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THE REPORT OF THE EXTERNAL PANEL FOR THE REVIEW OF THE ASIA FOUNDATION

Department of State
Agency for International Development

October 7, 1976

Mr. John Richardson, Jr.
Assistant Secretary
Bureau of Educational and Cultural Affairs

Dr. Fred O. Pinkham
Assistant Administrator
Bureau for Population and Humanitarian Assistance
Agency for International Development

United States Department of State
Washington, D. C. 20523

Dear Secretary Richardson and Dr. Pinkham:

I am transmitting herewith the Report of the External Panel appointed by the Department of State and the Agency for International Development to review the work of the Asia Foundation and its relationship with the United States Government.

The Panel's principal finding is that the Foundation's program serves the interests of the United States and is deserving of continued financial support from the Government. We recommend that the Secretary of State reaffirm the importance of the Foundation's work to United States policy and the Department's continued interest in and support of the Foundation.

The Panel is grateful for the assistance provided it by persons in the Department and A.I.D., both in Washington and in the field. It also wishes to mention with appreciation the courtesy and help provided it by the Directors, Officers and Staff of the Foundation in San Francisco and in the countries in which the Foundation conducts its programs.

Sincerely,

Erwin D. Canham

Erwin Canham
Panel Chairman

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THE REPORT OF THE EXTERNAL PANEL FOR

REVIEW OF THE ASIA FOUNDATION

I. CREATION OF A REVIEW PANEL

1. In the fall of 1975, the Agency for International Development and the Bureau of Educational and Cultural Affairs of the Department of State reached agreement with the Asia Foundation that an evaluation be made of the work of the Foundation, which A.I.D. and CU had in large part been financing since 1968. It was agreed that this project be entrusted to a panel of private citizens in order to obtain the most objective judgment possible of a searching question -- How do the Foundation's policies, objectives and principal activities relate to the national interests of the United States and Asia and to the objectives and programs of the two agencies which provide most of its funds? Implicit in this question was a related question -- Whether United States government funds should continue to support the Asia Foundation, and if so, through what agencies, at what level, and on what terms? The scope of the study and a list of questions to be addressed by the Panel were prepared by A.I.D. and the Bureau of Educational and Cultural Affairs (See Appendix 1).

2. An External Panel for Review of the Asia Foundation was constituted in December 1975. Its members were:

Erwin D. Canham	--	Editor Emeritus of the Christian Science Monitor, Chairman
Leland Barrows	--	Retired American Ambassador
Samuel D. Berger	--	Retired American Ambassador
James W. Clark	--	A Vice-President of the Chase Manhattan Bank of New York
Miss Martha Peterson	--	President of Beloit College 1/
Edmond C. Hutchinson	--	Retired Vice-President of the Research Analysis Corporation, served as Executive Director

1/ Miss Peterson, after the initial meetings in Washington in December, was unable to continue with the Panel owing to other obligations. She took no further part in the development of this report.

3. The Panel organized its work as follows. It had several meetings in Washington with A.I.D. and State Department officials concerned with the Foundation and with Foundation Trustees and officials. It visited the Headquarters of the Foundation in San Francisco, where it met with members of the Board of Trustees, the President, Dr. Haydn Williams, and staff members of the Foundation. In February and March, the Panel, divided into two groups, visited the 12 countries of Asia and South Asia in which the Foundation works. The Panel members talked to private persons who had knowledge of the Foundation (college presidents, lawyers, journalists, businessmen, intellectuals, women leaders, etc.), recipients of Foundation grants, and members of the United States Missions. The Panel visited numerous projects which are supported by the Foundation. Panel members interviewed former employees of the Asia Foundation. Finally, the Panel was provided a large number of papers and reports bearing on its inquiry.

II. THE PURPOSES AND PROGRAMS OF THE ASIA FOUNDATION

A. Background

4. The roots of the Asia Foundation go back to 1951, when the Committee for Free Asia was established. The Committee's initial concern was to find ways of maintaining contact and communication with the peoples of Asia threatened with the spread of communism, which had already engulfed mainland China and North Korea.

5. In 1954, a new entity, the Asia Foundation, was formed as a non-profit corporation under the laws of the State of California with a new and broader mission. Its charter states three basic purposes:

> "To make private American support available to individuals and groups in Asia who are working for the attainment of peace, independence, personal liberty and social progress.
>
> To encourage and strengthen active cooperation, founded on mutual respect and understanding, among voluntary organizations -- Asian, American and international -- with similar aims and ideals.
>
> To work with other American individuals and organizations for a better understanding in the United States of the peoples of Asia, their histories, cultures, and values."

6. In 1971 the three basic objectives were reaffirmed and supplemented by the adoption, by the Foundation's Board of Trustees, of the following long range goals:

> "To assist Asians in their efforts to build and strengthen public and private institutions which contribute to more cohesive, more open, more just and more prosperous Asian societies.
>
> To support Asian human resource development and the development of Asian leadership in priority fields related to national development.
>
> To encourage the growth of Asian regional cooperation and regional organizations concerned with Asian economic and social development.
>
> To help build and strengthen bonds of understanding, cooperation, friendship and respect between peoples of Asia and the United States through improved communications, exchange and development experience."

From the outset the Asia Foundation has been concerned with the historical American interest in assisting people to live in freedom and better their lot.

7. The Board of Trustees of the Asia Foundation is composed of 25 prominent civic, business and academic leaders who, from their knowledge of Asia, became convinced "that a Foundation based upon American ideals of mutual self-help and cooperation, could make a distinctive contribution to development and progress in Asia." Under the Board's leader--ship and under three able presidents, a dedicated staff of Americans and Asians was assembled in 18 countries and in the San Francisco headquarters.

8. Today the Asia Foundation is working in 12 countries: Afghanistan, Bangladesh, Hong Kong, Indonesia, Japan, Korea, Malaysia, Pakistan, Philippines, Singapore, The Republic of China, and Thailand. A new program was recently begun in Nepal. Programs in South Vietnam, Laos, and Cambodia, of course, were terminated with the complete American withdrawal from Indo-China early in 1975. Foundation programs were terminated in Burma in 1962, India in 1968, and Ceylon in 1970.

9. From the outset, the Asia Foundation has placed great importance on the Country Representatives, and has assigned them key roles in planning and executing the Foundation's programs. These representatives are Americans of exceptional ability and commitment who are deeply immersed in the Asian societies in which they live and work. They gained a

broad and deep understanding of the local communities, and everywhere have won the respect and trust of intellectual and cultural leaders as well as of public officials and political figures.

10. The Foundation's annual cash budget has always been modest, reaching a peak of about $8 million in 1966-67. In the more recent period,1970-1975, the cash budget has averaged about $6.5 million per year. About 72% of that budget is spent overseas, financing about 860 grants per year. The country programs range in size from about $100,000 to $400,000 annually.

