

[COMMITTEE PRINT]

PERSONNEL ADMINISTRATION AND OPERA-  
TIONS OF AGENCY FOR INTERNATIONAL  
DEVELOPMENT

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REPORT OF  
SENATOR GALE W. MCGEE  
TO THE  
COMMITTEE ON APPROPRIATIONS



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U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1963

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## FOREWORD

This report by Senator McGee is based upon information adduced at hearings held by the committee relating to personnel administration and the operations of the Agency for International Development, and also upon the inquiry made incident thereto.

While, as Senator McGee states, the report of necessity reflects his personal views and suggestions and does not purport to speak for other members of the committee, it contains much information regarding the operation of AID, should be of valuable assistance to the committee, and is recommended to the other interested committees of Congress and to the personnel of the Agency itself.

The report and special hearings additionally demonstrate how essential it is for members of the committee, especially in farflung programs such as foreign aid, to get out and learn in detail the complex phases of such operations.

CARL HAYDEN, *Chairman.*

U.S. SENATE,  
COMMITTEE ON APPROPRIATIONS,  
*November 27, 1963.*

HON. CARL HAYDEN,  
*Chairman, Appropriations Committee,*  
*U.S. Senate,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: There is attached hereto, pursuant to your authorization, a report based upon information developed during the special hearings, and investigation incident thereto, conducted by the Appropriations Committee to review the situation with respect to personnel administration and the possibility of overstaffing in the Agency for International Development.

The report, which summarizes the principal findings and information respecting the operations of the AID agency, almost of necessity, reflects my personal views and suggestions, and while other members of the committee may share many of these views, obviously it does not purport to speak for them.

In fairness, it should be stated that I have been informally apprised that many of the conditions criticized during the hearings and reflected in the report, have been greatly improved since that time. AID officials, of course, are to be commended for this and during the course of the fiscal year 1964 appropriation hearings, soon to be held, will have an opportunity to inform the committee of improvements made or underway.

It is hoped that the report will not only facilitate the work of the committee, but will be of further assistance to the Agency in carrying out, with greater efficiency and economy, its many responsibilities.

I also want to thank you for assigning Special Counsel Paul Cotter to help in the conduct of this investigation. Mr. Cotter was very efficient and effective throughout the investigation, and I want to commend him to the committee for his outstanding work.

Sincerely yours,

GALE W. MCGEE,  
*U.S. Senator.*

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## I. INTRODUCTION

This report has, as its basis, 9 days of special hearings held between May 8 and June 10, 1963, and numerous interviews, reviews of files, and followup, devoted primarily to an examination, from an Appropriations Committee point of view, into whether the Agency for International Development (AID), which administers U.S. foreign aid—

(1) is competently staffed and deployed staffwise, at both the Washington and country mission levels, to carry out properly the gargantuan assignments imposed by the Foreign Assistance Act of 1961, as amended;

(2) is understaffed, both in numbers and experience, in carrying out its functions of administering the multibillion-dollar loan and Public Law 480 programs and a host of other responsibilities with which it is charged;

(3) is overstaffed in the area of development grants for technical assistance, which activity occupies about 85 percent of the 18,604 people working on Agency program; and

(4) has implemented legislative authority with appropriate regulations and policy guidance to assure consistent high-level performance, proper evaluation of projects and programs, good morale, and sufficient elasticity to readily adapt personnelwise to changing programs resulting from changing emphasis.

In other words, the inquiry was primarily devoted to personnel and personnel administration, and in attempting to equate personnel numbers and qualifications with the responsibilities with which the Agency is charged.

Special hearings were purposely held for such a review in order to separate "performance" of the AID Agency in carrying out its programs, from the hearings which will be held on the fiscal year 1964 "money bill," where the accent will be on the funds needed to carry on AID programs for the coming fiscal year. Regardless of the guidelines laid down by the authorization legislation, or the funds appropriated or otherwise made available for these foreign assistance programs, and regardless of the importance of such programs to the future of this country and to that of the free world, unless their implementation is accomplished effectively and economically, most of the desired objectives are not attained, and vast sums of money are wasted. In addition, our foreign aid efforts become discredited both at home and abroad, with all that this entails.

Specifically, the hearings were prompted by information developed incident to field studies by committee members and by an accumulation of information and reports received from AID officials and others, both at oversea missions and in Washington, to the effect that certain missions were overstaffed, particularly in the area of technical assistance; that certain projects had been ill-conceived; that certain employees were retained on Agency rolls long after there was a need for their particular services; that the procedures for recruiting and for

transferring employees from one assignment to another were cumbersome and time consuming; that actual shortages existed in qualified personnel to handle the vast development loan and Public Law 480 programs and other important functions; that frequent changes in top key posts, with the attendant inexperience and lack of continuity made for serious delays in obtaining important decisions and for bad morale; and that the decentralization of operations into four regional geographic bureaus, incident to the reorganization pursuant to the recommendations of the President's Task Force, to meet the expanded responsibilities of the Agency under the Foreign Assistance Act of 1961, had left administrative weaknesses in the organization at the Washington level.

But perhaps the most important and overriding reason for taking a particularly hard look at the personnel setup of the Agency at a time when the relatively new Administrator is undertaking substantial changes and improvements in the organization, is the fact that he needs all of the assistance he can get, for it is such a difficult job and improvement is so necessary and urgent. The cumulative effect of the many crash reorganizations and successions in name and form in past years of the agencies which have administered our foreign aid programs, and the high turnover rate in the position of Administrator and other top policymaking positions, make it imperative that a greater degree of stability as well as many internal improvements, be brought to the Agency.

Although the testimony received at the hearings reflects a remarkable effort on the part of Administrator Bell and his associates to correct many weaknesses in the Agency and bring about much improvement in the personnel situation, many facts were developed with respect to personnel and personal administration of the organization which warrant their summarization in a report for the assistance of the committee in considering the fiscal year 1964 appropriation requests, for the assistance of the Agency in carrying out further improvements, and for a better understanding, generally, of the Agency's responsibilities and the problems involved.

Further, it would appear that proper management is so crucial to the success of this country's infinitely complex and far-reaching aid programs that there must be a better and more widespread understanding of the operation as a whole by the employees within the Agency, the Congress, and the general public, in order to make intelligent improvements, constructive criticism, and adequate assessment of our foreign aid effort. This would seem to be equally as important as the amount of money which goes into the programs, and, for that reason, this report, although admittedly limited in coverage, will attempt to give some impression of the overall responsibilities and how they are being discharged.

## II. OVERALL VIEWS

Of first impression in any review of the personnel administration and performance of the Agency for International Development (AID) is the monumental task in which the Agency is engaged.

Such a review also compels an appreciation that the success of an operation of such size and complexity is made possible only by a staff with a high percentage of competent, dedicated, public servants, whose

hard work and personal sacrifices too frequently go unnoticed. Regardless of the faults or weaknesses of our aid programs, past and present, it must be recognized that they have always included great numbers of such people who deserve high tribute.

It is also apparent that each time severe criticism is leveled at our foreign assistance programs, the morale of the able and conscientious personnel connected therewith is adversely affected, to the further detriment of the operation. As criticisms of our foreign aid efforts have been vehement and frequent, the effect on the morale of these employees obviously has been serious and cumulative. While this is regrettable, and may be unavoidable, it needs to be emphasized here—particularly at a time when such great effort is being made to improve morale, efficiency, and economy of operation of AID—that the purpose of the criticism in this report is directed toward improving, rather than impairing, morale, by improving the efficiency of the Agency's operations.

As of the time of the hearings, the Agency, according to its own records, had 18,604 direct hire and contractor employees, composed of U.S. and foreign country nationals, not including personnel of the State Department and other agencies providing supporting services. The Agency has AID missions in over 70 countries, and has some responsibility for aid programs (including Public Law 480) in 113 countries and territories. The Agency received, in fiscal year 1963, a dollar appropriation of approximately \$2.6 billion for economic assistance, and it had an important coordinating function with respect to the appropriation of \$1.3 billion in military assistance. It also received in excess of \$1 billion in foreign currencies generated by sales abroad of U.S. agricultural products for loans and grants to foreign countries. But the yearly picture is only part of the story, as its responsibilities are cumulative, and, in addition, it has inherited functions from predecessor and related agencies under the 1961 consolidation.

There are 838 loans of various kinds outstanding in 71 countries, aggregating in excess of \$10 billion, which the Agency must administer. It operates in excess of 2,200 active technical assistance projects in 84 countries, financed mainly from dollar appropriations for development grants, which, as of the last reporting period, had a cumulative dollar obligation of \$2.4 billion. This activity alone occupies nearly 85 percent of the administrative and program personnel of the Agency. In connection with these technical assistance projects, it operates a program which brings approximately 6,500 foreign nationals to this country and 2,500 to third countries, each year, for technical training in numerous fields. It administers the foreign country uses of the proceeds of the sales abroad of U.S. agricultural products under title I of Public Law 480, which, as indicated, amount to well over \$1 billion yearly. The Agency also is responsible for approving the programing and determining proper use of surplus agricultural commodities granted outright for distribution abroad under titles II and III of Public Law 480, which programs currently aggregate in excess of one-half billion dollars yearly (U.S. cost). It administers a very substantial supporting assistance program in a number of countries. It operates the investment guarantee program, which encourages U.S. private enterprise to participate in the economic growth of

many of the less developed countries and affords private industry a larger role in the foreign aid programs, as well as bringing about expanded trade between the United States and other free world countries. It has the responsibility for getting other free world nations to carry a more equitable share of the burden of foreign assistance and for seeing that the countries we are assisting help themselves by initiating reforms which will effectuate the objectives of our assistance. The objectives in all of these programs deeply involve maintaining United States and free world security. Obviously, they include improving the lot of the people in less developed countries, making these countries more economically viable, and enabling them to resist outside aggression.

However, the very magnitude of our foreign assistance effort inevitably has raised questions as to whether it is all necessary, whether it is accomplishing the objectives sought, whether it is overextended in both projects and people and will fall of its own weight, whether it is being properly administered, and how much needless waste is involved.

While there are really no firm answers to these questions, any hard look at our aid program must pose them before deciding whether to continue to improve upon what we have, sharply curtail aid, or determine if there are alternatives. These issues are not the subject of quick assessment, nor can this country afford to change direction too sharply.

We know that our earlier efforts of infusing a devastated Europe, Japan, and a number of other presently industrialized countries, with massive doses of aid, proved successful beyond doubt. Although today these countries are, in a sense, our keenest competitors, they also are our best customers in an unprecedented era of expanded foreign trade. Also, they are our allies. They are free and strong, and with them and the other countries we have cooperated with and assisted, the free world has maintained a comfortable balance of power against communism and its ambitions.

Unfortunately, we cannot compare the success of our aid efforts in the countries where advanced technical, industrial, and economic know-how existed, with our assistance efforts in the more underdeveloped countries. While too little has been done by way of practical research to pinpoint how effective or ineffective our efforts have been in these lesser developed countries, one must recognize that the technical assistance projects, the loans, the grants, and the huge donations of food, which have improved the health, education, and standard of living of the backward and poverty-stricken countries and prevented widespread hardship and starvation, have bettered the chances of those countries staying independent and eventually becoming more economically viable. We also know that we have bought valuable time with our assistance to these underdeveloped countries and certainly have prevented many of them from falling under Communist domination.

In the final analysis, therefore, the issue realistically is not whether foreign aid can be abolished, or how much it can be cut regardless of the consequences. The real issues are how our foreign aid funds are being spent, whether the United States is accomplishing its objectives,

and whether the job can be done at less cost. The serious criticisms contained in this report are offered to this end.

Probably the greatest handicap under which the AID program is currently operating stems directly from the cumulative effect of the manner in which our foreign assistance programs have been carried out over the past 15 years, and past mistakes, inefficiencies, and waste. Conceived in emergency, reorganized frequently—with changing leadership every year, or oftener—the successive organizations which administered foreign aid grew into a huge jerry-built patchwork without the stability normal to an agency which must carry out responsibilities and programs of such tremendous proportions.

In retrospect and against this background, it now seems obvious that in the 1961 reorganization too much was attempted in too short a period of time. The influx of so many key personnel into this large, complex, and amorphous, though previously highly specialized organization, at a time when vastly increased responsibilities were being assumed and a radical reorganization through decentralization was being undertaken, had the effect of greatly increasing an existing state of confusion.

While there is no question but that this action was taken with a view to improving the efficiency of the operation, and much of it was necessary to discharge the expanded functions, the immediate effect brought about too great a break in the continuity of operations, which was further compounded by continuing changes even in certain new key personnel.

In other words, the changes made in the Agency, together with its greatly expanded functions, seemingly were too drastic for the organization, such as it was, to take in stride, and while it now appears to be rapidly improving, it went through a rather agonizing period. There have been three Administrators since the reorganization was initiated. The job of Deputy Administrator for Administration reportedly has been held by five different incumbents during the same period. The Director of Personnel has changed almost as frequently. The decentralization into four regional and somewhat autonomous bureaus resulted in a lack of uniform policies and lack of coordination between the bureaus, and left a number of the previously important Agency staff service offices at the Washington level in something of an ivory tower with little but advisory authority.

More, specifically, it was developed that during the period of about a year and a half following the creation of the Agency for International Development in the fall of 1961, the following situations had existed:

There were instances of long delays in obtaining decisions from Washington on relatively routine matters, which not only affected progress but made for very poor morale in the field.

It took an unduly long time to process employment applications as well as transfers. Numerous specialized personnel who had completed assignments in particular countries were left there for months before being reassigned or separated, or else were brought back to Washington where they marked time prior to reassignment or termination. It was indicated that at one period in the fall of 1962 there were approximately 200 personnel in this category in addition to the normal transfer flow.

## 6. PERSONNEL ADMINISTRATION AND OPERATIONS OF AID

There was some indication that persons qualified for particular work were assigned to other tasks for which they were not adequately qualified.

Where country missions were overstaffed, too little was done about it. In a number of countries, technical assistance projects which were marginal, or perhaps ill advised initially, continued to be supported.

Some of the new key personnel did not appear to measure up, which further delayed the involved reorganization and adversely affected personnel morale. Due to vacuums in the line of authority, there were even instances of personnel within the Agency commandeering islands of authority.

These matters must be mentioned to properly stress the human factors involved in an undertaking of this magnitude and to point up that the manner in which the programs are carried out is quite as important as the programs themselves.

It is, of course, much easier to criticize various phases of a program such as this, which has no comparison in history, than it is to offer constructive suggestions for improvement or better alternatives. The mistakes and laches of inept executives and employees in the program are inclined to stand out much more clearly than the dedicated work of the competent. It is easier to see the faults and weaknesses of the operation than its many overall accomplishments.

During the same period we have been discussing, the Agency was putting forth an around-the-clock effort to implement the new programs, prepare necessary procedural regulations, and recruit qualified personnel for the many highly specialized functions. The enormous job of realining and fitting the organization to the changed emphasis and enlarged responsibilities was a nearly impossible task.

Since the low point in the period of transition, and particularly since the arrival of Administrator Bell in late December 1962, great improvements appear to have been accomplished or are in process.

Substantial cutbacks have been made in the personnel and programs of certain country missions.

The floating "surplus personnel" situation that existed 8 or 10 months ago has been sharply reduced.

Procedures have been reinstated to determine in advance whether employees, when their tours of duty have been completed, will be reassigned elsewhere or terminated.

The time transpiring in processing new applicants and transferring an employee from one post to another has been substantially lessened.

A critical look is being taken at all of the Agency operations in an attempt to further reduce country missions and to eliminate low priority or marginal programs and projects.

Greater efficiency of operation has been brought about by the selection of better qualified key personnel at the headquarters office.

Manual orders have been revised, updated, and amplified—to clarify and standardize the Agency's operations and responsibilities.

In spite of the marked improvements which have been made in the organization and in the personnel administration of the Agency admittedly there is still a long way to go.

The most crying need of the Agency is greater stability, in both organization and personnel. If the Agency is to achieve real success in carrying out its objectives, there must be longer tenure in the key

positions, once the right men have been obtained for those positions, and this entails a sharper realization of the qualifications required.

It is vital that greater coordination be effected between the regional bureaus.

There is a serious need for a stronger central personnel office to assist in this and other important and needed coordination.

There is a critical need to establish better coordination between the operational and administrative functions of the Agency. While the Agency has recognized this weakness and has recommended changes to rectify the situation, such improvements actually need to be implemented.

Quite as critical is the need to greatly improve coordination between the regional operating bureaus and the Washington staff service offices and to increase the effectiveness of such offices. Examples:

The Office of Engineering, which should have the authority to require uniform standards and policies in the engineering phases of the Agency, at present is solely advisory and quite ineffective.

Because the contract operations of the Agency are decentralized throughout the four regional bureaus and a Contract Division at the Washington headquarters, it is almost impossible for anyone, even within the Agency, to ascertain what is occurring in the contracting field until long after the fact. Presently, there is no way centralized of determining what contracts are to be let. Although the Agency has indicated its intention of greatly improving this operation, such improvement is still mostly in the planning stages.

Improvements in the inservice training program need to be initiated to insure equitable selection of both regular and senior trainees and appropriate procedures to assure the best use of their services following such training.

For the sake of morale and good administration, there should be a sharp curtailment of supervising personnel in acting status.

As authorized by law, the Agency has undertaken a selection out process of marginal employees in the FSR and FSR-L categories. This should be carried through as promptly as procedures and the equities will properly permit in order to weed out any deadwood, give improved status to those remaining, and strengthen morale. There is need for a better career service system for the oversea personnel of the Agency. Also, whatever is necessary should be done to identify and eliminate any unsatisfactory civil service employees at the Washington level, including possibly a selection out system as well as insistence on greater integrity in preparing efficiency reports. It might appear that more of the regular supervisory staff positions should be given permanent status, including more of the regular civil service supergrades, and taken out of the excepted category. The more deserving personnel of the Agency need a sharp boost in morale and should get it.

It would seem inappropriate that personnel employed on highly important loan, food for peace, and other major programs, should be paid from development grant funds appropriated for technical assistance, as is the situation presently, and it is believed that AID should present a salaries and expenses budget similar to those of other agencies, with a breakdown of personnel estimates and costs under each major type of program.

One of the most urgent needs of the Agency is more objective evaluation of program implementation and of the programs and projects themselves. The subjective analyses performed by the operating and planning staffs of the Agency, while necessary and beneficial, are not sufficient of themselves. The farflung activities and internal audit work performed by the Controller's office, while highly effective and necessary, does not purport to evaluate the merits of the various programs and projects. Nor does it appear that the research and analysis effort presently taking place within the Office of Human Resources of the Agency will prove effective in this regard. The one small group within the management inspections staff of the Agency, which conducts objective-type evaluations, has never been formalized, is operating on a day-by-day basis, does not appear to have the support of top Agency management, and it was indicated that it might be discontinued. It would seem vital in the interests of a more effective operation and for the very protection of the Agency itself, that a highly independent group, responsible only to the Administrator, perform effective evaluations within the Agency.

In addition, because of the size, complexity, and nature of our foreign assistance programs, much more comprehensive evaluations must be conducted by Congress and by the General Accounting Office and the Office of the Inspector General, Foreign Assistance, if these programs are to be kept in proper perspective. It is a job requiring concerted action and should not be left to the Agency alone.

There are strong indications that numerous field missions may be overstaffed in both technical assistance and administrative personnel, and also in local employees.

The facts suggest that the Agency may be overly preoccupied with its technical assistance programs to the detriment of the loan, Public Law 480, and other major programs. As a safety factor in assuring more tangible and realistic benefits in the technical assistance program area, the Agency should enforce a more vigorous policy of requiring the recipient countries to make more significant contributions to the local costs of technical assistance projects, as a condition to approval. Such a requirement would result in curtailment of technical personnel and in the elimination of marginal projects. As many technical assistance projects have been operated in the past, it may require little more than the consent of the recipient country for such a project, which is then financed almost entirely by the United States. If a country does not have the resources, or the inclination, to share in the original costs of a project, there would seem to be small likelihood that it would carry on the work as U.S. help diminishes or phases out.

