary for the management of the program.

A.I.D. does not sponsor training in third countries that are in a "dollar surplus" position with the United States. This restriction applies at this time to the industrialized countries of the world, e.g., Europe, Japan, Australia, New Zealand, etc., but is not applicable to most developing countries.

(i) Conditions

Preference is given to third country training in the following situations:

Where U.S. owned or controlled local currencies are available that may be used to finance training within the country.

Where adequate institutions and facilities of the required type are available and particularly where those institutions or facilities have been developed with A.I.D. assistance.

When the participant is a qualified middle-level scientific or professional expert or at least able to qualify for a license as a skilled worker or craftsman.

Where the third country has adequate facilities for certain training and can provide this training at a lower cost than the cost of similar training in the United States.

The Colombo Plan countries have urged that other major donor countries sponsor third country training programs in their countries.

f. Cost sharing with developing countries

The cooperating country government is expected to pay a negotiated "fair share" of the cost of every A.I.D. training project. This may be for international travel, support of dependents <sup>or</sup> /continuance of all or part of the salary of the participant during his absence.

g. Relationship to program goals

All A.I.D.-sponsored training is directed towards the achievement of recipient country development program goals and is an integral part of the program that has been jointly agreed by the United States and the cooperating country.

Procedure. The pertinent technical offices of the U.S. mission and the cooperating country together develop the scope and determine the time required to complete the planned training as well as the number of individuals to be trained. The desired area of training, its estimated cost, and the requirements of the training component are then defined in a Project Implementation Order/Participants (PIO/P) form and this is agreed to and signed by representatives of both the U.S. and recipient country governments. The PIO/P document thus contains all basic information needed by those who will develop a training program for an individual trainee or trainees.

For the evaluation of training programs, see section 4.6, below.

#### 4.6 Evaluation of Aid

Evaluation of U.S. foreign assistance activities has been carried out for many years. The system in the past has been to send out a group of distinguished mission

directors, usually joined by a so-called public member, i.e., an interested citizen experienced in management or academic work, have them spend a month or two with a selected country mission and report back to the A.I.D. Administrator. Under this type of evaluation special emphasis was placed on the efficacy of the country program as a whole, without going into the details of project management.

In 1968, a new system of program evaluation was started in A.I.D. Systematic evaluation of technical assistance projects is now well established as a part of the total A.I.D. program management system.

a. Projects

Project evaluation in A.I.D. seeks to answer three questions:

Effectiveness - were objectives achieved?

Significance - did achievements contribute to economic development?

Efficiency - was the cost reasonable for the benefits realized?

A major portion of evaluation is performed by the field missions, starting with the technical advisors themselves. A.I.D. believes that this is the best way to incorporate fully the experiences and knowledge of local conditions essential to insuring that evaluative findings will be relevant.

Each large field mission now has a full-time Program Evaluation Officer, and the smaller missions part-time officers who serve as "systems managers." On the Washington headquarters staff, A.I.D. has established a position of Director of Evaluation in the Administrator's office, and an Evaluation Staff in the Office of Program and Policy Coordination. Each of the five geographic bureaus in A.I.D. has a full-time Program Evaluation Officer. Washington assists the field missions in their evaluative work, tries to distill and generalize the lessons from individual field experience, and communicates relevant experiences from one mission or area to another.

A major instrument of the system is the Project Appraisal Report (PAR), which field missions are now preparing for all projects. All technical assistance projects were evaluated during 1969. This will now be done annually.

b. Programs

As pointed out above, the system in the past has been the group visit to a selected country mission. At the present time, program evaluation, in contrast to project evaluation, is carried out primarily in Washington, in connection with the annual program approval cycle.

c. Evaluation of trainees upon their return and later

A.I.D. has been conducting an evaluation survey of the participant training program through personal interviews with participants who have returned to their home countries, with their immediate supervisors, and with those U.S. technicians at the USAID mission who are familiar with their careers. Interviewing, coding, and tabulation procedures have been standardized so that data from different countries are comparable and can be combined for purposes of regional and global analysis. This information may also be used locally as the basis for individual country reports.

d. Evaluation of experts upon completion of assignment

(i) Administrative evaluation

A.I.D., like the Department of State, evaluates the performance of all of its personnel annually. This system is designed primarily to evaluate the man rather than the technical results of his work.