11. Prior to 1967, when the present funding arrangements were established, the Asia Foundation received contributions from private foundations and trusts which were named publicly at that time as having transmitted Central Intelligence Agency funds to a number of private American organizations. Since that time, about 90 per cent of the Foundation's funding has come from the United States Government, primarily from A.I.D. and the Bureau of Educational and Cultural Affairs in the State Department. Private cash contributions and income from endowment have averaged about $500,000 per year in the period. In addition to cash support, the Foundation has received private contributions in kind, primarily books and other publications, valued at about $4.5 million a year.

12. The Panel is convinced, from its review, that the previous source of its financing and the Foundation's receipt of most of its cash support from A.I.D. and the Department of State does not adversely affect the continuing effectiveness of the Foundation to any significant extent. The Board, in March 1967, acknowledged its source of funds but made clear that, since the work of the Foundation was entirely overt and well known to Asians, it would continue to operate and to seek open support from departments of the Federal Government concerned with international education and development. The Board stated that throughout its history it had acted in the best tradition of American philanthropy. All but one Asian country continued to encourage and cooperate with the Foundation in its work. Although there are still isolated references to the previous funding connection, usually in the leftist press, by and large this chapter appears closed and completely outweighed in the minds of Asians by the high reputation and performance of the Foundation. In its discussions in Asia, the Panel made a special point in each country of asking the Asians whether the Foundation's reliance on United States government funds had created problems for them. The answer was a unanimous "no." Most people understood that the Foundation was being funded in large part by the United States Government, but felt that this did not damage the Asia Foundation's reputation for independence or prevent it from working freely and effectively. Now and then, the Panel was told, an Asian individual or organization would refuse a grant because of its governmental associations, but this was so rare as to be of no significance.

B. Foundation Programs

13. The Foundation's programs encompass a broad spectrum of activities and are not limited to the usual program components (i.e., economic, political, and social). They are concerned with the development of societies in their entirety -- with cultural, intellectual, and social institutions, and, on occasion, with the secular activities of religious bodies, as well as with economic and political development. The Foundation has encouraged people-to-people and institution-to-institution relations among Asian countries and with the United States. It has been concerned with development of private institutions and organizations, support of leaders and emergent influential groups, and the exchange and dissemination of ideas and information.

14. The main business of the Foundation is the making of small grants, primarily to Asian individuals and institutions, grants which it can make quickly, without fanfare, and without cumbersome procedures. The Foundation hardly ever provides large scale capital or technical assistance. Most grants run in the range of $1,000-20,000 (average $3,500). Grants are made in a wide range of fields including education and university development, law, museums, libraries and the arts, manpower development, management training, rural health. They may be used for a wide variety of purposes: to train Asians abroad for a specific job; to bring experts from the U.S. and other countries, to finance local conferences; to provide urgently needed supplies, publications or equipment; to serve as a catalyst; to break a log-jam; to encourage innovation or reach a previously untouched problem. They are usually short-term and below the threshold of size likely to require extensive "coordination" with other programs.

15. The Panel in its review was impressed by the usefulness and imaginative nature of the activities which have been and are being supported by the Foundation. A few projects selected from the thousands conducted by the Foundation over its 22 year history do not adequately tell the story of its work. However, brief descriptions of specific activities viewed by the Panel may be helpful in illustrating the Foundation's purposes and mode of operations:

- In Korea, the Foundation is supporting pilot projects by a private university to encourage faculty and student participation in meeting local problems (e.g., the economics department is helping with local development planning; the engineering department is redesigning traditional farm implements; and the students are doing "Peace Corps" type of development work in the villages). Such "extension" type work is not a customary role for Korean universities.

- In the Republic of China a young woman, who had visited women's organizations in the U.S. on a Foundation grant, established a number of social and educational services for women factory workers with Foundation support, including a 24-hour telephone service manned by volunteers to help victims of rape.

- In Bangladesh, the Foundation initiated establishment of a badly needed national medical library to support education at five local medical schools.

- The National Museums in Korea and Taipeh received grants to train staff and to develop the institutions, not only as repositories of culture, but as important centers of research and popular instruction.

- In Hong Kong, the Foundation has played an important role over 20 years in developing a new university as a fusion of the best elements of traditional Chinese and American Universities. It has also supported a Chinese-English computer translation program there which has attracted wide attention among scholars, including some in Peking.

- To improve the effectiveness of Government agencies, the Foundation helped (a) to initiate a Foreign Service Training Academy in Korea, (b) to train staff for the National Archives of Afghanistan, (c) to set up a Civil Service filing system in Bangladesh, and (d) to bring internal revenue staff from Taiwan to the U.S. for study.

- To improve law training in Korea, a Foundation grant supported the first compilations of case law. This is an example of extensive work in nearly every country to help codify laws, improve legal systems and processes, and develop the concept of the rule of law. Scores of Asian lawyers and judges have made visits to the U.S. under the auspices of the Foundation.

- In the Republic of China, a group of young lawyers in Taipeh were supported in establishing free legal aid services for the poor. Additional one-year grants are being given to initiate similar groups in other cities in Taiwan.

- In Thailand, the Asia Foundation has assisted in developing Buddhist Universities and is cooperating with Buddhist organizations to foster educational social service and leadership training in the North-eastern rural areas.

- In Japan, the Foundation has supported a very successful exchange between a group of mid-west American Universities, known as the Earlham Group, and Waseda University in Tokyo, where the exchange students live with families as well as take part in the life of their universities.

- In Thailand and The Republic of China, grants have been made to local organizations and church groups to establish credit unions in rural areas.

- In Thailand, a union leadership training program supported initially by the Foundation has graduated almost 3,000 leaders.

- In Korea, the Foundation is supporting a pilot program in which the Medical School of Seoul National University trains selected members of the Mothers Club in Korean villages to provide paramedical services to people without other medical care.

16. Not all of the activities of the Foundation are limited to individual countries. The Foundation has made a productive effort to foster regional cooperation in solving Asian problems. Notable in recent years has been the Council for Asian Manpower Studies (CAMS), an association of Asian scholars engaged in policy-oriented research on manpower and employment problems in Asian countries. The Council, based in Manila, also sponsors workshops, seminars, and conferences in which scholars and government officials seek ways of promoting better labor utilization, more effective education and training programs, and improved income distribution. After about 5 years of Foundation support, CAMS is a "going" Asian institution, and the Foundation grant is being phased down.

17. The Japan Productivity Council in Tokyo has operated over many years as a center for studies to improve productivity and the application of technology in industry. With Foundation support, it helped to establish an Asian Productivity Organization which attracts people from other Asian countries and extends an effective industry-Government approach on a regional basis. The Foundation has encouraged the establishment of a center for American Studies (Japan) and centers for Asian Regional Studies (Korea and Thailand). Other regional activities receiving Foundation grants have been the Law Association for Asia and the Western Pacific (LAWASIA) and the Asian Confederation of Credit Unions. In the last few years, the Foundation has also carried out special region-wide projects with A.I.D. grants in the fields of health and population.

18. One of the most successful and important activities programed from San Francisco has been the collection and distribution of books and journals to Asians, using the Foundation's Country Representatives as the main distribution system. Between 700,000 and 1,000,000 books are collected and sent to Asia each year; most are provided free by their publishers. The value of the books donated annually is estimated at $4-6 million.