Although the Agency is still in the process of completing the staffing and organization to carry out its loan functions, there are definite indications that currently it is inadequately staffed, in both numbers and experience, to properly administer and service the billions of dollars of loan business for which it is responsible. In addition to improvements in the general staffing situation of this program and a better allocation of responsibilities, every effort should be made to acquire the services of a person to head up this program who has the superior qualifications and experience commensurate with the responsibilities involved.

The Public Law 480 programs administered overseas by AID, although receiving much more attention currently than under predecessor agencies, are still understaffed and are not receiving nearly the attention necessary to realize their full potential. These foreign agriculture programs, which have aggregated approximately \$19 billion (U.S. costs), have been sold short almost from their inception in 1954. They simply have not received the same treatment as those programs for which the administering agencies (AID and predecessor organization) have had to come to Congress for direct appropriations; for example:

Prior to the so-called Ellender amendment,<sup>1</sup> agricultural sales at world market prices for foreign currencies (under title I) were made at unrealistically low foreign exchange rates, which admittedly resulted in rates below world market prices of approximately \$700 million.

The loans to foreign governments of the currencies generated by title I agricultural commodity sales generally have not been given the attention which dollar loans from direct appropriations have received.

Outright grants of these sales proceeds to foreign countries have, at times, been made in little short of a cavalier manner and, at times, under circumstances difficult to understand. Although the law requires congressional sanction of such grants, except in cases where the President determines it would be inappropriate or inconsistent with the purposes of the act, all such grants (approximately \$1½ billion) have been made by the "exception" route, and, at times, have amounted to as much as 37½ percent of total sales proceeds.

There appears to have been a widespread misconception that as the commodities, the sales of which generated these currencies, were surplus to the needs of the United States, less value should be attached to these currencies. This has resulted in excessive concessions to some countries to the great detraction of this most important and valuable foreign assistance program.

The argument that it was necessary to make the concessions which were made in Public Law 480 title I sales in order to consummate such sales, does not hold water; first, because under the regular concessions permitted by the law—of subsidizing the commodities to world market prices, of accepting local currencies in payment, of financing much of the ocean freight, or loaning a large percentage of the proceeds back to the purchasing country, and of using the remainder of the proceeds in the country—make such sales competitive practically anywhere, and second, because the greatest concessions in the form of loans and grants back to the recipient countries were made in those countries which were the least able to purchase such commodities in the open market.

Under titles II and III of Public Law 480, which involve outright grants of food and other commodities, either directly or through voluntary agencies, and which aggregate currently approximately \$0.5 billion yearly (U.S. cost), there is great untapped potential of not only doing great good and bringing much good will to the United States, but, effectively administered, these programs can be used as

<sup>1</sup> 101 (f), Public Law 480.

a basis for building greater social consciousness and community responsibility at the grassroots level in the recipient countries where, in so many cases, this has been lacking. These feeding programs can be increasingly used as the nucleus for initiating other cooperative ventures, whereas if they take the form of a dole, the programs can be used by the Communists to say that the United States is just relieving the misery of these less fortunate people so they won't revolt against intolerable conditions. The voluntary agencies and the local governments need greatly increased U.S. administration and help in this regard, and although AID currently is doing a far better job in this field, the surface has hardly been scratched. In the past, most of the efforts put into these programs consisted of belated end-use checks when there were occurrences of rampant diversion.

Entirely apart from the matters over which AID has full control, it should be pointed out that our past aid efforts generally have been marked by too frequent instances of overindulgence in our assistance to particular countries, and while it is dangerous to draw conclusions in this regard without specific facts on particular cases, it is safe to say that, in a number of countries, the United States has gone overboard in its grants and other assistance, and it would be very difficult indeed to show that this overindulgence was of additional assistance to the recipient countries or better served the interests of the United States. It would be easier to prove that such overindulgence had led to lack of respect for this country and had led other aid-recipient countries to expect as much. One recent example of such practice involves the granting of foreign currency loans at three-fourths of 1 percent interest, with long terms and grace periods, to countries which have, to a great extent, recovered from their worst difficulties and do not need such soft terms. To a large extent, it would appear that many of these unnecessary excesses in our aid resulted from the failure of the personnel responsible for such decisions to fully consider the picture as a whole.

Another area where much discredit has been brought upon our aid efforts is where the United States, through both military and economic assistance, is contributing by far the greatest portion of a country's budget in its fight for survival and against communism, but seems to lack the imagination, ingenuity, proper coordination, or whatever it takes to prevent widespread corruption and the diversion of a substantial portion of our assistance into the wrong hands.

On occasion, the resources of the Agency have appeared to be geared more to spending the funds made available by Congress than to accomplishing U.S. objectives as frugally as possible.

There seemingly are inadequate procedures for rewarding personnel who place the interest of the United States first, and too often the hard, realistic negotiator finds himself out of step and overruled by soft departmental policies.

Finally, it is all too obvious that there is much wrong with our foreign-assistance efforts and that we have made many serious mistakes. However, it must also be admitted by even the most severe critics of foreign aid that the list of accomplishments far outweighs its failures. In the final analysis, the job of improving our aid operations cannot be accomplished by the board brush treatment, but involves a detailed, painstaking, continuing study of the weaknesses,

faults, and other deficiencies of the whole operation. It is a joint effort in which Congress must participate to a greater extent than it has in the past, and, above all, it cannot be solved by meat ax slashes in the appropriations.

The hearings and inquiry held incident to this report demonstrates the need to keep attention focused on the weaknesses and problem areas of the AID operation. It developed situations requiring corrective action. It provided the necessary impetus to effect timely improvements in conditions well known to the Agency. On the other hand, it helped dissipate false rumors and unfounded charges and brought about a better perspective of the Agency's operations, objectives, and accomplishments.

In spite of the numerous headlines chronicling disappointments in our foreign-aid efforts, there are many indications that substantial additional benefits to the gains already made will accrue to the United States and the free world from such efforts. There are indications that AID presently is under competent leadership and that many of its organizational and personnel problems are being solved. Accordingly, at this stage, the more rational course would seem to be for Congress to intensify its efforts of review and constructive criticism of our foreign assistance program, to insist upon tighter controls and a more frugal approach in all phases of the operation, and to make advised curtailments in appropriations wherever possible or practicable. I feel that it would seem to be both foolhardy and disastrous to blindly engage in meat ax cuts in our foreign aid to the point where the program would become hamstrung, or to suddenly decide that we should become isolationists. I also feel that it ill befits this great Nation, in this critical but relatively successful and prosperous period, to start acting the role of "Chicken Little."

### III. BRIEF BACKGROUND OF FOREIGN ECONOMIC ASSISTANCE

Any objective assessment of the current foreign-assistance operation and the administration thereof, must, for a better understanding of the strengths and weaknesses of the programs, take into consideration, at least briefly, the history of foreign aid.

Oversimplified, the United States began foreign assistance, in the sense that we use it today, on a relatively small scale about 22 years ago in Latin America with a technical assistance program under the Institute of Inter-American Affairs. Of course, there was the large lend-lease program connected with World War II, which is hardly comparable. The first substantial postwar program was the Truman plan, under which large amounts of both military and economic aid were supplied to Greece and Turkey, and which checked Communist aggression in that area. This was followed by the Marshall plan, which involved a multibillion-dollar program in loans and grants to the countries of Western Europe, and the GARIOA (Government and Relief in Occupied Areas) program involving Germany, Japan, and other occupied areas. These programs brought prosperity of an unprecedented scale to those countries which had been decimated by war and, at the same time, forestalled Stalinist plans for engulfment. This must be recognized by all as a success story. Although

some of the nations involved might, at times, seem to have forgotten, or act ungrateful, or currently are not doing their share in assisting less fortunate countries, nevertheless, rather than operating in a diminishing free world, our trade with these nations has reached an unparalleled volume, and the free world, in the council of nations, has maintained a favorable balance of power against communism.

As communism became more sophisticated in its reach for world domination, and extended to the Near East, the Far East, and south Asia, our assistance to these areas was stepped up and the programs and the bill grew larger. This was followed by a course of events which forced the realization that many of our neighboring Latin American countries were in trouble and that this had been an area too long neglected. A concentrated effort was made to correct this with greatly stepped-up aid in the form of loans, grants, and technical assistance. Finally, with the coming of self-rule to most of the African nations and the problems incident to the achieving of independence by these nations, we currently find ourselves involved in some kind of aid business in all but a few countries of the world outside the Communist bloc.

The Government organizations which carried out these foreign assistance programs were born of emergency and went through frequent reorganizations, consolidations, changes in name, and changes of leadership. Within this period, the principal aid agency has been known as the ECA, the TCA, the MSA, the FOA, the ICA, and finally, the AID.<sup>2</sup> In addition, there are a number of other agencies which were set up to administer supplemental aid programs, including the Development Loan Fund, as well as numerous international organizations to which this country contributes a very substantial percentage of the financing.

To the detriment of the operation, the Administrators of the successive aid agencies have changed oftener than the name of the agency. There have been nine Administrators in the past 10 years. The personnel organization of the successive agencies, as might be expected, has been a patchwork and employment increased as emergency required. There was some consolidation of the respective agencies in 1953, and in 1957 some introduction to a career-type service. Generally speaking, Washington-based personnel work under the laws and regulations provided by the Civil Service Act, while oversea personnel have rights similar to those of the personnel under the Foreign Service Act.

During the years prior to 1961, great accent was placed on technical assistance, or point 4. This involved only about 10 percent of the funds but entailed large numbers (85 percent of total personnel) of technical experts in various fields and detailed administration involving very substantial U.S. missions in the respective recipient countries. The point 4 long-term approach, of course, was accompanied by at times massive economic aid designed to enable countries on the periphery of the Communist bloc to field armies aimed at resisting aggressors, or to overcome deteriorating economic conditions in specific countries, or to meet specific political or military aspects of U.S. National security.

<sup>2</sup> The Economic Cooperation Administration, the Technical Cooperation Administration, the Mutual Security Agency, the Foreign Operations Administration, the International Cooperation Administration, and the Agency for International Development.

At the outset of the present administration, a Presidential task force, after a comprehensive survey, called for reorganization and changed emphasis in our economic aid efforts. It pointed up the need for placing our assistance to the underdeveloped and "have-not" countries on a long-term development basis and the necessity for building an institutional base within the aided countries so that they might, themselves, carry forward economic and social development. It called for increased participation in economic assistance by other industrialized nations; greater emphasis on loans, particularly dollar-repayable loans, while at the same time carrying forward and expanding the technical assistance programs conducted by ICA; a greater coordination of military and economic foreign assistance; greater use of the potentials of the food-for-peace program; wider application of investment guarantees to encourage U.S. private enterprise to play a larger role in the economic development of assisted countries; and maximum self-help and reform on the part of the recipient countries as a condition to receiving assistance. It further recommended that all of these functions be consolidated into one agency to facilitate integrated country programing.

Concurrently, the Senate Foreign Relations Committee made a comprehensive review of our foreign assistance programs and came up with many of the same answers, including that there should be a shifting in emphasis from technical assistance and short-term economic grants to loans and long-range economic and social development activities. Pursuant to the action of Congress, the Foreign Assistance Act of 1961, which incorporated many of the recommendations of the congressional committee and the Presidential staff study group and created the Agency for International Development to succeed ICA and take over functions of other supplementary agencies, became law in the fall of that year.

The first year and a half under AID was principally devoted to reconstructing the organization to the new design and the enlarged responsibilities. There was a very substantial shifting of personnel requirements, shifting in a geographical sense from accent on one area of the world to another, shifting in a functional sense by adding loan officers, public safety officers, and so forth, and reducing technical specialists, shifting in an organizational sense from a predominantly centrally controlled operation to an operation decentralized into four regional bureaus with operating responsibilities focused in the assistant administrator of each regional bureau. The Washington staff offices now operate more or less in an advisory capacity. This evolution is still taking place. It has required the employment of numerous new employees, particularly in Washington, to fill different qualifications because of the changing emphasis. For many reasons there seemingly is great difficulty in getting the right people for many of the key jobs.

#### IV. MAGNITUDE OF AID PROGRAMS AND RESPONSIBILITIES

As a basis for evaluating the personnel setup of the Agency for International Development (AID), it is well to keep in mind the principal programs for which the Agency is responsible and what

these entail, as well as the key objectives in carrying out such programs.

Under the Foreign Assistance Act of 1961, as amended, which greatly expanded AID functions over those of predecessor organizations, AID is responsible for administering not only the current fiscal year 1963 direct appropriation of approximately \$2.6 billion in economic aid and performing an important coordinating function with respect to the appropriation of \$1.3 billion in military assistance, but its responsibilities are cumulative and require continuing implementation and administration in connection with programs previously undertaken. In addition, it has the responsibility for administering the multibillion-dollar Public Law 480 programs overseas and a host of other programs with various objectives. As an example of the enormity of its responsibilities, it is only necessary to list the dimensions of some of its principal programs.

#### A. DEVELOPMENT GRANTS

Appropriations made in the form of development grants are primarily for technical assistance in connection with specific projects in the various countries receiving aid, although a very small portion is used for "nonproject assistance" in the form of commodities and equipment. For example, in fiscal year 1963, \$325 million was appropriated for development grants, and of this, approximately 95 percent went for "project assistance," including the employment of direct hire U.S. technicians, technical service contractors, commodities which went into projects, the payment of local expenses, including the employment of foreign national personnel, and for bringing foreign nationals to this country, or a third country, to give them technical training.

(1) *Technical assistance.*—In the area of development grants for technical assistance, as of June 30, 1962, there were 2,209 active technical assistance projects in operation in 84 different countries, where the cumulative dollar obligation as of that date amounted to \$2.4 billion, \$1.8 billion of which had been expended. (See AID's "Project Type Assistance Report," June 30, 1962.)

These projects, if well conceived, involve assistance to so-called underdeveloped countries in an attack on poverty, disease, illiteracy, and economic stagnation, in an effort to improve their standards and help them become more self-reliant and less vulnerable to Communist takeover or infiltration. This is done by sending American technicians and materials to these countries to demonstrate improved methods and techniques, principally in the fields of agriculture, education, health, public administration, communications, power, and internal security. For the most part, these programs are financed by direct congressional appropriation for development grants. Some of these projects have been in existence for 8 or 10 years. Each year, certain ones are completed, or terminated, and others are initiated. By their nature, it is these projects which occupy the great majority of the Agency's employees, both direct hire and contract. It is primarily in connection with the administration of these projects that AID and its predecessor organizations have maintained large missions in the majority of the countries of the world. This phase of the operation will be covered

in more detail later in the report under a discussion of indicated overstaffing.

(2) *Participating training.*—AID is responsible for an international training operation under which about 6,500 foreign nationals come to the United States for specific technical training and another 2,500 go to a third country to receive this training to support specific technical assistance projects. This is financed with development grant appropriations and is tied in with the technical assistance program referred to above, in that the foreign nationals come to the United States, or go to a third country, in order to learn about improved techniques in the fields of agriculture, health, industry, administration, etc., in order that they might return and carry forward the advances initiated in the technical projects being carried on in their respective countries through U.S. aid. The majority of these participants work on farms or in industry, although some 40 percent actually attend colleges or technical training institutions while here. The average age of such participants is 29. The average length of stay in the United States is 9 months. The cost of the program approximates \$40 million per year, and there are approximately 285 AID personnel engaged in the administration of the program, 80 of whom are located abroad.

#### B. SUPPORTING ASSISTANCE

While bearing some similarity to development grants for technical assistance, supporting assistance is distinguishable for the reason that it is justified more on the basis of political expediency in the promotion of urgent U.S. national security and foreign policy objectives. Further, it tends to concentrate more on the provision of commodity assistance to overcome economic crises. It is confined to a relatively few countries which contribute heavily to free world defense, and is used to maintain access to U.S. bases, to maintain economic stability where disintegration threatens, and, in certain cases, where the alternative would be complete dependence on Sino-Soviet bloc aid. In fiscal year 1963, \$395 million was appropriated for this purpose, approximately one-fifth of which was used for project assistance and the balance for nonproject assistance, which took the form of grants of commodities, raw materials and fuels, and equipment. Supporting assistance does not require the Agency manpower that technical assistance entails. Of a total of 6,220 technicians planned for fiscal year 1963, 5,485 were estimated to be engaged in technical or project assistance financed through development grants, while only 735 were and, as may be expected, most of it is used for supporting assistance efforts.

The commodities and equipment furnished under the nonproject grants, for the most part, come from the United States, and, to a great extent, are furnished under letters of credit which the recipient government sells for local currency to importers in the particular country, depositing the proceeds in a counterpart special account in the name of the recipient government, the use of which is to be approved by AID officials. Such funds are frequently used for budget support of the particular recipient countries.

Another large and somewhat related yearly appropriation is the contingency fund. (This amounted to \$250 million in fiscal year 1963,

although all of it was not used.) This fund is given to the President to meet unforeseeable emergencies important to the national interest and, as may be expected, most of it is used for supporting assistance.

#### C. LOANS

As of March 31, 1963, the testimony reflects that there were 838 signed loan agreements of various kinds outstanding in 71 countries, which aggregated in excess of \$10 billion, for which AID had responsibility. They include not only the new type development loans which the Agency has been making under the 1961 act, but loans inherited from the Development Loan Fund Corporation; loans made by other predecessor organizations; foreign currency loans formerly administered by the Export-Import Bank (Public Law 480, sec. 104(e) or Cooley loans); and Public Law 480, title I, section 104(g) foreign currency loans to foreign countries. (See exhibit 1, reflecting a consolidated breakdown of the status of these loans.)

This does not tell the whole story, because there are vast sums of both appropriated dollars and foreign currencies generated by Public Law 480 sales which are in the pipeline, but which are not yet covered by loan agreements. For example, AID's "Report on Country Loans," dated March 31, 1963, reflects \$3.3 billion in Public Law 480, 104 (d) and (g) loan agreements, but as of December 31, 1962, according to table 16 of the 17th Semiannual Public Law 480 Report, Public Law 480 sales agreements have provided for \$4.1 billion in 104(g) loans. In fiscal year 1963, the Congress directly appropriated \$1.4 billion for foreign assistance dollar loans and the equivalent of about another \$1 billion became available in foreign currencies from Public Law 480, title I sales.

It should not be too difficult to visualize that it would take quite a banking institution, both in numbers and expertise, to carry out properly all of the various loan functions, including proper servicing of the loans, involved in an operation of this size on a world scale. Loan Operations will be covered in more detail later, under a discussion of inadequacies in personnel.

#### D. PUBLIC LAW 480 PROGRAMS

Although the Public Law 480, title I, loans are listed above, all of the programs under this law, which is the Agricultural Trade Development and Assistance Act of 1954, are of such magnitude and importance, and AID plays such a significant role in their administration, that they deserve special mention. Further, it should be borne in mind that AID does not come before Congress to justify the costs of these programs, which are supported through the budget of the Department of Agriculture.

Title I of this act provides for the sale of surplus agricultural products to friendly countries at world market prices, with payment received in the currency of the recipient country. By the terms of the sales agreements, which vary, the large portion (71 percent cumulatively) of the sales proceeds are either loaned back to the country (46 percent) or granted outright (25 percent) by the United States for economic development or common defense. These are so-called country uses.

Approximately 6 percent (cumulatively) of the proceeds are designated for loans to private enterprise, generally American firms doing business in the recipient countries, to encourage free enterprise in the countries' economic development. The remaining 23 percent (cumulatively), the so-called "U.S. uses" portion, as provided by section 104 (a) through (s) of the act, is used in place of appropriated dollars to partially defray U.S. Embassy and other U.S. mission and program costs in the respective countries.