(ii) End of tour report

Every technician, advisor or expert is encouraged to write an extensive report at the end of his tour of duty. The system is intended to elicit from the officer a critical appraisal of the circumstances under which he worked, with special emphasis on the obstacles encountered and the results he achieved.

(iii) Completion of assignment report

This is another administrative rather than technical report. It is designed to assist headquarters in determining the optimum placement of the employee.

e. Evaluation of materials and equipment

The USAID Program Evaluation Officer in making his report evaluates the appropriateness of the equipment and materials used in the project, their usefulness and the maintenance standards observed.

f. Sector evaluation - Spring Review

An example of worldwide evaluation of A.I.D. activities in a specific sector is the "Spring Review of the New Cereal Varieties" issued in May, 1969. The review is confined to a study of the experience of 15 widely distributed countries in using the new high-yielding wheat, rice and corn (maize) needs. It was directed at two questions:

(1) What lessons can be learned for improving specific activities in agriculture?

(2) What conclusions can be drawn concerning the relative emphasis among activities in A.I.D.'s future agriculture strategy?

Under seven headings -- price policy, management systems, institutions, major physical inputs, research, emergency and socio-political problems, successes are noted and problems raised. These are then discussed and related to what implication they may have for future A.I.D. activities in this field.

4.7 Has the Machinery Impeded the Efficient Administration of Aid?

Although it may not be apparent to recipient countries, the programming cycle of A.I.D. is designed to simplify rather than impede the effective administration of foreign aid. The legislative requirements and fiscal regulations that govern the spending of U.S. funds require a statement of basic rationale for each country as well as detailed justification and strict accounting of how the assistance is used.

Experience in the administration of foreign aid programs has brought the United States to the recognition that forward planning, supported by feasibility reports and studies, not only enhance the chances of success of the programs and projects but also make the programs more acceptable to those in the U.S. Government who are asked to approve them. All this places a premium on long range planning and necessarily increases the amount of detail reporting and the paper work required. A.I.D. believes, however, that the additional time and labor put into planning and negotiating a long range program will pay off in the end.

#### 4.8 Problems in the Implementation of Aid Programs

The problems that arise in agreeing and implementing an aid program may be grouped into three general categories:

Arriving at a mutually satisfactory understanding on the policy,  
priorities and methods to be followed in implementing the program.

Selecting and administering donor country personnel and finding developing  
country counterparts.

Obtaining understanding on the part of the developing countries of U.S.  
procurement methods.

##### a. Agreeing on a program

A.I.D. has found that there must be mutual understanding on the policies and methods to be followed before proceeding with the program. The major task has usually been the complex discussion with the host country of a mutually acceptable balance among the various categories of aid, i.e., project loans, sector loans, program loans, the size of the food assistance program and, finally, the fields and types of technical assistance and training to be provided.

b. Personnel problems

In the personnel area, A.I.D. has been confronted with the need to solve problems on the U.S. as well as the recipient country side. On the donor side, the basic difficulty has been to find experts who are not only good in their field but who have the talent, tact, and patience to impart their knowledge to those in need of it. Orientation prior to despatch to the field has reduced the adaptation problems to a minimum but so far no fool-proof system has been discovered. As other donors, including UNDP, have found, a major obstacle to efficient technical assistance has been the difficulty of obtaining qualified host country counterparts. Our experience has shown that the reason for this difficulty is not necessarily that the right counterpart is not available but rather that the host country's scale of priorities in assigning such personnel differs from that of the donor. The only promising route toward a solution of this problem would seem to be a very clear agreement beforehand on the ranking of priorities and to refrain as much as possible from mounting projects where such agreement has not been reached or reached only with reluctance on the part of the recipient.

c. Procurement problems

In the field of procurement, A.I.D. has encountered a series of different obstacles to smooth program implementation, ranging all the way from delays in manufacturing, disruption of customary shipping routes, and inability of the host country to supply materials as planned, to the more vexing problems of compliance with bidding and procurement rules. This first-mentioned difficulties, we have found, can usually be overcome by good contingency management. The second group of obstacles is of another nature in that it often involves differences in customs and practices which only patient explanation on the donor's part and continued practice by both

sides can overcome. The need to tie U.S.-financed aid to procurement in the United States, which has been imposed upon us by our current balance of payments situation, is only one among the problems in the procurement area. Careful selection of commodities and strict adherence to U.S. bidding procedures have done much to mitigate the unfavorable effects of tying.