19. The Asia Foundation also publishes a widely read newspaper for Asian students in the United States. On occasion it manages special programs in Asia for other foundations and American business corporations, the most notable of which is the handling of overseas arrangements for the Henry Luce Scholars. Finally, it maintains contact with American universities, voluntary organizations and professional societies and supports and encourages their participation in Asian affairs. The Foundation has been instrumental in encouraging contacts between leading American voluntary organizations, like the League of Women's Voters, the 4-H Club and the American Bar Association, and counterpart organizations in Asia. The Foundation also runs a number of professional exchanges, conferences, seminars, and internships in various subjects which serve to stimulate the knowledge and concern of Americans on Asian matters.

20. In reviewing the programs of the Foundation, the Panel found the following characteristics of the modus operandi of the Foundation especially worthy of note and commendation:

- The impetus for the projects generally came from Asians, and the Foundation's role was mainly to help the individual shape his ideas (sometimes including exposure to new approaches through study abroad) and to provide initial support for the application of these ideas to his society.

- The support was in the nature of "seed money" of limited duration, generally matched by Asian resources. In any case, Asians had to find ways in which to continue the effort at the end of the Foundation grant.

- The support was frequently designed to strengthen existing local or community groups to undertake new and constructive directions (e.g., Thai Buddhist organizations in village social services).

- The Foundation support concentrates on the human aspects of development, seeking to back people with ideas or leadership, but leaving large programs of economic development to governments and larger foundations better able to conduct them.

- The support was frequently for pilot projects which recognize the need for experimentation and innovation before larger programs are undertaken.

- The activities assume that development problems besetting most countries have common elements, and solutions can benefit from the experience from other countries, Asian or Western.

C. Characteristics and Strengths

21. Over its 22 years of operation in Asia, the Foundation has developed distinctive characteristics and strengths. Among the most important of these are:

a. An able staff, particularly its Country Representatives. These Americans, many with long service in Asia and strongly backed by experienced local nationals, contribute broad knowledge and grasp of Asian societies and extensive contacts with progressive Asians to the work of the Foundation. They are always ready to share this knowledge with American officials, businessmen, scholars and exchanges, voluntary organizations and newspapermen seeking to understand Asia better. They can often provide insights and perspectives which supplement those of the official U.S. Government establishment in the country. The staff at the Foundation's headquarters is equally competent, dedicated and available, many of them with experience in the field.

b. Its private character and image, which permits the Foundation in many cases to support activities of individuals and groups who would not feel at home in accepting aid from official U.S. Government agencies.

c. Ability to respond quickly to the ideas and program initiatives of Asians. This enables it to provide essential support at the crucial time when grantees need it, rather than waiting months for the next programming or budgetary cycle.

4. The small size of its grants, encouraging experimentation and innovation without the risk of large financial or resource losses, and without the need for elaborate coordination with host governments.

5. Ability to work directly with private individuals and organizations rather than through governments, and to encourage the development of Asian entities in new directions to meet new needs.

6. Ability, through its network of offices, to perceive and carry out regional programs and to assist in bringing the strengths and experience of one country to bear on the problems of others.

22. In summary, with its broad charter and objectives and private character, the Asia Foundation can move easily and expeditiously on a broad front. Its Country Representatives can place small grants where they count and where they can be seen and felt by ordinary men and women. The projects can be as innovative and imaginative as the Asians and the Country Representatives can make them. In essence, the Foundation work is to help Asian leaders in traditional societies and culture to adjust constructively to the pressures of rapid industrialization, modernization, and economic growth. This explains why the Review Panel found that the Asia Foundation is so highly regarded in every country in which it works.

III. PUBLIC INTERESTS SERVED BY THE ASIA FOUNDATION

A. Nature of U.S. Interests

23. When the Foundation was organized U.S. public interests in Asia were concerned with strengthening the security of the area in view of Communist expansion in China and Korea and influence elsewhere; encouraging, supporting and strengthening those forces in Asian societies which were working in the direction of more open, free and democratic societies; promoting an understanding of and respect for democratic ideas and institutions; and easing antagonisms against the U.S. As time progressed, that interest also increasingly involved a concern for the economic development of Asian countries. During this time the U.S. governmental presence and activity were high.

24. During the quarter century of the Foundation's evolving operations, conditions in Asia, the nature of U.S.-Asian relations, and the U.S. position in Asia have changed, and the process of change is continuing. Economic development has progressed rapidly in some

countries, although the degree of economic development varies from Japan, on one hand, to Bangladesh and Afghanistan on the other. In general the Panel was struck by the degree of economic progress experienced in most of the countries. This is seen in the growth of industry, in rising exports, in improving agriculture, in new universities and technical institutes, in higher literacy rates, in the stamping out of debilitating disease, and, in many countries, the slowing of population growth. At the same time, the U.S. presence in these countries has diminished. In many of the countries visited, U.S. economic aid has been terminated or sharply reduced; military assistance is being reduced; and official cultural exchange programs are declining. Politically, in the aftermath of Vietnam, the U.S. is seeking new partnership relations with its Asian neighbors to reflect their enhanced economic and political status, as well as the new relations with Mainland China.

25. These changes have brought with them changes in the problems faced by Asian countries. Economic progress has developed and accentuated societal strains with which countries are not adequately prepared to cope, including erosion of traditional values, maldistribution of income, changes in the relative position and roles of social groups, and outside impact on national cultures. More specifically:

- Industrialization has swollen cities far beyond the capacities of governments to provide basic services. Social structures based on the family and village are broken down by job migration to cities, causing increases in crime, juvenile delinquency, loneliness, boredom, mental illness, etc.

- In the rush to modernization, traditional arts, literature, libraries and museums are neglected and sometimes overwhelmed by preoccupation with economic priorities.

- Legal institutions, commerical and civil codes, and protection to the individual from arbitrary actions of his fellows or the government are inadequate to cope with the pace and strains of change.

- In family planning, much has been done, but the remaining steps to reach desirable levels of population growth will be the hardest. "Hardcore" groups and entrenched attitudes have not been touched by current communications and incentives.

- Pollution control and consumer protection are only beginning to be seen as problems.

B. The Foundation's Role

26. These problems facing Asian countries are precisely of the nature of those that the Asia Foundation has been dealing with in the past; it can help by applying its unique strengths to them in the future. These problems involve sensitive matters which often go to the heart of a society's power and social structures. They involve individual rights and responsibilities in relation to government and authority; they involve the distribution of wealth, education and political power; they involve the contribution of new ideas from outside Asia; they involve the preservation of tradition and culture in the midst of change; they involve changes in attitudes toward children and family life. They constitute an arena of competition between democratic and authoritarian solutions. These are not areas where official government programs, with necessary highly formalized programming procedures, can operate effectively. Many host countries would ban foreign governments from working in these fields, and some Asian individuals and organizations would not accept U.S. official support for efforts they propose. These activities are more appropriate to a private,low profile organization which has long experience and the trust of Asians, including government.