AID has the responsibility for administering the loans and grants, or "country uses" portion, of these proceeds and the loans to private enterprise, or, in other words, has a responsibility for 77 percent of the proceeds of these sales, which, as of June 30, 1963, totaled \$13.3 billion (U.S. costs). Foreign currencies provided by the agreements up through December 31, 1962, amounted to approximately \$4.1 billion for loans, \$2.3 billion for grants, and in excess of \$500 million for loans to private enterprise. For the last calendar year, the agreements provided nearly \$1 billion for loans, \$81 million for loans to private enterprise, \$53.5 million for economic grants, and \$169 million in grants for common defense. It is necessary for AID to program these loans and grants to assure that they are being used for appropriate purposes, and excepting the grants for common defense, to service the projects, and to conduct audits to assure proper use.

Title II authorizes grants of U.S.-owned surplus agricultural commodities for famine relief and other assistance, including school feeding and economic development. AID has the responsibility for programming the various uses which are made of these commodities, seeing that adequate organizations are set up to handle their distribution for most effective use and prevent diversion, conducting audits of the operations, and numerous other functions in connection therewith. According to information furnished by AID officials, in fiscal year 1963, there were transfer authorizations of commodities issued under this title amounting to \$253.7 million, U.S. cost.

Title III, among other things, authorizes the donation of U.S.-owned "surplus" commodities to qualified voluntary charitable agencies for distribution to the needy in foreign countries. AID has the responsibility for approving such programs (now in 113 countries and territories), seeing that the agencies have an adequate organization for equitable distribution with a minimum of diversion, assuring that the U.S. people get credit for the donations, auditing, and end-use checking the programs, as well as other functions. According to information furnished by AID, the U.S. cost of the commodities and freight under the programs approved for 1963 totaled \$408 million.

The Public Law 480 programs will be discussed in more detail in section VII of this report.

#### E. COORDINATION OF ECONOMIC AND MILITARY ASSISTANCE

An important function of the AID Administrator is the coordination of military assistance with economic assistance in the various countries around the world where there are joint programs. This requires a close working relationship between the economic and military assistance groups to assure consistent policy and approach. There is a Deputy Assistant Administrator at the Washington level within the Program Coordination Staff, which office concerns itself with this

responsibility, and the military assistance program for each country must be approved by the AID Administrator as being consistent with other political and economic programs prior to being put into effect. For example, in fiscal year 1963, \$1.4 billion was appropriated for military aid to 71 countries. As the Ambassador is the chief of the diplomatic mission in each country, of necessity, his approval must be obtained on the joint plans. While this entails considerable work, it merely adds other functions to the regular responsibilities of the AID mission director and other key country officials.

#### F. INVESTMENT GUARANTEES

For the purpose of expanding the role of private enterprise in furthering the economic growth of less developed countries, AID operates an investment guarantee program whereby new U.S. investment abroad is given a form of insurance against risks due to expropriation of property or business, losses due to war, and inconvertibility of earnings or profits. Currently, arrangements have been made for investment guarantees in approximately 65 countries with respect to expropriation, and in a somewhat smaller number of countries with respect to inconvertibility and war risk. As of the time of the hearings, program guarantees totaling in excess of \$1 billion had been underwritten, and in excess of 1,000 applications, totaling nearly \$4 billion, had been received. Fees are charged for such guarantees, varying according to the circumstances of each case, although, to date, claims against such guarantees have been very small. Reserves available to meet requirements of the investment guarantee program, including fees received, appropriated funds, and Treasury borrowing authority, aggregate in excess of \$260 million. This program involves considerable work, both at the Washington level and in the country missions, in handling inquiries from businessmen, arranging contract agreements with the respective countries, etc. It is one of the areas where additional personnel is needed.

#### G. MISCELLANEOUS OTHER PROGRAMS

In addition, AID has the function, incident to the programs it is operating, of attempting to build appropriate institutions within the countries being assisted which can successfully carry forward its economic development. The Agency is charged with seeing that the countries we help take steps to help themselves and institute necessary reforms in the nature of better tax structures, better distribution of the wealth, land reform, etc., depending upon the particular circumstances in the country. It is further charged with the responsibility of attempting to get other free world countries which have attained economic stability to share in the burden of foreign aid to the "have not" countries.

AID is involved in a variety of additional programs, including American schools and hospitals abroad, surveys of investment opportunities, voluntary contributions to various U.S. organizations, and a comprehensive program for utilization of excess property. It is not our purpose to explain each of these programs in detail, but merely to provide some indication of the wide range and diversified nature of the activities for which the AID Administrator is responsible.

## V. PERSONNEL COSTS AND SOURCES OF FUNDING

As further background for evaluating the personnel setup of AID and the problems affecting the administration of its programs, along with the magnitude and scope of AID programs, it would seem appropriate to briefly touch upon the personnel costs of running the AID Agency and the sources of such funds. It is possible that the sources of the funds may bear some relation to the problems of overstaffing in certain programs, while others are neglected.

There are two principal categories of personnel costs: (1) The cost of direct hire employees and (2) the cost of contractor employees.

*Direct hire.*—Evidence was received that the estimated cost of direct hire employees for fiscal year 1963 was \$131,729,300. (See exhibit 2.) It will be noted from the exhibit that personnel costs are paid from three main sources of appropriated funds: Administrative costs, \$40.6 million; supporting assistance, \$7.7 million; and the balance, \$83.4 million, from development grants for technical assistance.

(Not included in the exhibit, and in addition thereto, is another source of funding, the so-called counterpart trust funds (foreign currencies), which are used in certain countries to defray the salaries and expenses of many of the local employees. These funds vary from country to country and are derived by agreement with the individual foreign country, and generally represent a small percentage of the value of commodity grants which the United States has made to that country.)

In short, practically all of the funds for salaries and expenses of AID personnel come either from the amount allowed by Congress for administrative expenses (on which amount Congress imposes a dollar limitation) or from amounts appropriated as development grants for technical assistance and "supporting assistance" (on which there is no dollar ceilings for personnel). In spite of the fact that under expanded AID responsibilities, the loan, Public Law 480, and other programs, which may loom in overall importance quite as large as the current technical assistance program, cannot in any true sense be characterized as "technical assistance," the personnel who work on these programs are included in the personnel costs for "development grants for technical assistance."

This procedure apparently is based on past practices of ICA and predecessor agencies, where the overwhelming accent was on technical assistance and where all "program" costs were funded from development grants. Under present conditions, however, the practice, though permitted by Congress, is obviously inappropriate, and in future AID budget justifications, the personnel for each of the major programs should be enumerated separately and justified accordingly.

*Contract services.*—A very substantial portion of AID project assistance abroad is carried out through contracts with universities, private companies, and individuals, which provide the needed manpower and technical expertise. It was not possible to develop, through the hearings or otherwise, the picture with respect to contract services in the same detail as direct hire employees, primarily due to the unavailability of specific information.

Further, Congress appropriates funds each year for "contract services" under the category of development grants and supporting assistance, but the Agency, in its appropriation presentation, lumps

into one figure the costs of contract personnel for technical services and the commodities which are used to carry out the projects, and, accordingly, was not able to furnish the estimated cost of contractual personnel services or the average cost per man-year as in the case of direct hire employees. The amount appropriated for contractual services in fiscal year 1963 for technical and supporting assistance for the various country programs, which does not include regional and worldwide programs, but which includes both services and materials, was \$140,-327,000.

In accordance with AID publication, "Technical Service Contracts," as of March 31, 1963, there were 984 contracts outstanding, with a total dollar cost of \$438,767,094. As will be shown later under "Personnel Strength," it was indicated that there were 1,452 U.S. national contractor employees, although this figure, admittedly, may be substantially understated and there was no information furnished or available on third country or local contractors, which makes the contractor employee figure meaningless.

*Average employment cost per U.S. Government employee overseas.*—AID officials, in connection with the hearings, submitted information which reflected the various factors contributing to the cost per year of maintaining the average direct hire U.S. employee overseas. (See exhibit 3.) As will be noted, this estimated average cost is \$25,966, and includes not only salary, post allowances, post differential, travel and transportation of persons and things, but all other directly related costs, including the pro rata share of salaries of local nationals hired to support the American in his activities overseas.

From these cost figures, it is obvious that great importance should be attached to the quality and performance of the oversea Americans in these programs, and to making sure that each one sent abroad is necessary to the program and that there is no overstaffing.

## VI. PERSONNEL SETUP

### A. PRESENT STRENGTH

AID, as of March 25, 1963, the date of the latest available records at the time of the hearings, reportedly had a total personnel strength of 18,604. This was broken down as follows:

U.S. nationals, direct hire.....	7,390
Administrative personnel.....	2,894
Program personnel.....	4,496
(AT Washington level.....)	<sup>1</sup> 2,798
(Overseas.....)	4,592
U.S. nationals, contractor employees.....	<sup>2</sup> 1,452
Foreign nationals.....	9,762
Paid from U.S. Government funds.....	5,560
Paid from foreign trust funds.....	4,202
Total.....	18,604

<sup>1</sup> It should be noted that these two figures do not agree, because consultants and experts are not included in the latter figure, but they are the figures reported by AID.

<sup>2</sup> This figure admittedly is low, as all U.S. national employees of contractors are not fully reported to the Agency; nor are third country national contractor employees.

(See exhibit 4, reflecting employment strength as of March 25, 1963, broken down by direct hire and contractor employees, program and administrative employees, at the Washington level and overseas, and by region and country.)

The figure of 18,604 would be increased by about 2,000, if supporting services performed by the State Department and other U.S. Government agencies were included.

1. *Positions, authorized strength, employment, and vacancies*

At the Washington level, at any given time, the "established positions" in the Agency are greater than the "authorized strength," or funded positions, which, in turn, are still greater than actual employment, and the difference between actual employment and funded positions represents vacancies. The Agency reported the following with respect thereto:

AID/Washington:		
Established positions.....	3,259	
Authorized strength or funded positions.....	2,833	
Actual employment.....	2,655	
Vacancies.....	178	
AID/overseas:		
Established positions.....	5,258	
Authorized strength or funded positions.....		
Actual employment.....	4,592	
Vacancies.....	1,266	

It will be noted that the figure for "Authorized strength," supra, is omitted. This is due to the fact that there is no authorized ceiling for "program" funded personnel abroad.

Exhibits 5 and 6 reflect a breakdown of these positions between "program" and "administrative," at the Washington and field level, respectively.

B. COMPARISON OF STRENGTH FOR PAST 3½ YEARS

The following comparison goes back 3½ years to a date well in advance of AID's assumption of its expanded responsibilities in the loan program and other fields.

1. *Comparison of direct-hire and contractor employees*

Date	U.S. nationals		Total U.S. nationals	Foreign nationals	Total employees
	Direct hire	Contractor			
Sept. 25, 1960.....	6,478	1,862	8,340	8,556	16,896
Mar. 25, 1961.....	6,521	1,778	8,299	8,166	16,465
Oct. 25, 1961.....	6,776	1,673	8,449	8,536	16,985
Apr. 25, 1962.....	7,141	1,632	8,773	8,813	17,586
Oct. 25, 1962.....	7,410	1,535	8,945	9,468	18,413
Mar. 25, 1963.....	7,350	1,452	8,842	9,762	18,604

It will be noted that there has been a net increase in AID employment of 1,708, consisting of an increase of 912 U.S. nationals, direct hire; a decrease of 410 contractor employees, and an increase of 1,206 foreign nationals.

With respect to direct hire U.S. nationals, the following table gives a comparison between administrative and program employees for the same period.

## 2. Comparison between administrative and program employees

Date	Administrative	Program	Total
Sept. 25, 1960.....	2,454	4,024	6,478
Mar. 25, 1961.....	2,473	4,048	6,521
Oct. 25, 1961.....	2,638	4,333	6,776
Apr. 25, 1961.....	3,036	4,105	7,141
Oct. 25, 1962.....	3,218	4,192	7,410
Mar. 25, 1963.....	2,894	4,496	7,390

## C. BREAKDOWN OF PERSONNEL BY SERVICE CATEGORIES

According to the testimony received from Administrator Bell, there has been an identifiable group of employees working in the foreign assistance field for the last 20 years, beginning with the Institute for Inter-American Affairs. The first major attempt at consolidating the organizations and personnel engaged in foreign aid activities occurred in 1953, with the establishment of the Foreign Operations Administration. The personnel authorities used in 1953, were essentially the same as those established in 1948, on a crash basis, for the Marshall plan. Legislatively, it consisted of a delegation by the Congress of certain of the Foreign Service Act and certain other authorities to facilitate the use of individuals with specialized skills from other agencies and from private industry. Indefinite status, limited to the duration of the program was a prime characteristic of employee tenure under that system insofar as the oversea staff was concerned. For Washington personnel, the regular civil service system was considered appropriate, with certain special authorities intended to insure flexibility in selection and retention for the top leadership positions. By 1957, there was a strong feeling that it would be desirable to create a career-type tenure for the central core of the oversea staff. The need for foreign assistance activities was continuing, and the system then in use led to high costs resulting from excessive turnover. The ICA, therefore, attempted to develop a career-type personnel system. The legislative basis provided only a limited foundation for this attempt and many of the normal tools of personnel management to meet the needs for a longer range approach had to be specifically adapted. Nevertheless, this program to institute a career-type service abroad reportedly did much to improve morale among ICA's oversea staff.

That was the situation when this administration came into office, and in early 1961, a major survey of foreign service activities was instituted, not only as to program and objectives, but with respect to organizational structure and personnel.

The President's Task Force made certain recommendations in this regard, and that was essentially the guideline which was used when the foreign aid legislation of 1961 was enacted.

As indicated by the testimony, the present composition of the AID work force is still something of a patchwork. According to the testimony, as of December 31, 1962, the most recent date for which a detailed breakdown was available, the 7,489 U.S. nationals, direct-hire employees, break down as follows:

GS, or civil service employees.....	2,242
FSR, Foreign Service Reserves.....	3,600
FSS, Foreign Service Staff.....	754
AID schedule (participating Agency employees).....	578
Consultants (on daily rates).....	180
Wage board mechanics, etc.....	34
Excepted salary schedules.....	75
Chiefs of missions, class III and IV.....	14
Presidential appointees (statutory positions).....	12

*1. Explanation of the different service classifications and rights thereunder*

The 2,242 civil service employees at the Washington level, of course, have all of the rights provided under the civil service laws and regulations. They are permanent employees and cannot be removed, except pursuant to regular civil service procedures. There of course is no selection out process for this group of employees as there is under the Foreign Service and for the Foreign Service Reserve category in AID.

The Foreign Service Reserve employees, aggregating 3,600 represent the bulk of the oversea employees of AID, and under the system they rotate to other countries, or to Washington, for a tour of duty. The FSR is similar to the State Department FSO position, the principal difference being that the Reserve officer does not have the permanent status that the State Department FSO officer has. The FSR officers are also subject to a selection-out process whereby under certain procedures, but with appeal rights, the least qualified FSR's may be terminated. This process has only recently been initiated and no terminations thereunder have been made to date.

Further, approximately 50 percent of the FSR officers have FSR-L appointments, which signifies that they are employed for limited period of time or are serving a probationary period.

The Foreign Service Staff classification includes the secretarial and clerical force of U.S. nationals overseas and their employment rights are similar to the State Department's secretarial and clerical staff abroad.

Employees under the AID schedule of participating agency employees are borrowed from other agencies, such as the Bureau of Public Roads, Department of Agriculture, Public Health Service, Corps of Engineers, etc., and are assigned for varying periods of time. They retain reemployment rights to their own agency.

Consultants and wage board mechanics: Consultants have neither permanent status nor tenure.

The excepted salary schedule employees, of which there are approximately 75, as is indicated, serve at the will of the Administrator. The majority of these are personnel in the higher salary brackets and generally are hired because of special qualifications.

Chiefs of missions, classes III and IV: Although AID employees, the 14 personnel in this category are in ambassadorial pay levels in classes III and IV, and serve as directors of the largest, or most difficult, AID missions abroad. These employees also serve at the discretion of the Administrator.

The Presidential appointees, or statutory positions, include the Administrator, the Deputy Administrator, and the Assistant Administrators, as provided by the Foreign Assistance Act of 1961. They are

appointed by the President, with the approval of the Senate, and serve at the discretion of the President.

Administrator Bell testified before the committee that he felt that, at least for the present, he had sufficient authority under existing legislation to make such personnel changes as might be deemed appropriate. He did not, however, preclude the possibility that he might later on want further authority. Among the reasons he felt that because of the morale situation, no changes in authorities should be made at the present time.

#### D. DECENTRALIZATION OF OPERATIONS UNDER AID

In early 1961, a major survey of the programs and objectives of foreign assistance was made by a Presidential task force which also looked into the organizational structure and personnel needs of the then International Cooperation Administration. Sweeping recommendations were made with respect to both the objectives of the Agency and the changing personnel needs. The design laid down by the President's task force emphasized: (a) Long-term development in assisting underdeveloped countries; (b) increased participation in the economic assistance efforts by other industrialized nations; (c) maximum self-help and reform on the part of the recipient countries; (d) the need to build an institutional basis for economic and social development in the aided nations; and (e) qualified personnel to carry out the changed objectives.

It was this theme that was carried out in the Foreign Assistance Act of 1961, which created the Agency for International Development, which succeeded the ICA.

The primary responsibilities of the new Agency (AID) were (1) to carry forward and expand technical assistance programs ICA had conducted; (2) to expand loan operation formerly administered by the DLF, and, in part by the Export-Import Bank; (3) to place greater emphasis on the various aspect of food for peace programs (Public Law 480); (4) to coordinate military and economic assistance; and (5) to increase research to find the best methods of providing development assistance.

##### 1. *Period of transition*

According to the testimony, the first 1½ years of the AID was principally devoted to reconstructing the new organization to the design laid out by the President's task force and to the rearrangement of the programs to emphasize its principal objectives.

One of the major changes in the organization of the Agency was to decentralize operation into four geographical bureaus (Far East, Near East-south Asia, Latin America, and Africa-Europe), placing the line of command respecting all activities from the country mission, up through the Assistant Administrator in charge of the regional bureau, to the Administrator of the Agency. This was a substantial departure from the old setup, which was more highly centralized in Washington under various fields of activity, i.e., agriculture, education, engineering, public health, public administration, etc.

Without going into the instability, organizational weaknesses, and faults of the predecessor agency, it may be an understatement to say that this transition and the influx of new personnel to tailor the

Agency to the new concepts and objectives was marked by confusion, lost motion, delays in decisions, and chaotic personnel situations. Progress was further hampered by the fact that even under the re-organization, the personnel in certain top policy posts continued to change frequently. More will be said about these problems later under section VII of this report. It would appear sufficient to say here that it was during the height of this period that numerous alarming administrative situations came to the attention of the committee, which brought about this special inquiry with regard to personnel and performance in the AID.

It should further be stated, however, that under the direction of Administrator Bell things appear to have taken a decided turn for the better, and, while much yet remains to be accomplished, the situation is relatively speaking, greatly improved.

## *2. Present setup, organizational chart reflecting deployment of personnel and functions*

There is included as exhibit 7, an organizational chart of AID, as of March 25, 1963, which also reflects a breakdown of Agency personnel at the Washington level, by Bureau and Office, both administrative and program, and the totals of such personnel in the field.

It will be noted from an examination of the organizational chart for AID, that there are eight special staff groups which report directly to the Administrator.

It will be further noted that the whole operation is regionalized through four regional bureaus at Washington, each headed by an Assistant Administrator. The staff offices to the left of the organizational chart; namely, the Office of Development Finance and Private Enterprise, the Office of Material Resources, the Office of Engineering, the Office of Human Resources and Social Development, and the Office of Public Safety, report to the Administrator through the Deputy Administrator for Operations. In the main, these staff offices are advisory in nature, although certain of them, particularly the Office of Material Resources, have many operational functions.

The group of staff offices on the right of the chart; namely the Office of the Controller, the Office of Program Support, the Office of Management Planning, the Office of Personnel Administration, and the Office of Security, are directly responsible to the Deputy Administrator for Administration.