## Chapter 5 - Liaison Among Other Donor Countries

The United States, like other donor countries, uses a number of different way of coordinating its aid programs with those of other developed countries. The three principal forms of coordination are: (1) bilateral, either through periodic coordination meetings or ad hoc sessions on special problems; (2) through the Development Assistance Committee (DAC), and (3) through consortia and consultative groups.

### 5.1 Consortia and Consultative Groups (CG)

In FY 1969, the United States was a member of two Consortia, ten Consultative Groups, and one other Aid Coordination Group, all organized by the IBRD. In addition, the United States was a member of two Consortia organized by the OECD and five Aid Coordination Groups under other sponsorship. Six Colombo Plan countries were among the 20 recipient countries.

#### a. Summary of Consortium and CG operations

It might be useful to summarize briefly the way these consortia and consultative groups work.

Consortium. In preparation for a Consortium meeting, the World Bank sends a team to the country concerned to evaluate its progress and problems under its development plan and assess projected needs for foreign assistance. The World Bank staff report -- to which the donors bring their own assessments to bear -- then becomes the focus of discussion at the Consortium meeting. At this meeting a consensus is developed on development policies and assistance needs. Each quarter the World Bank compiles a quarterly report which summarizes past and proposed financial assistance for the country development plan. The country, in turn, issues a yearly summary description of economic progress to date and of new projects proposed for consideration.

Consultative Group. The Consultative Groups are less formal than consortia in that they do not impose an obligation to provide periodic pledges of assistance to meet development needs. There is considerable variation in the scope of responsibility for different consultative groups. However, in general, the same procedures are followed in organizing a Consultative Group Meeting as in the case of a Consortium.

b. Appraisal

On the whole the United States has found the Consortia and Consultative Group approach successful. In some instances, greater frequency of meetings of the aid coordinating group might be desirable. In others, increased consultation might take the form of special meetings on priority sectors. Such meetings would be attended by specialists and the outcome reported to plenary meetings of aid coordinating groups. There is also need for increased bilateral consultation among donors.

We believe that the effectiveness of meetings of the aid coordinating groups depends to a considerable extent on having sharply defined issues and definite recommendations on which to focus, the tasks of the reports of the sponsoring organization. We believe that recent reports show noteworthy progress in performing this function.

In our view, greater attention is required to coordinating technical assistance either through the coordinating group or other mechanism.

5.2 Should Donor Countries Work towards Establishing a Common Approach Among Themselves?

Some coordination of objectives among donors is essential to avoid inconsistent advice to the recipient.

Such coordination has been facilitated by the Consortia and CG meetings largely through reliance on the country reports done by the staff of the organizing authority, IBRD or OECD. The result has been a better understanding of the development problems of the country under consideration. This system also has provided a more neutral way

of influencing the recipient than would have a deliberate attempt to establish a common approach. The United States believe that a clear presentation of the facts is itself likely to lead to a consensus. A common approach agreed from the outset could lead to resentment on the part of the recipient, and thus decrease the chances that the recommended policies will be followed.

### 5.3 Should Donor Countries Specialize in the Kinds of Assistance Given by Them?

In practice this is already the case, at least up to a point. Especially in the Consortia and CGs, where specific requirements as well as the overall needs of recipient countries come to the attention of the members of the group, there is an opportunity for specialization.

Some countries, for example, will find it easier to supply program aid as opposed to project assistance than do others. Also in the field of technical assistance, either because of internationally recognized competence or for traditional reasons, some countries are more ready to supply technical assistance in specified fields than are others.

We would not favor a formalization of this kind of division of labor. While, on the face of it, such inter-donor specialization is logical and might increase the efficacy of the total assistance provided, discussions designed to bring it about have not been successful. We do consider it most desirable, however, that donor country representatives be encouraged to coordinate their programs in the field or at headquarters level as much as possible.

We believe also that another new approach, namely CG meetings on a specified sector, which has been tried for agriculture in Tunisia, for example, is worth expanding. This approach should offer specific opportunities for specialization within a sector or activity.