27. These are not easy problems to deal with, as we in the United States have found. In fact, they are the same problems with which, to one degree or another, every industrial society has had to cope. But where we in the United States had more time and more resources with which to make the adjustments, the pace of development in Asia today is being telescoped into a few years by the desperate need to modernize and "catch up." Moreover, the United States began with more highly developed legal and political concepts and institutions, which have afforded better (though not perfect) protection to disadvantaged individuals and groups in the modernization process.

28. Finally, in the United States private voluntary organizations have brought a variety of benefits and protections to Americans in such fields as labor, women's rights, rural cooperatives and community development, civil rights, consumer protection, education and political reform, as well as health and welfare. In Asia, voluntary activities and philanthropy are traditions which must be cultivated. In many cases, existing Asian institutions can be helped to enlarge their concerns and capabilities to provide the leadership and services required. American foundations, like Rockefeller, Ford and Carnegie, as well as the Asia Foundation, through their work in

Asia provide examples of the kind of Asian institutions which must eventually be developed.

29. More specifically, areas in which the Asia Foundation has shown the ability to function effectively in the past and which the Panel believes the Foundation should emphasize in the future include the following:

a. Assistance in support of efforts by Asians to obtain a broader involvement of private organizations and individuals in economic, social and political processes.

b. Support to segments of society, such as farmers, businessmen, poorer families, and women, to help them avail themselves of such facilities as credit, legal aid, and community associations, to which they normally do not have access.

c. Assistance to efforts of particular groups to improve their position and role in society, for example, women, youth, and professional groups.

d. Support of efforts to strengthen the role and effectiveness of local governments, and provincial and community colleges and universities.

e. Assistance to activities designed to change procedures and ways of doing things to make them more understandable, less arbitrary, and more just.

f. Assistance in development and spread of ideas and information, as for example book programs, publications and other media activities, library programs, etc.

g. Development of and assistance to programs for intercountry exchange of opinions, information, experience and technology.

h. Assistance to Asians in developing indigenous private philanthropic foundations.

30. On this basis, the Panel strongly concludes that there is a continuing need for the work of the Asia Foundation, and that it can do things that official agencies of the U.S. Government and larger Foundations cannot do as well. Moreover, the U.S. official posture in Asia has been changing dramatically. The direct U.S. government role has been reduced; a "low profile" now characterizes the U.S.

presence. Yet we maintain a profound national interest in Asian well-being and development, and we want the people of Asia to be aware of that interest. This is all the more reason to continue the modest support for an organization which demonstrates U.S. concern for Asians working for constructive and non-violent change in their societies.

C. U.S. Government Policy

31. The Congress and the Executive Branch have on many occasions declared a national interest in U.S. support for the development of open, progressive, and pluralistic societies in countries with which we have relations. The Foreign Assistance Act declares:

> "It is not only expressive of our sense of freedom, justice, and compassion but also important to our national security that the United States, through private as well as public efforts, assist the people of less developed countries in their efforts--to build the economic, political and social institutions which meet their aspirations for a better life with freedom, and in peace." (Section 102.)

It emphasizes:

> "The encouragement of strong economic, political, and social institutions needed for a democratic society." (Section 207 (a).)

> "Progress toward respect for the rule of law, freedom of expression and the press, and recognition of the importance of individual freedom, initiative, and private enterprise, (Section 211 (a) (7)), and support of democratic social and political trends."

32. The Mutual Education and Cultural Exchange Act asserts that U.S. interests are served by the development of friendly, sympathetic and peaceful relations between the U.S. and other countries and that such relations are fostered by educational and cultural exchange and by demonstrations of educational and cultural achievements of the people of the United States and other nations and of contributions being made toward a peaceful and fruitful life for people throughout the world.

33. The use of private organizations to help carry out these purposes, with government support, is well established policy. The Foreign Assistance Act of 1973 encouraged the growing interrelationship between private and public agencies by embodying among the purposes of that Act, the following:

"United States cooperation in development should be carried out to the maximum extent possible through the private sector, including those institutions which already have ties in the developing areas, as educational institutions, cooperatives, credit unions and voluntary agencies." (Section 102(b)(3).)

34. The Asia Foundation might, in the Panel's judgment, be viewed as a "chosen instrument" for the Asian region, conducting people-to-people and human development activities and supporting private actions to deal with Asian problems. Since a considerable portion of its funds support activities by other American organizations, the Foundation becomes a broader means or conduit for encouraging the cooperation of American individuals, universities, and voluntary organizations with counterparts in Asia. That it is a private instrument rather than governmental, in the Panel's view, makes it more effective.

35. In brief, the language of the law and other expressions of Congressional intent have, over the years, provided the justification for United States Government financial support of the Asia Foundation. The Panel has found that the Asia Foundation is doing good and useful work in many areas of human and institutional development. It provides an unobtrusive but effective evidence of United States interest in the nations of Asia. The Panel has concluded that the policy of providing government funds to this privately managed Foundation is wise and sound, fully justified by law and should be continued.

IV. PROBLEMS AND ISSUES

36. The Panel's basic findings are that the Foundation is a sound, well-run organization important to the national interest and worthy of continued public support. In general, the Board and Management of the Foundation and government agency officials are to be commended for the way in which they have conducted affairs and maintained the Foundation as an effective, responsive, yet autonomous instrument.

37. But there are problems resulting from the uniqueness of the Foundation and its relations to the Government which deserve attention and solution, if the Foundation is to fulfill its role and mission effectively in the future. These are primarily:

- Reduced Foundation budgets and rising costs.

- A diffusion of responsibility within the Government for Foundation relations, with a

resulting inability to maintain an adequate and sustained concern for overall Foundation policy and capabilities and the effectiveness of its program.

- Uncertainty in the U.S. Government as to the role and mission of the Foundation and their relation to U.S. interests, and an increasing tendency at working levels to view the Foundation as merely an instrument for carrying out tasks serving the narrowly defined priorities of the financing agencies.

- A related tendency in the Foundation to shape its programs to fit agency missions and the availability of funds.

- Fiscal problems, such as inadequate cash flow, a necessity for conforming accounting and reporting to multiple financing sources, and risks of loss from expenditure disallowances.

- The introduction of constraints into the Foundation's programming procedures which involve the possibility of reducing programming flexibility, responsiveness and innovation.

- Recent Congressional questioning of the relevance of Foundation programs to A.I.D. program emphasis, of the relation between governmental and private financial support, and of the extent to which Foundation activities should be subject to governmental supervision.

The Panel's findings and conclusions relating to these problems and issues are discussed below.

A. The Source and Level of Financial Support to the Foundation[1/]

38. Of the issues facing the Foundation at this time, the most critical is that of finding an adequate continuing level of cash support. The Panel found that the Foundation is underfunded and underutilized, even in terms of the capacity of its presently reduced staff. This condition, which is primarily a function of budget constraints and rising costs, strongly impacts on the other issues discussed in this section.

1/ We are concerned here only with the Foundation's cash requirements. While private contributions in kind have averaged about $4.6 million a year since 1970 and are important resources for the Foundation's program, they do not help to meet its cash needs.