## **VII. FACTORS ADVERSELY AFFECTING EFFICIENT ADMINISTRATION**

The factors affecting the efficiency of management of an operation of the size and scope of the foreign economic aid programs are so innumerable as to prohibit here even a summary discussion. Accordingly, at some risk of overshadowing the accomplishments of the Agency during the past 2 years in consolidating and welding together into one organization the host of functions it is performing on a worldwide basis, comment is being confined to the more vital areas of weakness affecting the administration of the program, with the hope that in other places in the report sufficient information is set forth on the positive side of the operation, which will give some degree of balance.

Without necessarily listing them in the order of their importance,

the principal factors adversely affecting good AID administration appear to fall into the following categories: The fact that today's complex AID organization is the result of 15 years of emergencies, improvising, reorganizations, and frequent changes of programs and key personnel, with all this entails; existing weaknesses and deficiencies in personnel administration and organization; indicated overstaffing in certain program areas, particularly in technical assistance and administrative positions; inadequate personnel, both in numbers and qualifications, and inadequate attention in the loan and Public Law 480 programs and, to a lesser extent, in other areas; and serious lack of objective evaluation of program implementation and the merits of the programs themselves.

There are also a number of other serious problems and deficiencies in carrying out this country's foreign assistance objectives, which AID is a party to, but over which it does not have full control.

#### A. THE CUMULATIVE EFFECT OF PAST MISTAKES, REORGANIZATIONS, AND LACK OF STABILITY

It is perhaps inescapable that the hasty manner in which it was necessary for this country to organize and staff the successive foreign assistance programs and to continue changing programs and key personnel to meet changing conditions, would eventually create a large, amorphous, unstable agency, which would provide one of the most serious handicaps in carrying out the complex foreign assistance programs. The cumulative effect of this handicap and the criticisms, past and present, which have attended it, are so serious as to deserve some comment. For the sake of clarity, the period of the evolution of these programs will be broken down (1) between the time the Marshall plan was set up and the time of the enactment of the Foreign Assistance Act of 1961 and (2) the events which took place in attempting to reorganize the Agency to carry out the expanded functions required by that act.

##### 1. *Effect of successive organizations and changes in program and personnel prior to the Foreign Assistance Act of 1961*

Earlier, in section III of this report, there is a summary account of the six successive principal organizations which were set up to operate this country's foreign assistance programs since 1947, and of the nine different Administrators of these agencies in the past 10 years. (Exhibits 8A and B, furnished by AID, reflect the name and period of each agency and the identity and tenure of the Administrators and Deputy Administrators during the period indicated.) What isn't reflected is the effect which such changes in program, organization, leadership, and policymaking personnel had on the efficiency of these organizations. However, it is not difficult to visualize that it required a different type operation for handling Marshall plan aid to Western Europe than it did for technical assistance and grant-type aid to underdeveloped countries with relatively primitive economies. Further, it required quite different personnel qualifications. It is well recognized that as these organizations were created, changed, and consolidated to meet new conditions and emergencies, the best personnel available was recruited, on short notice, to operate them; that the various programs were considered temporary in nature; and that little was done to develop a permanent staff organization. Above all,

this type of activity was new to this country, and the personnel, although coming from Government and business, naturally, lacked experience in this type of operation. It follows that there were many false starts, miscalculations, and mistakes. Because of the newness, size, and complexities of foreign assistance, it was also most difficult to administer, which, partially, may be the reason for the numerous changes in top management. Each time the management changed, with varying degrees there were other changes in the Agency, with accompanying loss of motion.

By 1960, the Agency had grown to nearly 17,000 employees. The principal type of assistance which was being carried on at that time, and in the years just previous thereto, can be characterized generally as an operation of technical assistance and large-scale grants which, for the most part, were dictated by the exigencies of the times and to meet particular crises as they arose. With the exception of the technical assistance program, the operation, in the main, was geared to short-term impact, such as budgetary support, etc.

The Development Loan Fund, of course, was created in 1957, but did not operate on the scale of the present AID loan operations.

With the advent of the new administration in 1961, ICA Director Riddleberger was succeeded by Director Labouisse and there began a substantial change in the top policymaking personnel in Washington.

The President appointed a special task force to undertake a comprehensive study of the status and problems of our foreign assistance and Director Labouisse was put in charge of this study. This took most of his time during the greater part of his tenure, which ended early in October 1961. The task force recommended a program for underdeveloped countries with the emphasis on long-term development, the need to build institutional bases upon which these countries might build to assist in their own development, a shift to less grant aid and more loans, and the consolidation of the various foreign economic assistance functions under one agency. These recommendations, to a great extent, together with the findings of the survey of the Senate Foreign Relations Committee, were made a part of the Foreign Assistance Act of 1961 and the new Agency, AID, was created.

## *2. The problems and confusion incident to restructuring to meet expanded responsibilities of AID*

Fowler Hamilton, a New York lawyer, was appointed Administrator of AID on September 30, 1961, succeeding Director Labouisse of ICA, and a rather thorough reorganization was undertaken to restructure the new Agency to meet its new responsibilities, which took a good year and a half, or the whole period of this Administrator's tenure. It was necessary to establish from the ground up a loan organization, because of the transfer of DLF functions and certain of the loan functions of the Export-Import Bank. The new concept of long-range capital development and the necessity for building an institutional basis within the recipient country required the establishment of new staff offices in Washington and the employment of personnel with qualifications which the previous agency had not required. Because of the difficulty of finding qualified personnel to fill many of the key positions, a special operation (operation "Tycoon") was undertaken,

which attempted to recruit some of the best talents from U.S. business, industry, and economic fields. While it is contended that this was a successful operation, there are varying opinions and it also created problems. Some of the so-called tycoons were not adapted to cope with the problems of governmental service. With the very substantial influx of new personnel, at least temporarily, there was considerable confusion, lost motion, and disruption of the normal agency operations. The fact that the Agency lacked a degree of stability and depth of experience in its key departments aggravated this situation.

Another very substantial change made in the Agency structure was the decentralization of operations under four geographic regional bureaus, each headed by an Assistant Administrator. The purpose of this change was to directly place the line of responsibility for all operations from the foreign country mission, through the regional bureau director, to the Administrator, and reportedly it has accomplished this and evidently there has been some improvement in the Agency's operation. However, in the transition period this decentralization caused much confusion, left many important staff offices with only advisory authority and responsibilities which they could not perform. It also brought about an absence of uniformity in policy and operation and there was a severe lack of coordination between the staff offices and the regional bureaus, the administrative offices and operating bureaus, and the personnel office and the operating bureaus.

Many indications of the confusion and problems created primarily as a result of the reorganization were developed at the hearings held by the committee and the inquiry conducted incident thereto.

It was reflected that during this period too much was attempted at one time—key personnel continued to change, while economic programs were merged, altered and enlarged; there were long delays in getting decisions and responses out of Washington offices necessary for proper field program implementation, resulting in stalemates, lack of activity, and poor morale. Far too much time was taken to process employment applications, transfers, and leave requests. There were instances where personnel who had completed their particular assignments in a particular country had to wait for months before they were reassigned or terminated, while others were brought back to Washington where they remained for long periods before reassignment or termination. At one time in the fall of 1962, there were estimated to be approximately 200 personnel in this transient status. There were even indications that personnel who had served in a particular technical specialty were given assignments in positions for which they had no particular training or experience, but were assigned because vacancies existed and they were immediately available, even though they were not the best qualified. In some missions where obvious overstaffing existed, little or nothing was done about it. A considerable number of projects which were marginal at best, and, at worst, ill advised, unnecessary, and unwanted by recipient countries, were continued and supported.

A few key personnel who did not meet the standards of Government service contributed to the delay in the reorganization and further lowered morale. Instances of the existence of vacuums in lines of authority were evident.

## B. CURRENT PROBLEMS AND WEAKNESSES IN PERSONNEL ADMINISTRATION AND OPERATIONS

It certainly should not be surprising that the present AID organization, in spite of many improvements which have been and are being made, is still feeling the results of past reorganizations, changes in personnel, etc., and will continue in the future to suffer from its past history. At the time of the hearings and inquiry incident thereto, there still remained much to be done by way of improving coordination, which was adversely affected by decentralization; bettering personnel administration; substantially reorganizing procedures in the area of contracting services; and establishing more appropriate fiscal procedures within the Agency.

1. *Lack of coordination resulting from decentralization*

While, as indicated, many benefits were derived from decentralizing the operations of AID into four regional bureaus and effecting a more direct line of authority from the foreign country missions, through the Assistant Administrator in charge of each Bureau, to the Administrator of the Agency, the facts developed indicated numerous areas where better coordination was required to order to permit the Agency to operate smoothly and efficiently.

There were many indications that there were inconsistencies in policies and operations between the different regional bureaus over and above what might be expected because of the differences in requirements of the geographical regions. It was quite noticeable that some of the regions were operating more efficiently than others, and it was quite obvious that without adequate overall monitoring by key staff supporting offices at the Washington level, such as the Office of Engineering, different yardsticks and procedures were being employed within the Agency. The lack of coordination appeared to exist not only among the regional bureaus themselves, but between the regional bureaus and the administrative offices of the Agency, between the regional bureaus and the staff support offices at the Washington level, and between the personnel setups in the regional bureaus and the central Personnel Office. For example, there were indications that the regions, in some instances, for all practical purposes, ignored agencywide personnel policy. Testimony was received from the acting head of the Office of Engineering indicating that the staff of this office was very depleted and was insufficient to monitor the host of engineering decisions being made by the regional bureaus; that there were no effective central engineering standards; that this office was inadequate, in both personnel and authority, to cope with the inconsistencies in the regional operations or to insist upon uniform standards and procedures. While it may be hoped that many of the conditions can be rectified, unless substantial improvements are put into effect through better coordinated management, it can be expected that serious criticism will still attend many of the activities of the Agency.

2. *Areas indicating needed improvement in personnel administration*

The manifestations of weaknesses in the area of personnel administration were numerous and diverse. Regardless of the advantages of permitting the regional bureaus autonomy in the employment and

termination of certain employees, there is unquestioned need for a strong central personnel office to make and enforce uniform personnel policy, to anticipate and plan for needs of the future, to schedule transfers and terminations in advance, to perfect methods of recruitment, and to coordinate the activities of the regional field operations, as well as all personnel at the Washington level. There were strong indications that during the period of the restructuring of the Agency to carry out the enlarged functions, there were many instances of misplacement of worthy career personnel, and because of pressures from various sources numerous marginal employees were retained on the rolls. These situations must still exist to a degree and need constant and detailed attention looking toward improvement.

The authority given in the Foreign Assistance Act of 1961, to initiate a selection out process of marginal employees was begun only belatedly, has not actually taken effect, and should be completed as expeditiously as possible. As this procedure affects only the FSR category of personnel, it leaves 2,600 civil service employees at the Washington level not subject to the selection out process and some means should be devised to rid the Agency of any deadwood in this category. Immediate steps should include the insistence upon more integrity in the preparation of efficiency reports and taking appropriate action thereon.

The evidence indicated that there were approximately 50 senior supervising employees at the Washington level in acting status, some of whom had been in that position for a period of 18 months or longer. While certain of these were due to the fact that one person was holding two positions, nevertheless, the number and duration of many of these acting heads indicated poor personnel administration, with resultant serious effect on morale and efficiency. There were also indications that too many employees were detailed to other positions for longer periods than permitted by the law and regulations.

The facts reflected that there has never been an adequate career service system in this Agency and that there are inadequate procedures to reward competent, dedicated, hard-working employees. The selection of employees for senior training courses seemingly has been on too much of a hit-or-miss basis and there is no clear indication that once such employees had received this expensive training, full use was made of this additional resource. Much additional planning is needed in this area.

The inservice training courses operated by the Agency have been less than adequate or effective. In an agency which has programs so diverse and complex, the full understanding of the various aspects of the important programs should seemingly be a matter for periodic review, particularly by key personnel, through short inservice training incident to transfers, home leave, etc. The degree to which this has been lacking might seem to have resulted in many decisions in the field which later brought serious criticism upon the Agency.

### *3. Weaknesses in the area of contracting services*

The various services performed by the Agency, not only in the field of technical assistance but in other fields, are to a very substantial extent carried out through contractor employees, as contrasted to direct hire. Actually, the amount allocated for contract services appears larger than the funds allocated for direct hire personnel. How-

ever, in the amount allocated for contractor employees is included an unspecified percentage which goes for materials and commodities to carry out the various projects. The Agency does not have broken down, nor can it furnish, the costs of personal services, as distinguished from materials and commodities. This, of course, is very poor contract management. The evidence indicated that there was also a tendency in certain projects to include a seemingly inordinate amount of materials and commodities in straight project assistance-type aid. In that no clear figures can be supplied with respect to the costs of contract personnel services, it is, of course, impossible to draw any conclusions as to the relative worth of contract employee services as compared with direct hire.

Also, because the various contracting activities are carried on in each of the four regions and, on a worldwide scale, by the Washington headquarters office, there has been no practical way devised to determine what contracts were to be let. This contracting field has been a no man's land, and while the Agency has indicated that it is perfecting a coordinated plan of contracting operations in the Office of Material Resources, it is certainly a long way from being effective and it is a field where great improvement must be made in the shortest possible time. The way it has been operating is practically a disgrace.

#### *4. Lack of appropriate manpower control procedures*

The foreign assistance agencies, historically, have submitted a budget for administrative personnel, and all program personnel have been paid out of appropriations for technical and supporting assistance grants. There has been no ceiling on the number of program personnel, or the amount of funds which could be used. This would seem highly inappropriate and the Agency should be required to submit a salaries and expenses estimate on program personnel as well as administrative, should have program ceilings in the field, and should conduct its affairs in a more businesslike manner.

Further, all program personnel, whether they are working on loans, Public Law 480, or other programs not directly related to technical assistance, are paid from this same technical assistance fund. Seemingly, this may be a contributing factor as to why there has been inadequate staffing and attention given to Public Law 480 and other programs.

#### *5. Tendencies toward overindulgence in aid giving*

Seemingly, a common fault in all past foreign aid operations has been a tendency on the part of personnel or officials of the AID Agency to go overboard in the granting of various forms of aid in numerous situations and to numerous countries. AID officials have overextended the latitude given them by Congress to carry out the aid program. This has taken many forms; namely, the making of outright grants where loans would have sufficed; the making of larger grants than were necessary; the initiation of overly ambitious technical assistance projects; the granting of too soft terms in loans in too many instances—as the making of loans at three-quarters of 1 percent for 40 years, with a 10-year grace period. In a review of the Agency's operations cases come to light where such loans were made to countries that could well have accepted more realistic terms. It would almost seem, in some cases, that U.S. representatives became so imbued with

the idea of representing the foreign country that they entirely lost sight of the interests of the United States. The conclusion is inescapable that some of our foreign assistance personnel have but a slight concept of the limitation of U.S. resources. There have been no adequate procedure for rewarding personnel who take a firm and realistic stand in negotiations with recipient countries and there certainly is need for recognition of such efforts. Too often in the past, personnel who have been conscious of U.S. interests have been overruled, disregarded, or transferred. The logical remedy which suggests itself is that foreign assistance personnel be provided clearer guidance and indoctrinated to follow a more frugal course in accomplishing U.S. objectives.

#### C. INDICATIONS OF OVERSTAFFING IN TECHNICAL ASSISTANCE AND RELATED ADMINISTRATIVE POSITIONS

Apart from the welter of problems and requirements for better personnel administration and coordination within the Agency, there is a very real and important issue as to whether or not the Agency is, and has been for several years, overstaffed in its technical assistance program, which consumes the time of nearly 85 percent of the Agency personnel. By the very nature of this work, it requires large numbers of specialists in particular fields to work on the projects being financed. It also takes substantial administrative personnel to administer these projects in detail. Although the emphasis on our economic aid has shifted somewhat to loans and long-range capital and institutional development, the technical assistant programs have actually increased. The facts developed as to the large number of technicians, both direct hire and contract, in many countries, suggests the possibility that AID and its predecessor agencies became overly preoccupied in attempting to make, in too short a time, many underdeveloped countries with almost primitive conditions into modern, viable economies with the know-how possessed by the more advanced nations.

In a number of countries, the very size of the staffs (see exhibit 4) suggests the possibility of overstaffing and forces one to wonder if proper consideration has been given by AID and predecessor agencies to the sending of more than 6,000 U.S. nationals to over 80 countries, particularly in view of the fact that it costs nearly \$26,000 per year to support the average U.S. employee abroad (exhibit 3).

It was admitted by Agency witnesses at the hearings, that in a number of countries they had found that the U.S. AID missions were overstaffed, particularly in the area of technical assistance, and they had taken action to reduce them; that in other countries it was suspected that overstaffing existed, and reviews were being made with a view to cutting back. As an example, it was indicated that in Korea the staff had been cut back by two-thirds, with salutary results. Independent surveys in a number of countries reflected that technical assistance, technical support, and administrative positions could be cut substantially without detracting from U.S. assistance efforts in the particular countries.

As indicated, involved with the technical assistance program, there would also appear to be excess administrative positions. Evidence

was developed that when programs were set up in particular countries, even though they were unable to fill the technical positions for projects, because of inability to obtain the proper qualifications in the particular locality, nevertheless, the administrative positions would be filled completely. One AID official testified that they did this because they wanted to have the administrative personnel there when the technical positions were filled, while another witness said it was easier to fill the administrative positions.

*1. Absence of financing safeguards, a contributing factor*

Another weakness of the technical assistance-type operation, which also tends to overstaffing, stems from the fact that in the majority of countries these operations are to too great an extent U.S. financed, and the various projects, whether in the field of agriculture, health, education, road construction, hydroelectric power, or whatnot, after being agreed to by the recipient country and cleared through the proper Agency channels in Washington are put into operation without a clear understanding of what the aided country will contribute. Because the recipient countries too often contribute little more than their assent, there would appear to be no built-in safeguards which would assure the worth of the project to the recipient country, or indicate their desire for it or their ability to carry the project forward once the work on it has been completed.

While certainly, in some of the most backward and poverty-stricken countries, there would be a necessity for the United States to do much of the financing in certain technical assistance projects undertaken to improve the lot of the people, there are numerous other countries where the United States has financed practically the total cost of the projects, even though the recipient countries could well afford to bear part of the expense. Even in the most backward countries, it might seem that procedures could be devised, whereby, through local manpower or some other means, some substantial portion of the effort could be borne by the recipient countries.

Members of the committee voiced concern as to whether, under the present financing setup, AID personnel assigned to assist a country may not be manufacturing projects of marginal value merely because they were there to do a job, and the country is agreeable to accepting almost anything that is free. While there, of course, might be projects in certain countries which, because of special circumstances, would make it appropriate for the United States to finance the largest share, these should be rare exceptions, and serious consideration should be given to imposing a requirement that only a small percentage of the funds which are appropriated as development grants for project assistance be expended for such purposes, unless the recipient country contributes substantially to the cost of the project, either in the currency of the country or in materials and labor furnished.

Another vulnerable facet of the technical assistance program would appear to be the degree to which the American technicians and administrative personnel communicate or develop rapport with the people of the recipient country. There is a serious question as to whether much of the effort of technical assistance is not lost through failure of some American personnel, raised and adapted to our level of civilization, who proceed to the underdeveloped country and live in their own colony and maintain American standards, while the great percentage

of the population of the recipient country is on an entirely different and lower standard of living. For example, evidence was developed at the hearings indicating that it was necessary for American personnel, in certain countries, to use local drivers because if they were involved in any accident, they might be attacked by the local people. This gives some little insight into the possibility that although we are trying to assist in developing certain of the less fortunate countries, our efforts are less than entirely understood or appreciated by the population. In a whole series of countries in the Near East-South Asia region, it was developed that there was a driver for every  $1\frac{1}{3}$  Americans.

## *2. Foreign nationals*

The numbers of foreign nationals employed in the oversea programs (there were 9,762 as of March 25, 1963) further suggest a somewhat lavish approach in our technical assistance program. While a substantial number of these employees are engaged in necessary work ranging from auditing to administering, to whatnot, and can be employed at substantial savings to the program (the average rate of pay per foreign national employee is about \$2,500), nevertheless the number of sweepers, drivers, watchmen, guards, and other supporting personnel, suggests that AID personnel may be requiring supporting services on a scale which gives the wrong impression of our objectives and creates needless misunderstanding and suspicion on the part of the local populace.