39. When financial support was assumed by A.I.D. and the Bureau of Educational and Cultural Affairs in the Department of State in the late 1960's, the level of Government support was essentially reduced from a peak of about $8 million to an average of about $5 million a year. Private support, which it was hoped (in 1969) would help to fill the gap, has increased only moderately. At the same time, both U.S. and overseas programs and administrative costs have risen sharply as a result of inflation.

40. This combination budget-cost squeeze has had a number of observable effects on the Foundation's operations:

a. Overseas staff has been cut back so that there is only one American at each post (except for Bangladesh), which curtails program effectiveness, administrative backup, and staff rotation and development.

b. Even with reduced staff, overseas and at home, the Foundation in most countries is operating below its capacities (funds are often obligated soon after they become available in country which makes it difficult if not impossible to respond to needs arising during much of the year)

c. The curtailment of funds for "program development" impairs the Foundation's ability to develop new areas and to be innovative in responding to emerging needs.

d. A salary squeeze is making it more difficult to attract and hold able and experienced staff. Internal communications essential for effective program development have been reduced as a result of cuts in administrative expenses.

41. The Panel has estimated that, with adjustments for price increases and exchange rate changes, and for termination and addition of country programs, some $13-$14 million would be required to restore all programs to the 1947-68 level of operations. It is of the opinion, however, that any major program restorations should be in the Foundation country grants and services which the Panel considers to be the heart of the Foundation's work. We do not consider that there is a need for major increase in the level of San Francisco based operations, or that administrative expenses should be increased proportionately with increased programs. On this basis the Panel concluded that a cash flow of about $11 million

a year would be adequate to bring the Foundation's key programs to previous levels and to permit some needed increases in operating and administrative costs.

42. The question immediately arises as to whether or to what extent private contributions can be raised to meet such cash requirements. The Panel gave this question considerable attention and is of the opinion that private support from individuals, corporations and philanthropic foundations can be increased and at least doubled in the next few years. The Foundation is already making commendable efforts to raise larger amounts of private funds, and has recently appointed a Vice President for Development to direct the effort. The Foundation's President intends to devote more time to private fund raising, and he reports that the prospects for obtaining increased private support this year are improving. Moreover, our discussions abroad indicate some possibility of obtaining funds from American and Asian sources in countries such as Japan, Hong Kong, Taiwan, and Korea. For example, the Foundation's purposes and programs should be of growing interest to multinational corporations who are becoming increasingly aware of citizenship responsibilities outside their home countries. But given the character of the Foundation, the most promising sources will probably continue for some time to be found in the U.S.

43. While increases in private support can be expected, there appear to be practical limits on the extent of such increases relative to the Foundation's total financial requirements. Despite the Foundation's demonstrated value to the national interests of the United States, the Foundation's activities do not strongly appeal to charitable motives which activate much of private giving for relief and welfare type development programs. They also are not attractive to many private donors who prefer more tangible and direct attribution for their giving in the form of buildings, projects, and other memorials, as compared to small grants unobtrusively given. Limitations also stem to some degree from the fact of Government support.

44. The Panel, has, therefore, concluded that the Asia Foundation cannot operate wholly as a privately-financed institution, and has rejected this as an unrealistic goal for the foreseeable future. So far as we can judge at this time, private cash contributions may reach $1 million per year within the next year or two, but are not likely to rise beyond that level in the foreseeable future. This conclusion should not lead the Foundation to slacken its fund-raising efforts. Moreover, circumstances change. This judgment should be questioned continually, and should be reexamined carefully in a future comprehensive review of the Foundation-Government relationship recommended in this report.

45. If the Foundation's program is to be continued, the basic financial support must come from the Government. Any increase in the flow of private funds in the next few years should be regarded as a supplement to, not a replacement for, basic government support. In the Panel's view, the level of Government basic support to the Foundation must be increased to maintain its longer term effectiveness and realize its potential. To maintain the current levels over a period would be to strangle the organization in rising costs and to reduce its activities and performances below a necessary "critical mass."

46. From this we conclude that the Government should plan on a basic annual support grant to the Foundation of $10 million, with buildup to this level phased over two years. Moreover, to improve financial planning and operations, the Panel recommends that the Executive Branch undertake, subject to annual Congressional approval, to maintain the $10,000,000 level of general support funds for the remainder of a five year period. It should be understood also that this amount will be adjusted if strong inflation should persist or if the number of country programs in which the U.S. has an interest should change. Any other expansion of the Foundation's basic program during the period of this undertaking should be financed from private resources.

47. The question of basic governmental financial support beyond the five year period should be reexamined in about four years when another comprehensive review of United States Government-Asia Foundation relationships should be made. There should be a presumption, however, that in the absence of good and sufficient reason for its termination, the commitment will be renewed.

B. Financing Arrangements Within the Government

48. A second issue to be faced by the Government and the Foundation is the form of the Government's support and the arrangements under which it is administered. In spite of the commendable efforts of Government personnel to minimize the administrative burdens on the Asia Foundation, the current financial arrangements involving multiple appropriations and differing legal, program, and reporting requirements are overly complex and cumbersome for the size and nature of the Foundation's program.

49. In the period 1970-75, about $4.3 million per year on the average (or 85%) has been provided the Foundation from A.I.D. appropriations while Bureau of Educational and Cultural Affairs (CU) in the Department of State has provided $7-800,000. Grants from other Federal Agencies have been relatively small. The A.I.D. grants to the Foundation have taken three forms:

Basic Support Grants, which form the bulk of the A.I.D. support, come from an A.I.D. appropriation earmarked for allocation to private voluntary agencies.

2. Special Purpose Grants, are primarily for population and health programs and for projects of interest to A.I.D. Regional Bureaus.

3. Operational Program Grants (OPG's) are for specifically identified projects in particular countries.

50. Each type of A.I.D. grant involves its own terms, restrictions and approval procedures, varying from the broadest form Basic Support Grants to the most directive and specific in nature Operational Program Grants. The basic support grants for example are administered under a general A.I.D.-Foundation agreement which carries over from year to year and which (1) requires annual reports to enable A.I.D. to relate Foundation programs to A.I.D. objectives, (2) specifies the kinds of activities for which the funds may be used, (3) indica that the Foundation is to comply with its budget as approved and keep expenditures in each category within 15% of the budget estimates, (4) permits financing without A.I.D. approval of new projects up to $25,000 not in the Foundation's approved budget, and (5) permits the use of A.I.D. funds for operational and administrative expenses as well as direct project costs. Special Purpose Grants are covered by separate agreements which contain conditions similar to those of

the Basic Support Grants. However, they also carry more specific program-related conditions and require an annual work plan for each proposed project. Under the Operational Program Grants, a separate agreement for each program is negotiated, and such grants are subject to more detailed requirements relative to country objectives and programming, monitoring, and project implementation procedures.

51. The Bureau of Educational and Cultural Affairs has provided on average about 15% of the basic governmental support provided the Foundation in the period 1970-75. These come from the Bureau's general operating appropriations, and carry terms and restrictions which are similar to A.I.D.'s Special Purpose Grants. They are made under annually negotiated agreements with the Foundation, listing specific projects approved for "Cultural Affairs" funding, as well as specifying the amount which may be used for Foundation overhead.

52. Special legal restrictions govern the use of the various A.I.D and cultural exchange (CU) appropriations. For example, A.I.D.-supplied funds can be used in certain countries in which A.I.D. is not carrying on programs only in limited circumstances for certain specific purposes. The CU appropriations do not have country limitations, but do provide funds only for exchanges between the country in question and the U.S. This makes these appropriations unavailable for regional programes or exchanges between Asian countries.

53. This diversity of funding sources and procedural, contractual, and legal requirements complicates and burdens the Foundation's budgeting, programming, and administrative systems. Its accounting system must trace several hundred projects through a maze of several streams of funds with varying purposes, conditions, and legislative requirements. Even with the exercise of care and with understanding of Foundation requirements by agency personnel, there is always a risk of error or of a different view being taken by agency or General Accounting Office auditors.

54. A.I.D. and CU have attempted to leave the Foundation relatively free of detailed control of its programming and its decisions as to individual grants and have exercised very little review of them. Nevertheless, the formal requirements set forth in the grant agreement do constrain to a considerable degree what the Foundation can do and condition the Foundation's understanding, and that of those who review it, of what it can and cannot do.

55. The source of funding and the conditions under which it is provided lead to questions as to the necessity for conforming the

Foundation's activities to the priorities and program emphasis of the agencies from which funds are received. The present arrangement leads the Foundation to turn to areas for which funds are most likely to be available. These are not necessarily the areas which are most closely related to the Foundation's purposes, nor those in which it is best qualified to work. Agency operating personnel are likely to emphasize their own interpretation of program priorities. These tendencies may be becoming increasingly operative. The recent General Accounting Office examination of A.I.D.'s relation to Private Voluntary Organizations to which A.I.D. provides funds specifically indicated that, in GAO's judgment, Foundation programs for which A.I.D. funds are used should be required to conform to the legislative "mandate." Emphasis, the GAO suggests, should be placed on programs which improve the welfare of the rural poor, even though there is legislative authorization for support of other programs. The GAO report also suggested the desirability of subjecting Foundation activities to the same controls A.I.D. exercises over programs which it administers directly.

56. A special question arises concerning CU funding of Foundation programs. There is some feeling in that Bureau that Foundation programs compete for funds with CU's own directly financed programs, in some areas duplicate Bureau coverage, and do not always conform to Bureau country priorities. The Panel does not agree that there is duplication of activity. It does, however, recognize that Foundation financing does compete for Bureau funds and results in reduction of direct Bureau activities. It thus feels that the Bureau's attitude is inherent in the present relationship involving provision of basic support to the Foundation.

57. The results of these tendencies can be summarized as follows:

a. The budgeting, accounting, and administrative workload is increasing while the program itself is declining. This puts undue burdens on small field offices and the San Francisco headquarters and diverts them from the substantive work of the Foundation.

b. The necessity for choosing projects and deciding country allocations to match the availability of restricted funds more and more determines program content, as compared with the desired flexible response to priority needs of the society itself.

An unrealistic distinction between economic development and political, social, and cultural activities is forced on the Foundation, which is inconsistent with the Foundation's <u>modus operandi</u>.

c. Delays in receipt of program approvals inherent in appropriation delays, particularly to A.I.D., and the subsequent reprogramming processes have created cash flow problems for the Foundation. It has already had to borrow from commercial banks to meet these problems.

b. The possibility of disallowances of expenditures by auditors place the Foundation with its small reserves in unnecessary jeopardy.

e. Personnel in A.I.D. and State (CU) are uncertain as to the degree of Congressional review required, and the extent of controls they should exercise over their use. There are pressures for increased controls.

If allowed to continue and increase in the future, these tendencies will erode some of the basic strengths ofthe Foundation which make it so useful to Asian societies and to U.S. longer term interests. They tend to create disagreements among agency and Foundation personnel. The procedural hurdles sometimes shape the thinking and attitudes of Foundation staff even before project proposals are developed. The impact of excessive controls and procedures on private agencies receiving government support led the Senate Appropriations Committee in its 1975 Report to sound this note of caution:

> "We are concerned, however, that a relationship which too closely joins the Private and Voluntary Agencies with A.I.D. may erode the unique character of these organizations. We are fearful that a relationship which involves joint planning and operations will lead to the bureaucratization of these organizations whose strong point has often been their ability to reduce administrative costs and to avoid administrative entanglements."

These problems led the Panel to consider a series of steps to simplify the financing arrangements and to improve the Government's overall review of Foundation performance.

58. The Panel believes that both the Government and the Foundation will benefit from the provision of basic support funds from a single source In our view this should take the form of a line-item appropriation under th Foreign Assistance Act. A single source of basic support is required in order to avoid the accounting and administrative complexities pointed out above. It is also needed to simplify the programming process and to protec against program distortions likely to arise from the necessity to accommoda activities to multiple funding sources.

59. A.I.D. appropriations seem to constitute the most appropriate as well as the most practicable source of basic support. The Foreign Assistance Act provides broader scope for a variety of programs and activities than does any other pertinent legislation. As pointed out, there is a remarkable consistency between the purposes of that Act and those of the Foundation. The problems arising out of competition for scarce funds will be considerably less than if Department of State appropriations for educational and cultural exchange were the source. Such funds, moreover, are relatively restricted in the uses to which they can be put. The Foreign Assistance Act also emphasizes a policy of using private organizations for accomplishing its purposes.

60. In the Panel's judgment, authorization of Asia Foundation funding as a line-item is desirable in order to clarify the nature of the relationship between the Foundation and the Government and to provide Congressional sanction for that relationship. In the authorization process the Executive Branch and Congress should establish a legislative record encompassing the Foundation's purposes and methods of operation, and providing Government support under terms and conditions appropriate to the needs of the Foundation and its program (e.g., to enable it to operate in non-A.I.D. countries). These terms and conditions should recognize the Foundation's status as a private, non-profit corporation, and describe the obligations it assumes in managing the government funds entrusted to it in accord with accepted private accounting and auditing processes. The legislative record should make it clear that once common policy and program objectives have been agreed to, the Asia Foundation will be free of detailed project approval by the Government, although still subject to broad fiscal audit as to the proper use of funds.

61. The Department of State has always valued the work of the Asia Foundation and supported it in the past. It is essential that this relationship not languish in the future under the arrangement proposed above for A.I.D. to assume responsibility for basic financial support. Accordingly the Panel believes that the Assistant Secretary of State for the Bureau of East Asian and Pacific Affairs and the Assistant Secretary for Near Eastern and South Asian Affairs should continue to maintain an active interest in the overall work of the Foundation. Secondly, The Assistant Secretary of State of the Bureau of Educational and Cultural Affairs should direct his bureau to continue to make annual grants for the purpose of carrying out programs of mutual interest in areas where the Foundation is particularly well-qualified.