## D. INADEQUATE PERSONNEL AND ATTENTION IN CERTAIN PROGRAM AREAS

As contrasted with an indicated overstaffing and preoccupation with the technical assistance phase of the AID operation, the evidence would seem to indicate that in the loan area, which function, on its present scale, is relatively new, in comparison to technical assistance, there was inadequate personnel and experience to properly administer the huge loan programs and service the vast numbers of loans which were being made, or had been made by predecessor agencies. To an even greater degree, it was also indicated that the same condition obtained with respect to the multibillion-dollar Public Law 480 program for different reasons, although the Agency has made very substantial improvements in this area since its reorganization under the 1961 Foreign Assistance Act.

### *1. The loan programs*

The reason, of course, that the Agency is actually understaffed in both numbers and experience to adequately carry out the Agency's loan functions, is the fact that the loan responsibilities on this scale are relatively new and it is most difficult to obtain personnel of proper qualifications and experience in the investment banking field. From the evidence, certain regional areas appear to have been more successful than others in obtaining people of outstanding qualifications and experience, but an operation of this size would seem to call for someone with the highest qualifications to coordinate policy and have overall supervision. There is no such individual in the Agency at the present time, and in view of the expressed difficulty in obtaining top loan officers, the Agency, to some extent, relies on employing young men

with excellent educational qualifications, but without much experience in the field. While this is certainly sound, up to a point, it would seem that there is a greater need for a hard core of experience to train or supervise the younger personnel in these most responsible positions.

The witnesses who appeared to explain the loan program seemed well conversant with their jobs and testified that it was difficult to obtain and retain top personnel in the field of investment banking, experience in which is not common, and that the only practical solution appear to be to hire talented young personnel and train them. While this, on its face, seems a logical solution, the natural query was, Who was on board with the depth of experience in each region to adequately train them? The background material on the loan officers is included as part of the hearings.

As indicated by exhibit 1, AID presently has the responsibility for administering 838 loans, with a total face value in excess of \$10 billion. In addition, it is making new loans of appropriated dollars of approximately \$1½ billion per year and foreign currency loans, the funds for which were generated by the sale of Public Law 480 agricultural commodities, of approximately another \$1 billion per year. This operation, for the most part, has been put together under AID since the fall of 1961, when AID took over the loan functions of the Development Loan Fund, a portion of the Export-Import Bank operations, and loans of other predecessor agencies.

As are practically all other AID functions, the loan operations are divided into four separate geographical regions which operate independently of one another. There is some variation in the setup of each region, but, generally speaking, there is a development finance group at the Washington level, headed by a development finance officer, and comprised of loan officers and engineers, who initially process a loan application, and, after they have determined that it conforms to statutory and other requirements, and they have approved it, it is passed upon by a loan committee within the Washington regional bureaus, which committee includes the assistant administrator in charge of the region. If it is approved there, it goes on up to the Administrator of the Agency for final approval. If it is over \$2 million, it is passed upon by the Inter-Agency Development Loan Committee, which acts only in an advisory capacity. Because of the amounts involved in these loans and their varied nature, to do justice to an operation of this kind would take the highest quality of experience and background. The evidence taken at the hearings failed to develop experience of this kind within the Agency.

The testimony reflected that, seemingly, to too great a degree, these loans were being handled at the Washington level and without adequate field support and followup, and although the Agency witnesses testified that they were currently undertaking to staff the field more adequately with experienced loan officers and personnel of related talents, this has not yet come to pass, and, in the regions where the largest loans have been, or were being, made—such staffing had still to be completed.

In South America, where field missions are more completely staffed with loan officers, independent evaluations of loan servicing and administration in a number of countries, as reported in available evaluation reports, left much to be desired.

## 2. *The Public Law 480 programs*

As indicated in section IV, *supra*, the Public Law 480 oversea food assistance programs are massive, and, dollarwise, overshadow, by far, any other single program administered by AID. Cumulatively, since 1954 (excluding barter, for which AID has no responsibility), these programs have amounted to nearly \$19 billion (U.S. cost).

Actually, computed in terms of U.S. costs, the Public Law 480 programs recently have aggregated nearly as much per year as has been directly appropriated for economic aid. On the basis of information contained in the President's latest report on Public Law 480 operations (the 18th Semiannual Report on Activities Carried on Under Public Law 480, 83d Congress) it appears that, during the past 3 fiscal years, title I agreements for the sale of agricultural commodities for foreign currencies average \$2.2 billion (U.S. cost) per year (\$1.5 billion at world market prices). During the same period, the oversea food donation programs under titles II and III averaged one-half billion dollars per year, U.S. cost.

It further should be stated that these oversea food programs probably have been the most consistently effective foreign assistance programs which this country has operated. Food has been the most critical and common need throughout the majority of the countries of the world, and the United States was the only country which had the capacity and the inclination to furnish this type of aid on the scale required. Numerous instances can be pointed out where these programs made the difference between starvation and survival—between anarchy and constituted government—and between certain countries falling under Communist domination or remaining independent.

For all of this, these programs, for a combination of reasons, have been undermanned, have received far less attention than their importance and potential warrant, and have not received the recognition they should have, seemingly by both the recipient countries and by many of our own representatives who are actually administering the programs. AID, and its predecessor agencies have had the major responsibility for administering these programs overseas and although, unquestionably, AID, since the reorganization in 1961, has done more by way of improving the administration of the programs than at any previous time, a great deal more remains to be done.

### (a) TITLE I SALES FOR FOREIGN CURRENCIES

As indicated, title I sales, dollarwise, have constituted the largest of the Public Law 480 programs, while based on government-to-government agreements negotiated between our State Department and the recipient countries, are primarily handled as commercial transactions. The Department of Agriculture, which plays an important role in the negotiations of such agreements, after consultation with the recipient countries, designates the commodities which will be included in the sales, which commodities must meet the definition of surplus.<sup>3</sup>

<sup>3</sup> "Surplus agriculture commodity" is defined as any agricultural commodity or product produced in the United States, either privately or publicly owned, which is, or may reasonably be expected to be in excess of domestic requirements, adequate carryover, and anticipated sales for dollars, as determined by the Secretary of Agriculture.

Once the agreements are finalized, American exporters receive bids from importers of the recipient countries, based on the world market price of the commodity involved. The sales are made on a competitive basis. The American exporters receive dollars from the Commodity Credit Corporation for the price of the commodities shipped and are reimbursed for any difference between the domestic and world prices, generally by a payment-in-kind (PIK) certificate entitling them to receive the value of this difference in CCC-owned agricultural commodities of a similar nature. At least 50 percent of the commodities must, by law, be transported in U.S.-owned ships, which portion of the transportation costs are dollar financed and added to the price of the commodities.

The recipient government, upon receipt of the commodities, pays for them in local currencies by placing the equivalent of the billed price of the shipment in its own bank in the name of the United States. The local government, in turn, receives reimbursement from its own importers, who sell the commodities through regular trade channels to the consumers in the recipient country.

The foreign currency proceeds of such sales received by the United States are, with very minor exceptions, entirely used within the recipient countries, and the percentage of such sales proceeds which will be used for so-called country uses (loans or grants back to the countries) and the percentage which will be used for U.S. uses (running the U.S. mission and other specific U.S. uses within the country) are fixed by the terms of the sales agreements, after sanction by an inter-agency committee composed of representatives of the Department of Agriculture (which finances the sales), Treasury, Bureau of the Budget, AID (the largest user of the currencies), and other user agencies.

AID also has the responsibility for administering the country uses portion of these proceeds, which are turned over to it by the Treasury and which recently have been amounting to about \$1 billion per year. The country uses portion of such sales, on a cumulative basis from the inception of the program in 1954, have amounted to about 71 percent of the total sales proceeds. Also, since 1961, AID has had the responsibility for administering the section 104(e) or Cooley loans to private business for economic development in the recipient countries, which, cumulatively, have amounted to about 6 percent of the total sales proceeds. Accordingly, AID has the responsibility for administering approximately 77 percent of title I sales proceeds, which to June 30, 1963, amounted, net, to \$9.3 billion (\$13.3 billion U.S. cost). Strictly speaking, AID's responsibility with respect to approximately 6 percent (cumulatively) of total proceeds, designated as outright grants for common defense, 104(c), is limited to programing and determination of the amounts involved, as the funds, once granted, are actually administered by our U.S. military assistance groups in concert with the recipient countries.

Perhaps because AID and its predecessors have not been required to come before the Appropriations Committees of Congress for these funds, or perhaps because of a widespread but mistaken impression that as such currencies were the sales proceeds of U.S. agricultural commodity surpluses, less consideration need be given to the administration of them—the fact remains that the title I program, and the

loans and grants made with title I sales proceeds, have not received the attention or credit due such a key instrument of our foreign policy.

The evidence of this lack of adequate attention which, at times, has amounted to much more than that, has taken various forms, i.e.:

There appears to have been greater interest on the part of State and AID officials in obtaining a higher percentage of title I sales proceeds for foreign country uses than in obtaining more favorable terms for the United States to provide currencies to defray other U.S. costs in such countries.

Inadequate effort has been made to acquaint the people of the recipient countries with the fact that title I sales are not mere commercial transactions; that the acceptance of the country's own currency, at world market prices, in payment, permitting the purchase of such food and other commodities without the loss of the country's foreign exchange, is of tremendous assistance to the recipient country; that the country recoups the costs of the commodities and frequently makes a profit by resale of the products to its own people; or that loaning or granting 77 percent (cumulatively) of the proceeds back to the country for its economic development is still another concession; that the spending of even the minor U.S. uses portion of the proceeds in the recipient country is still another; or that the United States has financed over 50 percent of the ocean transportation (12½ percent of the total value of the commodities), which has been added to the proceeds spent in the recipient country; and finally, without detracting from the merits of the domestic aspects of the program, or its objectives in furtherance of this country's expansion of international trade and promotion of the economic stability of American agriculture and the national welfare, that the great costs of the program could not have been justified on any basis other than primarily foreign assistance.

This is not to suggest that in every country where U.S. agricultural commodities were sold under title I, there should have been a loud information campaign as to the beneficence of the American people for making such sales possible, but, in most countries, ways could have and should have been found to get across the extent to which the United States was financing these sales for the benefit of the recipient countries, as, for the most part, the people of those countries are quite unaware of these facts.

Although, as stated, greater attention is now being given to Public Law 480 programs generally under AID, the loans which are made with Public Law 480 currencies, admittedly, still do not receive the same attention as the regular development loans from appropriated funds, as these loans are decided upon at the country mission level and do not receive the Washington level review given regular development loans. In a number of countries, the loans back to the countries merely involve routing the funds into the country's development budget, where, for all intents and purposes, their identity is lost.

The law provides that outright grants made from the proceeds of title I sales must receive the sanction of the Appropriations Committees of Congress, except that in cases where the circumstances warrant, this provision may, by Presidential authority, be waived. On delegated and re delegated authority to a rather low echelon, a great number of outright grants have been made (\$1.7 billion), all by the exception route. As a result of criticism by a member of the Senate Appro-

priations Committee 2 years ago, such grants were decreased from a high of 37½ percent of total sales proceeds during that period, to less than 5 percent. Yet, during the past fiscal year, certain grants were made which, on their face, cannot be satisfactorily justified.

As a result of the enormous food needs of a number of countries, title I sales to such countries have totaled an amount which, because of the limited use this Government can make of its portion of the foreign currency proceeds of such sales, is excess to our foreseeable needs and the Treasury has determined such countries to be "excess currency" countries. Many of the officials working on this program have appeared to be more concerned with this situation and with the disposal of such excess currency back to the countries, than they have been with trying to devise means to use these currencies in the interest of the United States and help alleviate the balance-of-payments problem.

A still further indication of the attitude of the AID agencies toward the Public Law 480 program is the fact that upon the cutback of technical assistance or other appropriation-financed assistance programs in a country, the Public Law 480 program, regardless of its size, has been practically abandoned and its administration delegated, on a part-time basis, to the Embassy staff and seemingly given low priority treatment.

*(1) The dual and possibly conflicting role of AID*

AID plays a somewhat unique role in connection with the Public Law 480, title I sales program in that on the one hand it must appear before Congress and justify, in detail, the funds which are appropriated in dollars for foreign economic aid, yet it, and to a great extent its predecessor agencies, have more or less automatically received the equivalent of billions of dollars in foreign currency proceeds resulting from agricultural commodity sales which were earmarked for "country uses," pursuant to the broad authorization under Public Law 480—although these currencies are used, generally, for the same or similar purposes and interchangeably with the dollar appropriations.

Since fiscal year 1961, the "U.S. uses" portion of the proceeds of title I sales have been placed under congressional appropriation control, but the "country uses" portions never have been under such control, apparently because they are commitments to foreign nations contained in international agreements. In other words, so-called "U.S. uses" by a Government agency of the foreign currency proceeds of title I sales must be justified before Congress, the same as any other appropriation request. The dollar equivalent of the allowed request is actually appropriated and these dollars are then used by the Agency to purchase the foreign currencies from the U.S. Treasury, which, in turn, remits the dollars to CCC as reimbursement against the cost and transportation of the commodities sold.

Further, under present regulations and delegations of authority, AID now (1) represents the Department of State, as well as itself, at the interagency meetings at which are determined the percentage of the proceeds of title I sales that will be used for loans and grants to foreign countries, as against the percentage to be used for "U.S. uses" and (2) has the Presidential authority to waive the congressional appropriation requirement in the case of outright grants.

It would seem, therefore, that AID, in its quite dominant position as a principal member of the interagency committee which determines how the sales proceeds will be used, and as the chief user of these funds, is acting in the role of both judge and jury. This would seem to be even more true in the case of its present delegated Presidential authority of waiving congressional appropriation requirements in the case of outright grants. There would seem to be a conflict of interest between its role as chief user of the funds and its role of determining what percentage of the total proceeds from the sales would be allocated for its use—even between the purposes of which grant funds are to be used, economic assistance, or common defense. While it is contended that it was because of criticism due to lack of coordination in planning foreign assistance programs that this evolution in authority came about, and that the authority must be centralized in order to permit AID to best program the assistance to the various foreign countries to take the full advantage of these foreign currencies in conjunction with dollar appropriations and effect savings in the U.S. balance of payments, the normal controls and checks in this very large program do not appear to exist and it might appear that a system could be devised whereby AID could plan and advise and leave the controls in Congress.

It might appear that the Congress should carefully examine this whole area of operation when it reviews Public Law 480 next year, as it is understood it plans to do.

#### (b) TITLES II AND III

Under titles II and III of Public Law 480, outright donations abroad of U.S.-owned food and other agricultural commodities are currently being made at the rate of well in excess of one-half billion dollars yearly (U.S. cost). While these programs have complemented title I programs and have been highly successful in preventing hardship and starvation in the supplemental feeding of approximately 100 million people in over 100 countries of the world, the administration of these programs has also been badly neglected, particularly in the past. Under AID, much more attention is being given to these programs, but there still remains much to be done by way of realizing their full potential and obtaining greater credit and good will for the people of the United States. Additional personnel should be assigned to these programs.

Perhaps there has never been such an unlimited opportunity as is provided by the use of these programs in the tens of thousands of feeding stations and other distribution centers in the countries around the world for establishing the basis for institution building at the grass-roots, for increasing community responsibility and social consciousness, and for self-help community-development projects in areas where such matters are unknown. The additional personnel and costs necessary to greatly enhance the value of our already enormous food donation programs would not be great, as the voluntary agencies and the local volunteers and Government personnel can be relied upon to handle most of the operation. It would seem only to need the guidance, inspiration, coordination, and insistence upon good administration that AID personnel, as the official representatives of the donors of the food, could give it. It would accelerate the progress currently being made toward

a positive aspect to these feeding programs and away from the perpetual dole concept.

### 3. *Other program areas*

In addition to the need for more employees in the major programs as indicated above, testimony also reflected that in connection with the Agency's expanded functions, there was a need for additional qualified engineers, capital development officers, personnel with investment guarantee qualifications, economists, and other specialists. The Agency is well conversant with its needs in this regard and indicated that it was recruiting them as rapidly as possible, but that the overall numbers of personnel in the Agency would not materially rise, due to the fact that cutbacks in technical assistance and other personnel would substantially offset new recruitments.

There was a definite indicated need for additional controllers and auditors. Controllers have the responsibilities in each country of accounting for the proper expenditure of funds in the various projects and programs and conducting audits of loans, technical assistance projects, programs under titles I, II, and III of Public Law 480, and, in certain countries, there has been a consistent lack of sufficient controller and auditor personnel to practically carry out these responsibilities.

There would also appear to be a need for additional qualified personnel to conduct investigations of irregularities and allegations of fraud.

#### E. NEED FOR MORE EFFECTIVE AND OBJECTIVE EVALUATION

Probably the most crying need in the whole operation is a substantially stepped up objective evaluation operation within the Agency itself.

Of course, as was indicated in the testimony, evaluation of a sort is performed at the country level when a program is projected and it is further analyzed in Washington by regional staff personnel and by the Program Coordination Staff, which acts as something of a bureau of the budget within the Agency. Also, reviews of Agency projects and programs are continuously being made by the operation people themselves. However, this is all subjective evaluation by the developers, planners, and operators of the programs, and the force and volume of these evaluations seemingly overwhelm the limited evaluations that are made by objective staff reviews. The Controller's Office of the Agency, in addition to its many other functions, conducts numerous comprehensive audit-type reviews, but these are limited to determining compliance with proper fiscal standards and Agency regulations. They do not purport to evaluate the intrinsic merits of particular programs and projects.

An effort was undertaken 3 or 4 years ago to conduct a high level comprehensive study on the effectiveness of technical assistance and some staff work was initiated, but this particular project, we understand, has been abandoned.

As will be noted, the Foreign Assistance Act of 1961 pointed out the need for greater research and evaluation efforts, and presently in the Agency's Office of Human Resources and Social Development, there is a research and evaluation division. However, according to

the testimony, this has hardly gotten off the ground and, from all indications, it may be somewhat far fetched.

The Management Inspections Staff, attached to the Administrator's Office, contains a small group which for the past year, with little Agency support, has, on an ad hoc basis, been conducting evaluations of a number of country program operations in collaboration with representatives of the Defense Department, who, at the same time, have been conducting evaluations of military aid programs in the same countries. Although a review of some of these joint evaluation reports pointed up serious weaknesses in certain country operations, it was indicated in the hearings that there was no immediate intention of continuing or strengthening this group. Although program operators historically do not particularly like to have anyone looking over their shoulders, this is a vitally necessary function and its objectivity alone would appear to make it mandatory to have such a function within the Agency for its own safeguard.

Of course, the inspector general, foreign assistance, who has a considerable degree of autonomy and is not answerable to the Administrator of the Agency, performs, among his other duties, evaluation studies of specific AID programs in various countries, and while the indications are that numerous such inspections have developed facts indicating overstaffing, inefficient loan administration, and other serious deficiencies in particular programs, unfortunately it too often appears that the recommendations emerging from these inspections are often discounted by the Agency personnel responsible for the administration of the programs. Further, at present strength and with other responsibilities the I.G. staff could not be expected to cover all phases of AID operations.

It also might appear that more evaluations on a constructive comprehensive basis should be performed by the Congress and the General Accounting Office, if greater benefits are to be obtained from our aid efforts at substantially less cost.

#### F. PROBLEMS OUTSIDE AID'S FULL CONTROL

The AID Agency, as well as its predecessors, operated within the framework of U.S. foreign policy and heads of these foreign assistance Agencies were answerable to the Secretary of State. It follows, of course, that there were matters of policy outside the authority vested in the Agencies themselves over which they had no, or only partial, control. Two of the areas in which the AID Agency cannot be considered as having sole control are the coordination of military and economic assistance and the overall policy regarding foreign assistance.

##### *1. Need for better controls and coordination between the economic and military assistance programs*

Although under the Foreign Assistance Act of 1961 the Administrator of AID was given the responsibility for coordinating economic and military assistance programs within a country, there are definite practical limitations to his authority in this regard. In certain countries, for example, Korea, where the circumstances in connection with the country's fight for survival or against the inroads of communism require massive amounts of both military and economic assistance, and where the United States contributes the greater portion of the

country's budget—too frequently it has done so without taking the necessary precautions and safeguards to prevent diversion of very substantial portions of such assistance into the wrong hands, and there has been inadequate coordination between military and economic assistance to carry out the objectives. Because of the incidence of situations such as this, there is a definite need for overall direction by the administration in office to require the necessary controls and sufficient resourcefulness to prevent serious waste and corruption, as the AID Agency alone is not able to cope with the overall operation.

*2. Requirement for more frugal approach to foreign assistance*

In addition to a need for the AID Agency itself to tighten controls and indoctrinate its personnel in far more economical attitudes in its foreign assistance operations, there is an overriding need for the executive branch to take whatever precautions are necessary against creating conditions which permit the dispensing of U.S. aid in a lavish manner. For example, it is difficult to understand why the National Security Council adopted the policy that Public Law 480, 104(g) loans could be made at three-fourths of 1 percent interest, particularly in view of the fact that there was no maintenance of value on these loans and the U.S. Government had already subsidized to world market prices the sales of the commodities which generated the foreign currencies for these loans and made other concessions in connection therewith. Also, if there was any basis for relaxing interest rates on such loans, why wasn't there a more stringent guideline policy as to how they should be applied.

## VIII. CONCLUSIONS AND RECOMMENDATIONS

The widespread disenchantment on the part of many Members of Congress and the public with this country's foreign assistance efforts requires more than the regular yearly appropriations review of the foreign assistance budget.

Regardless of whether this disenchantment may be due, in part, to indications that a number of countries which have received large-scale assistance do not either understand or appreciate the contributions and sacrifices which the people of the United States have made for their benefit; in part, because of the difficulty in measuring the results of foreign aid; in part, because there is a cumulative impression that our foreign assistance efforts may be ineffective, or too far reaching; or, in part, because there may be insufficient knowledge as to what has been accomplished by our foreign aid to date; or for whatever reason, it is time for reassessment—for inventory taking—and for a searching examination of the stewardship of our aid program. It is time for comparing the accomplishments of our aid program against its failures, and a time for reappraising its limitations and potentials.

As this report is primarily devoted to pointing out the inadequacies in the administration of AID and weaknesses in its organizational structure, it is only fair, in giving proper balance and perspective, to list the obvious benefits derived from our aid efforts to date, prior to listing the numerous critical findings and recommendations.

It is a well published fact that we have spent over \$100 billion in foreign aid, but too little is known about what has been received in return.

There is little attention given to the amount of foreign aid given in the form of loans (approximately 25 percent of the total) which have already been repaid or which give every expectation of being repaid.

Of this \$100-billion-plus, about one-third was in the form of military assistance, the bulk of which was in military equipment which, although sufficiently modern to serve well the needs of our allies, was no longer being primarily depended upon by our own Armed Forces because of rapid improvements brought about by the arms race.

As a direct result of our economic and military assistance, there are several million well-trained military forces in Korea, Nationalist China, Turkey, Greece, and many other countries, to say nothing of Western Europe, which stand as a barrier to the aggression of communism and constitute a free world defense force which, if the United States attempted to maintain on its own, would involve prohibitive costs and personal hardship.

Of the total amount of aid, in excess of \$10 billion is in the form of U.S. agricultural abundance furnished under Public Law 480, which, among other things, has saved tens of millions of people from hunger or starvation.

As a direct result of our aid to Western Europe, Japan, and numerous other now thriving countries, we are enjoying an unprecedented era of expanded foreign trade. Also, most of these countries are our allies. They are free and strong, and, with them and with the other countries we have cooperated with and assisted, the free world has maintained a comfortable balance of power against communism and its ambitions.

The technical assistance projects, the loans, the grants, and the huge donations of food, have improved the health, education, and standard of living of the people in a host of underdeveloped and poverty-stricken countries; have prevented widespread hardship and starvation; and have bettered the chances of those countries remaining independent of Communist influence and eventually becoming economically viable.

We have bought valuable time with our assistance to these underdeveloped countries and certainly have prevented many of them from falling under Communist domination. Rather than all of Asia and other important regions of the world having become part of the Communist bloc, we now find a serious rift between the two dominant Communist powers.

Indeed, there would appear to be many benefits now accruing, or on the horizon, directly stemming from our aid efforts—of which all too few seem to be aware.

There have, of course, been serious failings and disappointments in our foreign assistance endeavors, the majority of which are too well known to mention—but, on balance, as of to date, it might appear that the benefits have far outweighed the failures.

Specific conclusions and recommendations follow:

1. One of the most critical needs of the Agency is far more objective and effective evaluation of its programs and projects. There is lit-

the excuse, after 15 years of foreign assistance operations, for a country mission to become grossly overstaffed, or for an important and costly program to be badly neglected over an extended period, or for an ineffective or ill conceived project to be supported for years in a country without it coming to the attention of the proper authorities and something being done about it. What objective evaluation has been done in the past seemingly has been overwhelmed by the view of the operations and development group. The subjective analyses performed by the operations and planning staffs, while necessary to good administration, are not sufficient in themselves. The internal audits performed by the Controller's Office are qualitative, professional audits of good coverage but do not purport to evaluate the merits of programs and projects. Nor does it appear that the work of the research and evaluation group within the Office of Human Resources and Social Development has any practical application in this regard. The one small group within the management inspections staff of the Agency which does purport to conduct objective-type evaluations has never been formalized and is operating on a day-by-day basis. For its own protection, as well as for far superior results, the Agency needs an independent survey and evaluation group, reporting directly to the Administrator, sufficiently staffed with personnel with the competence needed for this work, to conduct comprehensive evaluations of country operations and particular programs.

Because of the nature, complexity, and history of foreign aid, the evaluation work done within the Agency, in itself, is not sufficient and much more comprehensive evaluation studies should also be conducted by congressional committees, the General Accounting Office, and the Inspector General for Foreign Assistance, if our foreign assistance efforts are to reach their full potential, at minimum cost.

**It is recommended** that the Agency take the necessary steps to equip itself with a field evaluation and survey group equal to the task of conducting adequate, objective evaluations—as a constructive aid to management and the elimination of waste and ill conceived projects. It is recommended that the committee follow the action taken in this regard.

**It is further recommended** that Congress consider far more comprehensive evaluation studies of the AID operation; that it request the General Accounting Office to increase its studies in this field and report its findings currently; and that the Inspector General for Foreign Assistance increase the volume of operations of that office.

2. All too frequently, where the United States, through massive amounts of both military and economic assistance, contributes by far the greatest portion of a country's budget in its fight against communism, it appears to do so in too routine a manner and without the coordination and safeguards necessary to prevent widespread corruption and the diversion of a substantial portion of our assistance into the wrong hands. This failure to use sufficient ingenuity to insure the effective use of our aid, after the many years of experience which we have had, appears unforgivable. While the responsibility for perfecting and insisting upon such safeguards is certainly not entirely within the responsibilities of AID personnel, the Administrator of AID, by law, is cloaked with coordinating authority for military and economic programs. If, in practice, as well may be, the AID Admin-

istrator is not in a position to enforce adequate control to assure effective use of our aid, the administration should devise whatever steps are necessary.

**It is recommended** that a general review be made of this whole problem area and that the necessary steps be taken to correct it. Further, it is suggested that the committee request the Administrator of the Agency to report back to the committee, within 3 months of the date of this report, furnishing the action and steps that are being taken in this regard.

3. With apologies to the many representatives of our Government who have committed themselves so well, there is another too common situation to which AID personnel are a party but over which they do not have full control. This involves United States overindulgence of certain countries in our aid giving. It has taken the form of outright grants where loans would have sufficed; furnishing the full costs of technical assistance projects, when the recipient country could well have afforded to pay the local, or even total, costs; making little or no effort to obtain any interest on many huge deposits in foreign banks; and making grants and exceedingly soft-term loans to countries well on their way to prosperity.

This criticism does not refer to those cases where circumstances indicated real need for such concessions, but to the abuses of the latitude permitted by law; nor does it apply to situations where political expediency or national security call for unusual concessions, or grants, but to cases where such reasons were given when the facts did not justify such action.

A number of such excesses may have been attributable to a desire to do the best job possible by U.S. officials who were too close to their jobs, and some appear to have resulted from our U.S. representatives being outbargained—although, to the great credit of this country's large complement of public servants working on foreign assistance, there is not even a suggestion of dishonesty. Regardless of the reasons, such excesses have not only amounted to a waste of public funds, but have brought great loss of respect to this country, obscured its motives, and led other countries to expect the same treatment.

**It is recommended**, first, that the top policymaking officials and bodies in the executive branch take precautions against creating conditions or an atmosphere which permits a prodigal attitude in the disbursing of U.S. resources in the name of foreign aid; secondly, that the AID organization perfect procedures of review, staffed with men of experience and common sense, which will reduce to a minimum grants, soft-term loans, and other assistance where the circumstances do not warrant it; and, finally, that the Appropriations Committees of the Congress consider placing restrictions and conditions on appropriations which will impress on AID that the funds appropriated are not to be committed indiscriminately, but with a sense of frugality.

4. The facts indicate that numerous field missions are overstaffed. In that nearly 85 percent of the personnel of the Agency are employed in technical assistance and the administration of this assistance, it follows that this is the principal area of overstaffing. Agency witnesses have admitted that certain country missions had been found to be overstaffed and that corrective action was being taken. It has also been conceded that certain other country missions probably are

overstaffed. The record reflects that it costs approximately \$26,000 per year to maintain a USAID employee overseas and there appears to be a tendency that the more personnel in a country mission, the more assistance projects will be developed. It is easily understandable that unless a continuing check is kept on all country missions, needless expense and waste can occur. This, of course, does not mean that in certain country missions additional personnel are not necessary to work on particular programs.

**It is recommended** not only that the operating personnel of AID continue their efforts of review and the elimination of unnecessary positions in the Agency and field missions, but that independent surveys and objective evaluations be conducted for this purpose. It is suggested that AID be requested to report back to the committee within 6 months as to the progress made in this regard.

5. The facts would appear to indicate that because of the long history of "technical assistance" activity and the fact that the great majority of the personnel of AID, as well as its predecessor agencies, have been engaged in this activity, there is a tendency for the Agency personnel to be overly preoccupied with these programs to the neglect of other major programs. There also are strong indications that technical assistance projects have been initiated which are far too ambitious for the economy and stage of development of many countries to be practical. One of the principal factors which has contributed to ill-advised or overly ambitious projects is the fact that the United States too frequently pays practically all of the costs of such projects, which may require little more than the consent of the recipient country. It follows that there are inadequate yardsticks or safety factors to measure or assure that the project will make a practical contribution to the recipient country's progress or that it will be carried on once the United States has expended vast sums of money and manpower on it. If a country hasn't the resources—or the inclination—to share significantly in the original cost of a project, there is little likelihood that it will carry on the work for which the project was designed once the United States has completed its first phases. Accordingly, it would seem that there should be a requirement as a condition to the initiation of technical assistance projects in most instances, that the recipient country contribute a significant part of or all local costs in some form, and, in many countries, the full or major costs of the entire project. Such a procedure would not only save the United States large sums of money, but would assure that the country desired and would make use of what had been given them. It would also have the effect of sharply curtailing the number of U.S. technicians and administrative personnel engaged on marginal projects.

**It is recommended** that the Agency, as a condition to approval of technical assistance projects, set up procedures requiring that recipient countries make substantial contributions to the local costs of such projects in some form, and that a higher percentage of countries pay the complete costs, or a major percentage thereof, and that AID, in its budget presentation to Congress, present estimates of recipient country contributions in each case to the local costs, and what portion of the total cost of each project such contribution represents. **It is further recommended** that the Agency report back to the committee on the feasibility of carrying out this recommendation and any prob-

lems involved. It is also recommended that the Appropriations Committees consider making this a requirement in a high percentage of all new projects.

6. At the time of the hearings, the Agency was still very much in the process of completing the staffing and organization necessary to carrying out the loan functions for which the Agency is responsible. Without in any way intending to disparage the dedicated effort of the able and relatively young men carrying out the Agency's loan operations, it appears that for a program involving the administration and servicing of over \$10 billion in loans to some 80-odd countries, and the making of over \$2 billion in new loans each year (including Public Law 480 currencies), the program was understaffed in both numbers and experience, and that there was an insufficient appreciation of what was required to make a program of this magnitude work.

It is quite inconceivable that a development loan operation of this size can be operated effectively with personnel who, for the most part, have little or no investment banking experience, particularly when decentralized into four regional operations, with the review functions at the Washington level merely a part-time job of the regional administrators and their respective aids and the final decision making a part-time job of the Administrator, with a part-time Loan Committee, a majority of whom have had no banking experience, sitting in an advisory capacity. Further, it was indicated by the testimony that persons with investment banking experience being in such short supply, it was necessary to depend largely upon recruiting able, well-educated young men who were being trained in the job, but there was no explanation as to the availability of the depth of experience in the Agency to train them. It would seem essential, if the objectives of this program are to be carried out without great loss and blunders, that an investment banker of proven reputation and depth of experience be employed, with sufficient authority to be able to properly monitor the loans, require consistent policies, and bring to the program whatever is necessary for its successful operation. This would also lighten the almost impossible burden of the Administrator.

**It is recommended** that continued high priority be given to the building of a better balanced loan staff, at both the Washington and field levels, and that every attempt be made to employ the services of an investment banker with outstanding reputation and abilities to head up the Agency's loan operation, with authority to take whatever steps are necessary to make it work with a high degree of professional proficiency.

7. There are indications that the Agency has carried to excess the making of long-term loans at three-quarters of 1 percent interest, with long grace periods, and that certain countries have received such loans when more normal terms would have sufficed as well.

**It is recommended** that the Agency submit, at the time of the appropriations hearings, a list of all loans made at three-quarters of 1 percent, including the name of the country and the terms of the loans, together with a summary reflecting the percentage of such loans in relation to the total development loans made since the three-quarters of 1 percent interest loans were authorized; also, that the Agency be prepared to justify its action in reference to all loans made at the lower interest rate.

8. The Public Law 480 oversea assistance programs, involving the sale of agricultural commodities for foreign currencies (title I) and the outright donations of food under titles II and III, which yearly aggregate, on a U.S. cost basis, nearly as much as the dollar amounts appropriated for foreign economic aid, have been badly understaffed and given inadequate attention from the inception of the program in 1954. While AID, in the past 2 years, has done much to improve the oversea administration of these programs, a great deal more must be done and certain misconceptions dispelled in order to realize the full potential of these programs.

For the reasons pointed out in section VII, D, 2, supra—**it is recommended**, first, that the Agency make a concerted effort to correct the misconceptions held by many of the AID employees regarding the Public Law 480, title I, program. **It is further recommended** that the Agency give the same consideration to Public Law 480, title I, 104(g) loans as is given to development loans made from funds directly appropriated, and that a country-by-country survey be made to assure that the Public Law 480 programs are getting adequate and consistent attention.

**It is also recommended** that AID be required to justify before Congress any grants made for economic assistance under section 104(e) of title I, and any outright grants made with Public Law 480 currencies originally designated for U.S. uses, regardless of whether or not the benefiting countries happen to be so-called excess currency countries.

**It is further recommended** that the committee at the foreign aid appropriations hearings closely examine into the procedures employed in determining the percentage of title I sales proceeds which will be used for foreign assistance loans and outright grants, and explore the alternatives for better congressional control.

**It is recommended** that much greater emphasis be placed upon the use of title II and III food donation programs by using these operations as the basis for building toward community responsibility and self-help projects, and that, insofar as possible, they be made more than mere humanitarian projects through conversion into programs having a schedule looking to the overall improvement of the lot of the recipients to the point where they will be self-sustaining; and that the local governments be urged to assume greater responsibility in such projects and in the welfare of their people.

**It is further recommended** that AID conduct a country-by-country review to determine whether there is adequate personnel, both in numbers and in qualifications, to assure proper administration of these food programs as they are presently operating, and that adequate personnel be added to insure against serious diversion and confusion in these programs.

It is requested that the Agency report back to the committee within 6 months as to the progress being made with respect to these recommendations.

the Public Law 480 programs are getting adequate and consistent attention.

9. The facts indicate that there are a number of other program areas where additional employees are needed, namely, qualified engineers, capital development officers, investment guarantee personnel, economists, controllers, and auditors, and other specialists. These requirements are normal to the changing programs. The Agency indicated it was recruiting for these jobs and, to a great extent, the additional personnel would be offset by a cutback in personnel in the technical assistance and administrative areas, where there are indications of overstaffing. The facts did indicate a special need for additional controllers and auditors, as they have the responsibility in each country for the proper expenditure of all funds and the function of conducting audits of all loans, technical assistance projects, Public Law 480 title I projects, and the food programs under titles II and III. In a number of countries, the lack of sufficient auditors has resulted in serious delinquencies in conducting audits of a number of important projects.

**It is recommended** that the Agency carefully analyze the need for controllers and auditors on a country-by-country basis, and hire a sufficient number to do a practical and effective job.

10. As repeatedly indicated, one of the greatest handicaps under which the Agency is working is the lack of stability due to the great many reorganizations in the Agency and particularly the many changes in the leadership and top personnel. If substantially improved operations are to be expected, the Administrator of the Agency must have longer tenure and the key personnel must not only have proper qualifications initially, but must remain in their respective positions for longer periods than has previously been the case. The converse is equally true. Inept or unsatisfactory personnel cannot be left in their jobs for unnecessary periods of time because of weak administrative practices. Bringing greater stability through a top-notch personnel staff and advancement on merit, is one of the most important things that can be done to improve the operation of the Agency.

**It is recommended** that the administration take cognizance of certain deplorable personnel conditions which have prevailed in this Agency and support it in working toward greater stability in personnel administration.

11. As a result of the expansion of the Agency to assume far greater and different types of responsibilities, and particularly because of the decentralization of the Agency into four somewhat autonomous bureau operations, there exists, in the Agency, a great lack of coordination—a lack of coordination between the respective bureaus themselves, a lack of coordination between the bureau operations and the administrative functions, and a lack of coordination between the bureau operations and the Washington staff offices which are designed to support them. This is a matter of better management and personnel administration, obtaining the right person for the job, and working as a team.

As of the time of the hearings, although there had been substantial improvement, there still appeared to be considerable confusion and lack of effectiveness due to lack of proper coordination in the indicated areas.

Although many of the personnel functions, along with other functions, have been decentralized into the four regional bureaus, there still is an urgent need for a strong central personnel office to maintain consistency in policies and planning in the personnel field and to insist on coordination between the bureaus.

There is as equal a need that the Office of Engineering take its place as the coordinator and maker of policy and standards in the engineering field, worldwide.

There is a critical need for a central contract office to correlate and regulate the innumerable contract operations in the Agency and to provide centralized information respecting contract operations and contract opportunities to interested parties.

**It is recommended** that these serious deficiencies, of which the Administrator is well aware, be corrected as expeditiously as possible, and that the Agency report back to the committee within 3 months after the date of this report as to the progress being made.

12. There are able, dedicated, career employees in this Agency who, due to a lack of adequate personnel policies, have been shuffled to positions inconsistent with their abilities and experience, to the detriment of the work of the Agency. Reportedly, there are also a number of unsatisfactory or marginal employees who, because of this same lack of personnel policies, have been retained on the rolls of the Agency for too long a period of time. This Agency, whether correctly or not, bears the reputation of being one of the least effective agencies of Government in the matter of disposing of its deadwood.