These would include especially programs directed to substantive areas, individuals or institutions not readily reachable by direct governmental programs, programs not considered appropriate for direct U.S. Government support,

or programs of a size or with time constraints which make them impracticable for direct governmental programming. Examples include educational and exchange grants for persons in private organizations and provincial and local institutions; educational, cultural and exchange programs with religious organizations; exchanges between American and Asian institutions about which the Foundation has special knowledge or with which it has developed special relationships; and exchanges between American and Asian voluntary, civic and professional organizations.

62. Similarly, A.I.D.'s Special Purpose Grants and Operational Program Grants could be continued for special needs, but would not be viewed as a means of financing the regular, continuing program of the Asia Foundation. The Foundation would accept such grants only for clearly defined projects which the Foundation could usefully undertake without detracting from its basic program or purposes.

63. Other arrangements for financing the Foundation's program were considered by the Panel in coming to its recommendations. The Principal Options appeared to be as follows:

(a) Continue present arrangements with financing from multiple sources.

(b) Providing basic support from a single source -- a line-item appropriation to the State Department like that for the East-West Center.

(c) Consolidating all support grants to the Foundation in A.I.D.'s appropriation for private voluntary organizations, but without a specific line-item appropriation.

(d) Conversion of the Foundation into a Government Corporation on the model of the Inter-American Foundation.

The option recommended was selected by the Panel because it seemed to satisfy most of the criteria that the Panel deemed desirable:

(1) It would preserve the private character, the independent management and the experience of the Asia Foundation in meeting Asian and U.S. interests.

(2) It would simplify funding sources and permit the development of budget, programming, and implementation procedures appropriate to the activities being financed.

(3) It would provide for better liaison by the agency whose mission is most closely related to that of the Foundation.

(4) It would provide for full review by the Executive Branch and the Congress in the budget and appropriation processes.

(5) It would be practical, involving the least legislative change and the least disruption in current arrangements.

C. Government Relations With The Foundation

64. The various appropriations of A.I.D. and State used to support the Asia Foundation are all administered under the direction of the Secretary of State. Yet no single official has been given prime responsibility for supervising and coordinating the Government's interests in the Foundation. Instead, responsibility and authority seem to have been parcelled out to several officials charged with the administration of the appropriations involved. There has been contact at the policy level between the Foundation's President and the Assistant Secretary for Cultural Affairs and the Assistant Administrator of A.I.D. for Population and Humanitarian Assistance, made usually on the Foundation's initiative. However, the Assistant Secretary of State for Far Eastern Affairs and representatives of his Regional Bureau generally keep abreast of the work of the Foundation through reports from the Embassies, and on occasion there is direct consultation with the Foundation's management.

65. Most of the government's dealings with the Foundation now have to do with the voluminous details of project review and fund administration and are conducted by middle level officials whose concern is limited to the individual programs for which they are responsible. No single person in the government now seems to feel responsible for the Asia Foundation as an institution, or its work in Asia as a whole. (Since the present arrangements were established, the Asia Foundation has found it desirable to maintain a resident representative in Washington, who devotes most of his time to maintaining contacts with agency officials.)

66. For practical purposes, responsibility for relations with the Foundation appears to be shared between the Department of State

and A.I.D. Within State, the Bureau of Educational and Cultural Affairs (CU) takes the lead, primarily through its Office of East Asian and Pacific Programs. Within A.I.D., general responsibility for Foundation relationships is assigned to the Bureau for Population and Humanitarian Assistance, specifically the Office of Private and Voluntary Cooperation. The latter office receives the Foundation's annual report and requests for basic support grants, and makes recommendations as to the funds to be provided. Responsibility for A.I.D.-Foundation contacts concerning Special Purpose Grants is vested in the cognizant A.I.D. technical offices. For example, the Office of Population in the Bureau for Population and Humanitarian Assistance is responsible for the special population grant; the Office of Nutrition in the Bureau for Technical Assistance is concerned with proposed special grants for food and nutrition.

67. Overseas, relationships with the Foundation vary from country to country. In all countries, the Asia Foundation Representative keeps the U.S. Embassy generally informed as to his program and projects. In some countries the Foundation's program is reviewed periodically and is commented on by the Embassy, and in some it is not. In some cases, there is a thorough knowledge of programs, and in others the knowledge is quite scanty. As a generalization to which there are exceptions, it can be said that USAID personnel follow Foundation programs more closely than do Embassy personnel. The Panel found that, in general, A.I.D. Officers in Washington and in the field were among the strongest supporters of the Asia Foundation.

68. Lack of clearly defined responsibility for Foundation-U.S. Government relationship leaves both the Foundation and government officials uncertain as to what the relationship is or should be, or how and by whom it should be administered. The Foundation is subject to a range of pressures, varying conditions imposed on its activities, and differing judgments of its effectiveness as each officer applies his own interpretation and judges Foundation activities in relation to his own special program objectives and priorities. Thus, no overall governmental perspective is provided; there is no clear locus of government responsibility for the Foundation or for explaining and justifying the financial support given it.

69. The Panel believes it essential to the proper definition of relations between the Asia Foundation and the Government that a single, high-level government official be designated to oversee the Government's interest in and to maintain liaison with the Foundation. Given the present and proposed funding arrangement, the Panel believes the Assistant Administrator of A.I.D. for Population and Humanitarian Assistance should be given this responsibility. He should serve

within the Executive Branch as the coordinator of contacts taken upon government initiative with the Foundation. He should receive and review the Foundation's annual requests for basic support grants. He should be responsible for their inclusion in appropriation requests and for their presentation to the Office of Management and Budget and the Congress. He should approve and execute all general support grants to the Foundation. Other agencies of the government which engage the Asia Foundation by grant or contract to conduct projects should coordinate their programs with him. The designated liaison official should maintain regular contact with the Foundation's Board of Trustees and President.

70. There is uncertainty among the Executive Branch, the Congress and the Asia Foundation itself as to the extent to which the Foundation program and operations should be subject to detailed government control. The basic question is how to make proper and effective use of a privately chartered and managed organization which receives most of its cash support from the government. Involved are questions of the extent to which it should be required to conform with government-prescribed fiscal, program formulation, and evaluation procedures and to the immediate program priorities of the agency from which it receives funds. The latter question is illustrated by the current A.I.D. emphasis on the welfare of the rural poor as A.I.D. has interpreted its "Congressional Mandate." This problem is one of maintaining an appropriate balance between the desirable independence of a privately managed institution and the necessary involvement to assure proper use of government funds. The problem is not unique to the Asia Foundation but tends to arise whenever private agencies receive government support.