There has never been an adequate career system in the Agency, nor has there ever been a workable, systematic, and equitable "selection out" process until the initiation early this year of such a program, which, of necessity, was limited to the Foreign Service Reserve employee category of approximately 3,200. The approximately 2,600 civil service employees at the Washington level are not affected by this reduction procedure. Because of the delays in the initiation of the selection-out process, it should be carried out at the earliest possible time that it can be equitably done. Also, consideration should be given to providing means of conducting the same type of operation with respect to the civil service employees.

The inservice training program in the Agency has been very inadequate, and selections to the senior government training programs have been, to a great extent, on a hit-or-miss basis, with no well-defined plans for the best use of these trainees once they have completed such training.

Further, an exceedingly high number of supervising personnel in the Agency were observed to be in an "acting" status for unduly long periods with the consequent bad effect on morale.

A particularly bad record has been made in the past by slowness in transferring or terminating employees after their assignments were completed. Particularly, there has been a significant lack of planning of future assignments of employees, undue delays in processing applications for employment, and, as previously stated, a serious over-staffing has been permitted in certain program areas at field missions.

Although the evidence indicated that steps were being taken to correct many serious deficiencies, at the time of the hearings much remained to be accomplished.

Accordingly, **it is recommended**, that the Agency report back to the committee, within 6 months after the date of this report, on the action which has been taken to correct the specific conditions cited above.

13. In the technical assistance program, practically as much money is spent for contracting services, including commodities, as is used for direct hire employment in the Agency in this area. The Agency, however, is unable to furnish the exact number of its contract employees or to give a breakdown between the salaries and expenses costs of such contracting services and the cost of commodities which are furnished incident to such projects. This is unsatisfactory and should be corrected.

**It is recommended** that the Agency maintain and furnish sufficient records to the committee to reflect complete and accurate cost data respecting contractor employes, including a breakdown, by contract, between costs of "salaries and expenses" and the costs of materials furnished by the contractor; also, that it furnish more accurate figures on the number of contractor employees and provide data which will enable the committee to make comparison between the relative costs of direct hire and contractor services.

14. The Agency employs a host of foreign nationals in various capacities (9,762 as of March 25, 1963) to support its U.S. employees overseas. From the hearings, there were indications that there was an excess of these employees worldwide; for example, in certain countries in the Near East-south Asia, which regional bureau had the most complete records on local employees, it was indicated that there was one driver for each  $1\frac{1}{3}$  American employees.

**It is recommended** that a review be made of this situation; that the numbers of these local employees be curtailed to the bone; and that the committee be advised within 6 months of the date of this report as to what progress is being made.

17. In presenting appropriation requests, the foreign assistance agencies have submitted an administrative budget, covering administrative personnel expenses on which Congress has placed a dollar limitation, while all other employees are classified as program personnel on whom there is no numerical or fiscal limitation and whose salaries and expenses are paid from development grants for technical assistance. This would appear to be unbusinesslike in the extreme. Among other things, it permits an unlimited ceiling on program personnel. Further, the employees who work on the important programs such as development loans, Public Law 480 operations, investment guarantees, etc., are paid as project technicians. It even permits the Agency to set up a special project to pay a few stenographers or other personnel.

**It is recommended** that this practice be eliminated; that in the budget presentation for fiscal year 1965, the Agency prepare the regular "salaries and expenses" budget request required of other agencies; and that the personnel and expenses incident to each major program operated by the Agency be broken down separately.

## EXHIBIT 1

## Status of loan programs—Worldwide cumulative summary through Mar. 31, 1963

[In U.S. dollars]

	Signed loan agreements		Loan disbursements	Repayment of principal	Exchange rate adjustment	Unrepaid balance	Interest collections
	Number	Amount					
1. AID loans from dollar appropriations:							
New development loan account (all repayable in dollars)-----	62	\$1,456,575,000.00	\$408,124,750.39			\$408,124,750.39	\$1,294,161.06
Alliance for progress loans (all repayable in dollars)-----	16	194,840,000.00	13,858,789.97			13,858,786.97	
Other AID loans:							
Repayable in dollars-----	14	264,200,000.00	163,688,253.22			163,688,253.22	951,032.56
Repayable in local currency with MOV-----	1	15,000,000.00	1,792,104.68			1,792,104.68	
Repayable in local currency without MOV-----	1	7,051,282.00					
Total-----	94	1,937,666,282.05	587,463,898.26			587,463,898.26	2,245,193.62
2. [Development Loan Fund Corporation (liquidation account):							
Repayable in dollars-----	61	381,633,842.19	226,750,608.40	\$11,018,022.92		215,732,585.48	14,626,431.56
Repayable in local currency with MOV-----	165	1,535,891,554.27	956,155,333.95	70,646,084.09		885,509,249.86	51,516,748.51
Repayable in local currency without MOV-----	3	2,172,920.32	1,506,253.65	8,305.63	(\$111,124.20)	1,386,823.82	44,626.99
Total-----	229	1,919,698,316.78	1,184,412,196.00	81,672,412.64	(111,124.20)	1,102,628,659.16	66,187,807.06
3. Public Law 480 loans (sec. 104 (d) and (g)):							
Repayable in dollars-----	10	128,588,467.94	125,732,476.29	94,938,736.54		30,793,739.75	4,194,311.00
Repayable in local currency with MOV-----	69	1,459,827,084.62	1,164,365,746.67	2,698,812.40		1,161,666,934.27	69,356,067.09
Repayable in local currency without MOV-----	93	1,710,700,557.00	624,536,580.63	35,244.39	(52,851,660.94)	571,649,675.30	19,463,802.83
Total-----	172	3,299,116,109.56	1,914,634,803.59	97,672,793.33	(52,851,660.94)	1,764,110,349.32	93,014,180.92
4. Public Law 480 loans (sec. 104(e))							

Cooley loans: Repayable in local currency without MOV.....	180	110,804,574.09	97,821,936.66	15,389,953.17	(8,427,853.39)	74,004,130.10	10,602,176.60
5. Loans authorized by predecessor agencies exclusively DLF corporate loans (Mutual Security program loans):							
Repayable in dollars.....	97	1,923,333,703.23	1,922,079,702.94	512,611,088.52	-----	1,400,468,614.42	398,979,346.56
Repayable in local currency with MOV.....	55	813,558,933.30	760,960,190.09	7,857,854.55	-----	753,102,335.54	74,929,776.99
Repayable in local currency with- out MOV.....	4	22,627,214.91	20,644,645.42	-----	41,507.78	20,686,153.20	659,278.08
Total.....	156	2,759,519,851.44	2,703,684,538.45	520,468,943.07	41,507.78	2,183,257,103.16	474,568,401.63
6. Basic materials, miscellaneous loans:							
Repayable in dollars.....	1	642,196.81	642,196.81	128,439.36	-----	513,757.45	186,536.61
Repayable in local currency with- out MOV.....	6	29,315,173.29	29,315,173.29	10,345,183.95	(2,413,227.51)	16,556,761.83	8,746,066.38
Total.....	7	29,957,370.10	29,957,370.10	10,473,623.31	(2,413,227.51)	17,070,519.28	8,932,602.99
Grand total loans.....	838	10,056,762,504.02	6,517,974,743.06	725,677,725.52	(63,762,358.26)	5,728,534,659.28	655,550,362.82

## EXHIBIT 2

*Estimated cost of direct hire employees, fiscal year 1963*

Project technicians:	
U.S. nationals:	
Development grants.....	\$65, 874, 000
Supporting assistance.....	7, 711, 000
Foreign nationals paid from program funds.....	5, 100, 000
Technicians, AID Washington (funded from development grants, interregional expenses, U.S. nationals).....	12, 408, 000
Administrative, AID Washington and abroad (U.S. nationals and foreign nationals).....	40, 636, 300
Total.....	131, 729, 300

## EXHIBIT 3

*Aid Personnel—Cost per U.S. Government Employee Overseas, fiscal year 1963 (Estimated)*

There are various methods of computing the average cost of U.S. direct-hire overseas employees. Different figures have been used at different times primarily due to the fact that in some instances more cost components are included in the computation. Further, in some cases certain program support costs are paid by the cooperating country or provided in kind. As a general thing the average cost per a program-type employee will be slightly lower than for the administrative-type employee. This is because (1) the two highest paid employees at the post, the Director and Deputy Director, are paid from administrative funds, (2) certain overall costs, such as representation, are charged entirely to administrative expenses, and (3) some cooperating countries bear the cost of certain program support costs as indicated above but they do not bear any part of the cost of an administrative-type employee.

Since the highest average cost per U.S. employee is incurred against employees charged to the administrative appropriation we have generally been using the figure of \$25,000 to \$26,000 per administrative employee computing as follows:

1. For fiscal year 1963 our oversea budget contemplates that we will spend \$26,786,000 for administrative expenses. It is estimated that this will finance 1,031 man-years or \$25,966 per man-year.

2. A breakout of the \$25,966 by major cost components is as follows:

(a) U.S. salaries (including post differential, cost of living allowances and overtime).....	\$12, 736
(b) Allowances for quarters, education and other benefits.....	2, 041
(c) Travel and transportation of persons.....	2, 611
(d) Transportation of things.....	1, 376
(e) Rents, communications and utilities.....	2, 256
(f) Printing and reproduction.....	17
(g) Supplies and material.....	385
(h) Equipment.....	465
(i) Representation, medical, insurance claims, subsidies, and other contractual services.....	850
(j) Salaries of local employees.....	3, 229
Total.....	25, 966

If one takes a more limited view of the cost per U.S. employee and includes only (1) the salaries of U.S. nationals, (2) benefits and allowances, and (3) international travel and transportation of things, the cost per employee is considerably lower per employee. This is again based on the fiscal year 1963 administrative budget computed as follows:

1. Total cost for the three elements mentioned above is estimated at \$19,357,500 to support 1,031 man-years resulting in a per man-year cost of \$18,764.

2. The breakdown of the figure of \$18,764 is as follows:

(a) Salaries (including post differential, cost of living, and overtime).....	\$12, 736
(b) Allowances for quarters, education, and other benefits.....	2, 041
(c) Travel and transportation of persons and things.....	3, 987
Total.....	18, 764

EXHIBIT 4  
AID personnel strength, Mar. 25, 1963

Location	U.S. nationals															
	U.S. Government employees															
	Regular						Consultants						Total			
	Direct hire		Other agency		Total		Direct hire		Other agency		Total		Direct hire		Other agency	
	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5 (1+3)	Col. 6 (2+4)	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11 (7+9)	Col. 12 (8+10)	Col. 13 (1+7)	Col. 14 (2+8)	Col. 15 (3+9)	Col. 16 (4+10)	
Total.....	3,831	2,808	498	33	4,329	2,841	110	51	57	2	167	53	3,941	2,859	555	35
AID/Washington.....	829	1,809	8	26	837	1,835	43	51	6	2	49	53	872	1,860	14	28
Departmental.....	770	1,604	1	7	771	1,611	43	51	5	1	48	52	813	1,655	6	8
Foreign Service.....	59	205	7	19	66	224			1	1	1	1	59	205	8	20
Complement.....	18	6			18	6							18	6		
Employment.....	1				1								1			
Medical.....	6	2			6	2							6	2		
Reassignment.....	1				1								1			
Training.....	10	4			10	4							10	4		
Overseas.....	2,984	993	490	7	3,474	1,000	67		51		118		3,051	993	541	7
Far East.....	810	259	119	1	929	260	8		4		12		818	259	123	1
Burma.....	9	10			9	10							9	10		
Cambodia.....	79	30	16	1	95	31							79	30	16	1
China.....	45	27	4		49	27							45	27	4	
Indonesia.....	97	29	20		117	29	4				4		101	29	20	
Japan.....	9	1			9	1	1				1		10	1		
Korea.....	89	50	5		94	50							89	50	5	
Laos.....	92	22	15		107	22	1		1		2		93	22	16	
Philippines.....	37	19	8		45	19	1				1		38	19	8	
Thailand.....	134	29	13		147	29			1		1		134	29	14	
Vietnam.....	219	42	38		257	42	1		2		3		220	42	40	

## AID personnel strength, Mar. 25, 1963—Continued

Location	U.S. nationals															
	U.S. Government employees															
	Regular						Consultants						Total			
	Direct hire		Other agency		Total		Direct hire		Other agency		Total		Direct hire		Other agency	
	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5 (1+3)	Col. 6 (2+4)	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11 (7+9)	Col. 12 (8+10)	Col. 13 (1+7)	Col. 14 (2+8)	Col. 15 (3+9)	Col. 16 (4+10)	
Near East and south Asia.....	733	219	223	2	956	221	13		1		14		746	219	224	2
Afghanistan.....	97	26	36		133	26	2			2		99	26	36		
Ceylon.....	12	10			12	10	1			1		13	10			
Cyprus.....	6	8			6	8	1			1		7	8			
Greece.....	2	7	2		4	7				2		2	7	2		
India.....	79	22	7	1	86	23	5			5		84	22	2		1
Iran.....	130	25	8		138	25						130	25	8		
Iraq.....	5				5							5				
Israel.....		4	2		2	4							4	2		
Jordan.....	34	15	13		47	15	1			1		35	15	13		
Lebanon.....		3	8		8	3							3	8		
Nepal.....	47	15	12		59	15						47	15	12		
Pakistan.....	122	27	47		169	27	1			1		123	27	47		
Turkey.....	133	25	9		142	25	1		1	2		134	25	10		
United Arab Republic (Egypt).....	18	16	11		29	16	1			1		19	16	11		
Yemen.....	24	12	38		62	12						24	12	38		
Regional.....	12	12	13		25	12						12	12	13		
CENTO staff.....	12	4	17	1	29	5						12	4	17		1
Europe.....	29	22	9	2	38	24			2		2		29	22	11	2
USRO/AID.....	11	3			11	3						11	3			
Office of Area Cont.....		1				1							1			

Spain	8	8	9	17	8			2		2	8	8	11	
United Kingdom	3			3							3			
Yugoslavia	5	4		2	6						5	4		2
Regional	2	6		2	6						2	6		
<b>Latin America</b>	<b>754</b>	<b>200</b>	<b>77</b>	<b>2</b>	<b>831</b>	<b>202</b>	<b>39</b>			<b>35</b>		<b>74</b>		<b>793</b>
Argentina	12	8	4		16	8	3			4		7		15
Bolivia	49	18	2		51	18	5			4		9		54
Brazil	151	30	22		173	30	7			8		15		158
Chile	35	16	5		40	16	1			4		5		36
Colombia	50	14	4		54	14	4			4		4		54
Costa Rica	23	5	4		27	5	1			1		2		24
Dominican Republic	14	6			14	6	1			1		1		15
Ecuador	52	10	3		55	10	4			3		7		56
El Salvador	30	7			30	7				2		2		30
Guatemala	43	8	2		45	8	1			1		2		44
Haiti	34	8	2		36	8								34
Honduras	30	5	4	1	34	6	3			3		6		33
Jamaica	17	5			17	5								17
Mexico	10	5	2		12	5								10
Nicaragua	20	3	4		24	3								20
Panama	36	5	2		38	5				1		1		36
Paraguay	31	11			31	11								31
Peru	30	10	5		35	10	3			1		4		33
Uruguay	1	3			1	3	1					1		2
Venezuela	12	4			12	4	2			1		3		14
West Indies and East Caribbean	21	6	1		21	7				1		1		21
Oversea territories	28	7	3		31	7	1					1		29
British Guiana	16	4	1		17	4	1					1		17
British Honduras	4				4									4
Surinam	8	3	2		10	3								8
Reg.—Latin America	18	1	9		27	1	1			1		2		19
Reg. Central America and Panama	7	5			7	5	1					1		8
<b>Africa</b>	<b>658</b>	<b>293</b>	<b>62</b>		<b>720</b>	<b>293</b>	<b>7</b>			<b>9</b>		<b>16</b>		<b>665</b>
Cameroun	8	7			8	7								8
Central African Republic		1			1	1	1					1		1
Chad		2			2	2								2
Congo (Brazzaville)	2	2			2	2								2
Congo (Léopoldville)	9	10			9	10				2		2		9
Entente States	19	17	1		20	17								19
Dahomey	4	2			4	2								4
Ivory Coast	11	11			11	11								11
Niger	1	2	1		2	2								1
Upper Volta	3	2			3	2								3

## AID personnel strength, Mar. 25, 1963—Continued

Location	U.S. nationals															
	U.S. Government employees															
	Regular						Consultants						Total			
	Direct hire		Other agency		Total		Direct hire		Other agency		Total		Direct hire		Other agency	
	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM	PROG	ADM
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5 (1+3)	Col. 6 (2+4)	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11 (7+9)	Col. 12 (8+10)	Col. 13 (1+7)	Col. 14 (2+8)	Col. 15 (3+9)	Col. 16 (4+10)	
<b>Africa—Continued</b>																
Ethiopia.....	55	18	29		84	18	1			1		56	18	29		
Gabon.....	1	3			1	3						1	3			
Ghana.....	39	13			39	13						39	13			
Guinea.....	10	13			10	13						10	13			
Kenya.....	22	12			22	12	1			2		23	12	1		
Liberia.....	85	19	5		90	19				2		55	19	7		
Libya.....	52	18	4		56	18				2		52	18	4		
Malagasy.....	5	6			5	6	1					6	6			
Mali, Republic of.....	11	11			11	11				1		11	11			
Morocco.....	23	18			23	18						11	18			
Nigeria.....	120	27	3		123	27	2			4		122	27	5		
Rhodesia and Nyasaland.....	21	9			21	9	1			2		22	9	1		
Senegal.....	3	7			3	7				1		3	7			
Sierra Leone.....	7	6			10	6						7	6	4		
Somali Republic.....	47	17	3		47	17			1	1		47	17			
Sudan.....	47	11	12		59	11						47	11	12		
Tanganyika.....	8	7			8	7						8	7			
Togo.....	6	5	1		7	5						6	5	1		
Tunisia.....	38	24	3		41	24						38	24	3		
Uganda.....	7	7			7	7						7	7			
Regional.....	13	3	1		14	3						13	3	1		

<sup>1</sup> Excludes 13 in detail support complement, of which 3 are nonreimbursable.

NOTE.—The above data exclude employees on reimbursable detail to other Government agencies. On Mar. 25, 1963, these totaled 5 administrative from AID/W; and from

overseas 4 programs (1 Niger, 2 Sudan, 1 Togo) and 19 administrative (1 Thailand, 1 Chad, 3 Cameroun, 1 Dahomey, 2 Gabon, 4 Ivory Coast, 3 Sierra Leone, 3 Sudan, 1 Togo).  
Source: Personnel Services Division, A/PA.

Location	U.S. nationals					Foreign nationals					Total strength	Personnel paid directly from U.S. Government funds						
	U.S. Government employees			Contractor employees	Total U.S. nationals	Paid from U.S. Government funds			Paid from foreign trust funds	Total foreign nationals		Col. 27 (21+26)	Col. 28 (17+22)	Col. 29 (18+23)	Col. 30 (28+29)			
	Total					PROG	ADM	Total								PROG	ADM	Total
	Col. 17 (5+11)	Col. 18 (6+12)	Col. 19 (17+18)			Col. 20	Col. 21 (19+20)	Col. 22								Col. 23	Col. 24 (22+23)	Col. 25
Total.....	4,496	2,894	7,390	1,452	8,842	3,922	1,638	5,560	4,202	9,762	18,604	8,418	4,532	12,950				
AID/Washington.....	886	1,888	2,774		2,774						2,774	886	1,888	2,774				
Departmental.....	819	1,663	2,482		2,482						2,482	819	1,663	2,482				
Foreign Service.....	67	225	292		292						292	67	225	292				
Complement.....	18	6	24		*24						24	18	6	24				
Employment.....	1		1		1						1	1		1				
Medical.....	6	2	8		8						8	6	2	8				
Reassignment.....	1		1		1						1	1		1				
Training.....	10	4	14		14						14	10	4	14				
Overseas.....	3,592	1,000	4,592	1,452	6,044	3,922	1,638	5,560	4,202	9,762	15,806	7,514	2,638	10,152				
Far East.....	941	260	1,201	496	1,697	201	561	762	2,818	3,580	5,277	1,142	821	1,963				
Burma.....	9	10	19		19	20	17	37		37	56	29	27	56				
Cambodia.....	95	31	126	3	129		21	21	317	338	467	95	52	147				
China.....	49	27	76	77	153		115	115	201	316	469	49	142	191				
Indonesia.....	121	29	150	128	278		35	35	350	385	663	121	64	185				
Japan.....	10	1	11		11	16	3	19		19	30	26	4	30				
Korea.....	94	50	144	92	236		118	118	344	462	698	94	168	262				
Laos.....	109	22	131		131	151	48	199	659	858	989	260	70	330				
Philippines.....	46	19	65	14	79	14	48	62	109	171	250	60	67	127				
Thailand.....	148	29	177	66	243		49	49	237	286	529	148	78	226				
Vietnam.....	260	42	302	116	418		107	107	601	708	1,126	260	149	409				

Location	U.S. nationals					Foreign nationals					Total strength	Personnel paid directly from U.S. Government funds						
	U.S. Government employees			Contractor employees	Total U.S. nationals	Paid from U.S. Government funds			Paid from foreign trust funds	Total foreign nationals		Total	PROG	ADM	Total			
	Total					PROG	ADM	Total								PROG	ADM	Total
	PROG	ADM	Total															
Col. 17 (5+11)	Col. 18 (6+12)	Col. 19 (17+18)	Col. 20	Col. 21 (19+20)	Col. 22	Col. 23	Col. 24 (22+23)	Col. 25	Col. 26 (24+25)	Col. 27 (21+26)	Col. 28 (17+22)	Col. 29 (18+23)	Col. 30 (28+29)					
Near East and south Asia	970	221	1,191	513	1,704	1,721	430	2,151	1,118	3,269	4,973	2,691	651	2,342				
Afghanistan	135	26	161	147	308	432	15	447	447	447	755	567	41	608				
Ceylon	13	10	23	1	24	31	9	40	40	40	64	44	19	63				
Cyprus	7	8	15	1	16	10	9	19	19	19	35	17	17	34				
Greece	4	7	11	11	11	13	13	13	6	19	30	4	20	24				
India	91	23	114	105	219	406	47	453	453	453	672	497	70	537				
Iran	138	25	163	38	201	34	34	362	362	362	597	138	59	197				
Iraq	5	5	10	9	14	7	2	9	9	9	23	12	2	14				
Israel	2	4	6	6	6	10	10	10	10	10	16	2	14	16				
Jordan	48	15	63	5	68	95	19	114	114	114	182	143	34	177				
Lebanon	8	3	11	11	11	10	7	17	17	17	28	18	10	28				
Nepal	59	15	74	16	90	378	123	501	501	501	591	437	138	575				
Pakistan	170	27	197	132	329	75	75	524	524	524	928	170	102	772				
Turkey	144	25	169	59	228	35	35	182	182	182	445	144	60	204				
United Arab Republic (Egypt)	30	16	46	46	46	3	24	27	44	71	117	33	40	73				
Yemen	62	12	74	74	74	349	8	357	357	357	431	411	20	431				
Regional	25	5	30	30	30	25	25	25	25	25	25	25	25	25				
CENTO staff	29	5	34	34	34	34	34	34	34	34	34	34	34	34				
Europe	40	24	64	4	68	29	38	67	10	77	145	69	62	131				
USRO/AID	11	3	14	14	14	8	8	8	8	8	22	19	3	22				
Office of Area Cont.	1	1	2	2	2	19	19	19	19	19	20	20	20	20				
Spain	19	8	27	27	27	13	13	10	10	23	50	19	21	40				
United Kingdom	3	3	6	6	6	1	1	1	1	1	4	4	4	4				
Yugoslavia	5	6	11	4	15	20	6	26	26	26	41	25	12	37				
Regional	2	6	8	8	8	8	8	8	8	8	8	2	6	8				
Latin America	905	202	1,107	146	1,253	1,118	356	1,474	161	1,635	2,888	2,023	558	2,581				
Argentina	23	8	31	4	35	36	16	52	52	52	87	59	24	83				

Bolivia	60	18	78	78	33	33	143	176	254	60	51	111		
Brazil	188	30	218	49	188	42	230	230	497	376	72	448		
Chile	45	16	61	10	71	99	29	128	199	144	45	189		
Colombia	58	14	72	8	80	61	15	76	156	119	29	148		
Costa Rica	29	5	34	15	49	25	7	32	50	99	54	66		
Dominican Republic	15	6	21		21	8	6	14	14	35	12	35		
Ecuador	62	10	72		72	148	27	175	175	247	210	37	247	
El Salvador	32	7	39	6	45	41	8	49	49	94	73	15	88	
Guatemala	47	8	55	16	71	85	20	105	105	176	132	28	160	
Haiti	36	8	44		44	35	13	48	48	92	71	21	92	
Honduras	17	6	46		46	17	10	27	27	73	57	16	73	
Jamaica	40	5	22		22	21	8	29	29	51	38	13	51	
Mexico	12	5	17	2	19	30	11	41	41	60	42	16	58	
Nicaragua	24	3	27	4	31	16	9	25	25	56	40	12	52	
Panama	39	5	44	26	70	52	11	63	63	133	91	16	107	
Paraguay	31	11	42	4	46	106	29	135	135	181	137	40	177	
Peru	39	10	49		49	47	23	70	70	119	86	33	119	
Uruguay	2	3	5	2	7	6	6	12	12	19	8	9	17	
Venezuela	15	4	19		19	29	10	39	39	58	44	14	58	
West Indies and East Caribbean	22	7	29		29	41	15	56	56	85	63	22	85	
Oversea territories	32	7	39		39	27	8	35	35	74	59	15	74	
British Guiana	18	4	22		22	18	5	23	23	45	36	9	45	
British Honduras	4		4		4	5		5	5	9	9		9	
Surinam	10	3	13		13	4	3	7	7	20	14	6	20	
Reg.—Latin America	29	1	30		30					30	29	1	30	
Reg.—Central America and Panama	8	5	13		13					13	8	5	13	
Africa	736	293	1,029	293	1,322	853	253	1,106	95	1,201	2,523	1,589	546	2,135
Cameroun	8	7	15		15	1	5	6		6	21	9	12	21
Central African Republic	1	1	2		2					2	1	1	1	2
Chad	2	2	2		2					2	2	2	2	2
Congo (Brazzaville)	1	2	4		4					4	2	2	4	4
Congo (Léopoldville)	11	10	21		21	12	8	20		20	41	23	18	41
Entente States	20	17	37	3	40	27	11	38		38	78	47	28	75
Dahomey	4	2	6		6	2	3	5		5	11	6	5	11
Ivory Coast	11	11	22		22	24	8	32		32	54	35	19	54
Niger	2	2	4		4					4	2	2	4	4
Upper Volta	3	2	5	3	8	1		1		1	9	4	2	6
Ethiopia	85	18	103	46	149	80	23	103		103	252	165	41	206
Gabon	1	3	4		4		1	1		1	5	1	4	5
Ghana	39	13	52		52	34	11	45		45	97	73	24	97
Guinea	10	13	23		23		11	11		11	34	10	24	34

Location	U.S. nationals					Foreign nationals					Total strength	Personnel paid directly from U.S. Government funds			
	U.S. Government employees			Contractor employees	Total U.S. nationals	Paid from U.S. Government funds			Paid from foreign trust funds	Total foreign nationals		PROG	ADM	Total	
	Total					PROG	ADM	Total							
	Col. 17 (5+11)	Col. 18 (6+12)	Col. 19 (17+18)	Col. 20	Col. 21 (19+20)	Col. 22	Col. 23	Col. 24 (22+23)	Col. 25	Col. 26 (24+25)		Col. 27 (21+26)	Col. 28 (17+22)	Col. 29 (18+23)	Col. 30 (28+29)
	Kenya.....	24	12	36	9	45	21	11	32	-----		32	77	45	23
Liberia.....	92	19	111	66	177	264	19	283	-----	283	460	358	38	394	
Libya.....	56	18	74	3	77	82	22	104	-----	104	181	138	40	178	
Malagasy.....	6	6	12	-----	12	4	2	6	-----	6	18	10	8	18	
Mali, Republic of.....	11	11	22	-----	22	16	6	22	-----	22	44	27	17	44	
Morocco.....	23	18	41	1	42	35	25	60	-----	60	102	58	43	101	
Nigeria.....	127	27	154	105	259	145	21	166	-----	166	425	272	48	320	
Rhodesia and Nyasaland.....	23	9	32	3	35	13	7	20	-----	20	55	36	16	52	
Senegal.....	3	7	10	-----	10	2	6	8	-----	8	18	5	13	18	
Sierra Leone.....	11	6	17	7	24	3	3	6	-----	6	30	14	9	23	
Somali Republic.....	47	17	64	40	104	87	16	103	-----	103	207	134	33	167	
Sudan.....	59	11	70	-----	70	18	18	37	-----	37	107	59	29	88	
Tanganyika.....	8	7	15	4	19	-----	14	6	-----	20	30	22	13	35	
Togo.....	7	5	12	-----	12	1	2	3	-----	3	15	8	7	15	
Tunisia.....	41	24	65	-----	65	-----	18	18	-----	76	94	159	41	83	
Uganda.....	7	7	14	6	20	12	1	13	-----	13	33	19	8	27	
Regional.....	14	3	17	-----	17	-----	-----	-----	-----	17	-----	14	3	27	

EXHIBIT 5

AID Washington positions, authorized strength, employment, and vacancies, as of Mar. 25, 1963

Organizational unit	Established positions	Authorized strength			Actual employment			Vacancies total
		Administrative	Program	Total	Administrative	Program	Total	
Office of the Administrator.....	39	33		33	34		34	+1
Executive secretariat.....	33	24		24	23		23	1
Subtotal.....	72	57		57	57		57	
Regional bureaus:								
Bureau for Africa-Europe.....	274	159	96	255	141	86	227	28
Bureau for Far East.....	250	129	85	214	137	75	212	2
Bureau for Near East and South Asia.....	226	130	103	233	111	99	210	23
Bureau for Latin America.....	363	187	125	312	176	119	295	17
Subtotal.....	1,122	605	409	1,014	565	379	944	70
Staffs and program offices:								
Office of Public Safety.....	39	4	66	70	3	33	36	34
Program coordination staff.....	81	56	10	66	49	9	58	8
International development organization staff.....	33	28	19	47	27	17	44	5
Information staff.....	34	33		33	28		28	5
Congressional liaison staff.....	17	13		13	14		14	+1
Office of Human Resources and Social Development.....	94	49	26	75	43	15	58	+17
Research and evaluation staff.....	79		56	56		59	59	+3
Management inspection staff.....	40	33		33	34		34	+1
Office of the General Counsel.....	65	56		56	51		51	5
Office of Development, Finance, and Private Enterprise.....	81	44	3	47	44	3	47	
Office of Material Resources.....	202	10	158	168	7	151	158	10
Office of Engineering.....	19	20		20	15		15	5
Subtotal.....	784	346	338	684	315	287	602	82
Management offices:								
Office of Personnel Administration.....	221	182		182	180		180	2
Office of Security.....	25	24		24	24		24	
Office of Management Planning.....	90	56		56	55		55	1
Office of the Controller.....	424	307		307	304		304	3
Office of Program Support.....	521	219	290	509	214	275	489	20
Subtotal.....	1,281	788	290	1,078	777	275	1,052	26
Grand total.....	3,259	1,796	1,037	2,833	1,714	941	2,655	178

<sup>1</sup> Plus 18 positions carried on oversea staffing pattern.

## EXHIBIT 6

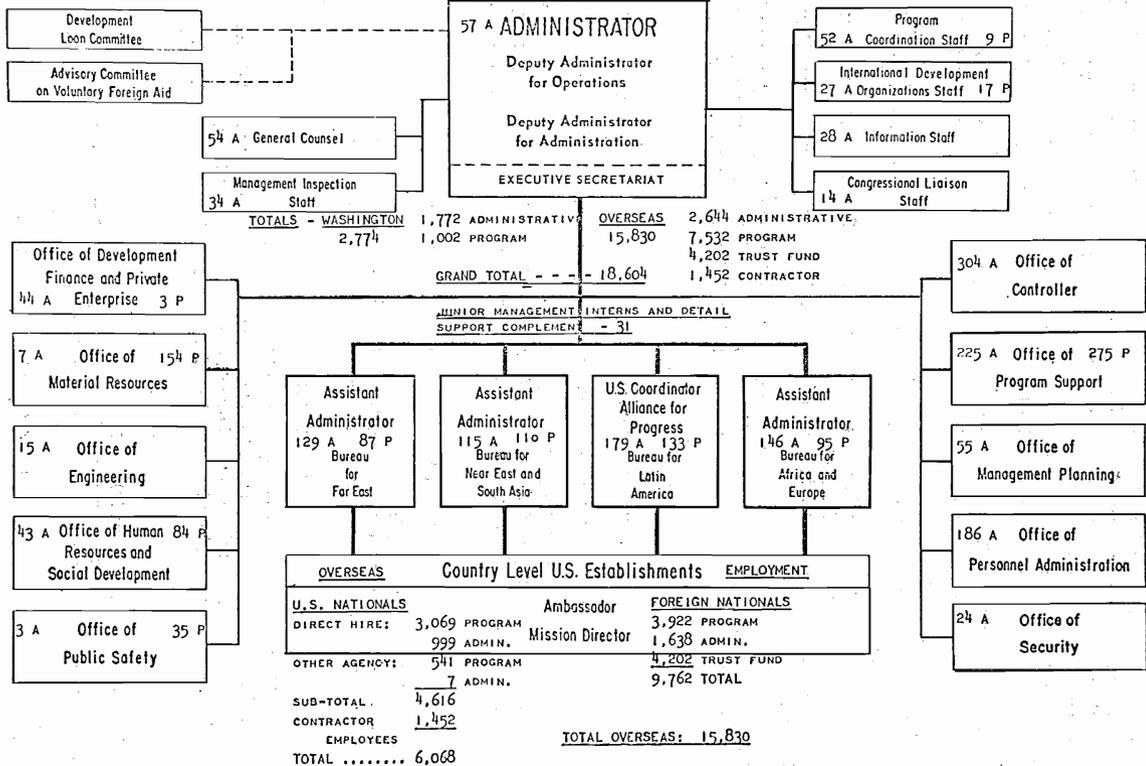
*AID oversea positions, authorized strength, employment, and vacancies, as of Mar. 25, 1963*

Region	Established positions			Authorized strength			Actual employment			Vacancies total
	Adminis- trative	Program	Total	Adminis- trative	Program	Total	Adminis- trative	Program	Total	
Bureau for Africa-Europe.....	363	1,062	1,425	368	-----	-----	317	776	1,093	332
Bureau for Far East.....	293	1,183	1,476	266	-----	-----	260	941	1,201	275
Bureau for Near East and south Asia.....	250	1,333	1,583	236	-----	-----	221	970	1,191	392
Bureau for Latin America.....	240	1,134	1,374	216	-----	-----	202	905	1,107	267
Total.....	1,146	4,712	5,858	1,086	-----	-----	1,000	3,592	4,592	1,266

EMPLOYMENT AS OF 3/25/63

# AGENCY FOR INTERNATIONAL DEVELOPMENT

A - ADMINISTRATIVE P - PROGRAM



## EXHIBIT 8-A

## LEGISLATIVE HISTORY OF FOREIGN ASSISTANCE

Military Aid to Greece and Turkey: May 15, 1947: Congress approved economic and military aid to Greece and Turkey.

Economic Cooperation Administration: April 2, 1948: Economic Cooperation Act (Marshall plan), created the Economic Cooperation Administration.

Mutual Defense Assistance: October 28, 1949: Congress approved the Mutual Defense Assistance Act.

Technical Cooperation Administration: June 1, 1950: Act for International Development (point 4) created authority for Technical Cooperation Administration.

Mutual Security Agency: October 31, 1951: Mutual Security Act of 1951; united military and economic programs and technical assistance; established the Mutual Security Agency.

Foreign Operations Administration: August 1, 1953: Foreign Operations Administration replaced Mutual Security Agency; technical cooperation became part of FOA.

International Cooperation Administration: June 30, 1955: International Cooperation Administration formed.

Development Loan Fund: August 14, 1957: Development Loan Fund established.

Agency for International Development: September 4, 1961: Act for International Development combined ICA, DLF, and other U.S. assistance functions; November 4, 1961: Agency for International Development activated.

## EXHIBIT 8-B

## SENIOR OFFICERS OF AID AND PREDECESSOR AGENCIES

## ECONOMIC COOPERATION ADMINISTRATION

William C. Foster, Administrator, October 1, 1950, to September 23, 1951.

Paul G. Hoffman, Administrator, April 9, 1948, to September 30, 1950.

Richard M. Bissell, Jr., Deputy Administrator, April 9, 1948, to January 18, 1952.

## TECHNICAL COOPERATION ADMINISTRATION

June 1950 to July 31, 1953.

Henry Bennett, Administrator, June 1950 to December 1951.

Stanley Andrews, Administrator, May 12 to December 1952.

## MUTUAL SECURITY AGENCY

Harold E. Stassen, Director, January 28 to July 31, 1953.

W. Averell Harriman, Director, October 31, 1951, to January 20, 1953.

William McN. Rand, Deputy Director, March 16 to July 31, 1953.

W. John Kenney, Deputy Director, March 17 to December 1, 1952.

## FOREIGN OPERATIONS ADMINISTRATION

August 1, 1963, to June 30, 1955.

Harold E. Stassen, Director, August 3, 1953, to June 30, 1955.

William McN. Rand, Deputy Director, August 3, 1953, to June 30, 1954.

## DEVELOPMENT LOAN FUND

July 1, 1958, to November 3, 1961.

Frank M. Coffin, Managing Director, February 6 to September 29, 1961.

Vance Brand, Managing Director, September 2, 1959, to January 20, 1961.

Dempster McIntosh, Managing Director, July 3, 1958, to June 1959.

INTERNATIONAL COOPERATION ADMINISTRATION

July 1, 1955, to November 3, 1961.

Henry R. LaBouisse, Director, March 1 to November 3, 1961.

James W. Riddleberger, Director, May 29, 1959, to February 28, 1961.

Leonard J. Saccio, Acting Director, February 1 to May 29, 1959.

James H. Smith, Jr., Director, October 8, 1957, to January 31, 1959.

John B. Hollister, Director, July 1, 1955, to September 15, 1957.

Dr. D. A. FitzGerald, Acting Director.

Leonard J. Saccio, Deputy Director, August 28, 1958, to September 25, 1960.

AGENCY FOR INTERNATIONAL DEVELOPMENT

November 4, 1961, to present.

David E. Bell, Administrator, December 21, 1962, to present.

Fowler Hamilton, Administrator, September 30, 1961, to December 7, 1962.

Frank M. Coffin, Deputy Administrator for Operations, June 12, 1962, to present.

Deputy Administrator (program) September 30, 1961, to June 11, 1962.

Walter L. Lingle, Jr., Deputy Administrator, March 30 to June 12, 1962.

Bernard T. Brennan, Deputy Administrator for Administration, August 23, 1962, to June 21, 1963.

EXHIBIT 9

Public Law 480 programs—Comparative statement, fiscal years 1963 and 1964

[In millions of dollars]

	Fiscal year 1963 estimate	Fiscal year 1964 proposed
Title I sales:		
Country uses.....	1,080.8	1,024.2
U.S. uses.....	207.7	142.0
Total.....	1,288.5	1,166.2
Title IV programs.....	88.3	120.7
Title II programs.....	<sup>1</sup> 253.7	(3)
Title III programs.....	<sup>2</sup> 363.4	(3)
Title III freight paid under title II authorization.....	<sup>1</sup> 44.9	(3)

<sup>1</sup> Transfer authorizations issued for first 9 months of fiscal year 1963 only.

<sup>2</sup> Approved program for first 9 months of fiscal year 1963 only.

<sup>3</sup> Nature of programs does not permit projection.