71. The Panel believes that, insofar as Asia Foundation-U.S. Government relations are concerned, at this time appropriate areas of governmental concern are (a) the conformance of Foundation purposes and programs with the basic purposes of the legislation under which funds are provided and with U.S. interests broadly conceived; (b) the ability of the Foundation to carry on its programs effectively; (c) the adequacy, soundness, and integrity of its fiscal operations; and (d) the accomplishment of worthwhile results. The Panel recognizes that programs must be in accord with legislative purposes but is strongly of the opinion that they should not be required to conform to a particular objective which has been chosen by the agency for

special emphasis as, for example, the welfare of the poor or wider and more equitable distribution of income. It is convinced that it is appropriate for the Foundation to use A.I.D. supplied funds to support other purposes of the Foreign Assistance Act such as those cited in the sections quoted in paragraph 31 above.

72. Such responsibilities should be discharged by (a) mutual agreement between the Foundation and the Government as to the Foundation's purposes and the nature of its programs; (b) continuing informal policy-level communication between a designated government official and the Foundation's Board of Trustees and officers; (c) review of Foundation requests for basic support grants for conformance with broad policy objectives; (d) application of requirements for the use of generally accepted financial practices and an annual fiscal audit; (e) review of annual program evaluations conducted by the Foundation, and special governmental evaluation of program accomplishments prior to renewal of undertakings to provide basic support grants over a period.

73. Under the relationship envisioned by the Panel, governmental concern would focus on the Foundation's objectives, policies and system operations, without intervention in the details of program development and project operations. In effect, the Panel proposes that the Foundation be freed of the necessity for:

(a) Submission of individual project budgets.

(b) Submission of annual reports relating individual projects to current governmental program objectives.

(c) Governmental audit of the appropriateness and effectiveness of individual projects.

(d) Application of government agency project-development procedures, criteria, and standards, and standardized agency evaluation methods.

74. In order to insure full understanding of and agreement on the relations between the Government and the Foundation, the Panel recommends that the Foundation and the Government enter into a Memorandum of Understanding defining relationships in sufficient detail to make clear obligations and responsibilities of each party. The Memorandum of Understanding should deal generally with the objectives and operating principles of the Asia Foundation and should identify broad national interests which government support of the Foundation is intended to serve. It should be designed to reinforce

the government's obligation to respect the Foundation's status as a private organization. It should provide for general financial support on the basis of annual understanding as to policies, areas of program emphasis, and budgets. It should delineate the Foundation's obligations to conduct the program within agreed guidelines; in accordance with sound business practices, and subject to fiscal audit and a general system of evaluation to test the effectiveness or results of the Foundation program.

75. Further, in order to assure full understanding and support of the relationships established, the legislative history of the legislation authorizing the proposed line-item for Foundation support, should incorporate a pertinent description of the relationship contemplated.

D. Programming and Management

76. There are steps that should be taken within the Asia Foundation to nourish its unique strengths and improve organizational effectiveness. Many of these depend at least in part on solutions to the basic problems of adequacy of financing, funding arrangements, and relations with Government, discussed above.

77. Since 1967, the Panel believes that subtle changes have taken place in the way in which the Foundation develops its program. These changes are perhaps small at this time but, taken together, and if allowed to continue, could act to erode basic strengths. First, there has been some shift in emphasis toward developmental purposes being emphasized by A.I.D., including population and health and, more recently, food and nutrition. In part, this shift reflects a conscious desire of the Foundation itself (Board, management and staff) to concentrate its efforts in special opportunity areas based on internal Foundation studies conducted in 1970-71. In part, it may have responded to the availability of A.I.D. funds in these areas.

78. An examination of project descriptions included in the 1960-61 and 1968-69 budgets of the Asia Foundation and the proposed budget for 1977, suggests some change in the nature of the country-centered programs. There have been sharp reductions in the number of projects with labor, religious organizations, students and youth, private organizations and private and professional associations, and writing, publishing and other communications media. The first three groups almost disappear in 1977. During the same period there has been a large increase in the number of projects of the type carried on by A.I.D. as development projects.

79. In truth, some of these developmental emphases are not wholly new to the Foundation. For example, the Foundation was making grants in the area of population and family planning long before A.I.D. made it an initiative. Today, however, there are many foundations and development agencies in the population field, and funds are available; Asian governments have taken the cause up with considerable success. The Foundation's unique contribution appears to be in its ability (a) to fund new ideas within these fields which are tailored to the country and (b) to support local organizations which cannot be reached as well by more official programs.

80. The report of the Foundation's Board of Trustees in the 1970's pointed out very well the appropriate relationship between economic development and the activities of the Foundation.

> "While its (the Foundation's) on-going efforts can and do contribute to the economic growth of the under-developed countries of Asia, its primary concerns should be directed toward the broader need for balanced social, political, and cultural growth. The lesson of the 1960's is that economic development cannot be disassociated from basic social needs of the society as a whole. If such economic growth is to be sustained, there must be a simultaneous effort to improve basic human skills; to strengthen basic institutions, and to broaden the base of popular participation in the development process. The focus of the Foundation's program in the Seventies will therefore be on the human side, on people-oriented projects rather than on the material and economic needs."

81. Other factors which affect the program development process are:

(a) The number of program catagories has been reduced. While steamlining the presentation and reducing the appearance of program "scatteration", this also has tended to shape the effort toward the developmental end of the spectrum.

(b) Within constrained total funds available to the Foundation, the ratio of funds for country programs has been reduced over time relative to amounts for regional and for U. S. based programs and for administration.

(c) The funding stringencies and the program approval processes have tended to reduce the flexibility in developing and responding to new proposals.

82. Solutions to the problems posed require continuing management diligence and innovation to ensure that the Foundation is maintaining its basic strengths, is concentrating in areas where other agency programs are less effective, is future-oriented and sensitive to change and opportunity, and is renewing its own inner sense of purpose and mission.

83. Toward these ends the Panel offers the following conclusions, many of which depend upon securing larger financial support:

(a) Primary emphasis should be placed upon country grants and services which the Panel views as the heart of the Foundation's program and the source of its strength.

(b) The Foundation should be wary of too focussed a program based on governmental initiatives and should be prepared to move broadly in a variety of substantive areas (economic, political, cultural, social etc.) which contribute to the Foundation's purposes.

(c) Special programs for government agencies or the private sector (corporations, foundations etc.) should be undertaken only if they are consistent with the basic purposes of the Foundation and are not viewed merely as a means of increasing the means of financial support.

(d) The funds for new program exploration and development in each country should be restored to previous levels.

(e) The role of the Country Representative in planning and programming should be strengthened, and his authority to approve projects should be raised.

(f) Communication between San Francisco and Country Representatives, including provision of funds for travel, the holding of periodic conferences, management visits, etc, should be improved.

(g) Personnel policies and practices should be reviewed, taking into account the adequacy of levels of pay, the balance between San Francisco and the overseas staff, rotation policy, and problems of staff maintenance, training and development.

(h) The Foundation should consider

placing a second American at major posts (Korea, Taiwan, Thailand, the Philippines, Indonesia, Bangladesh, and Pakistan, for example) both to strengthen the program and provide a promotion ladder for the development of Country Representatives.

(i) Though the primary emphasis of the Foundation's work is in Asia, if increased funds are available there should be more emphasis on reaching and encouraging Americans to continue their interests in the kind of activities the Foundation is conducting. Thus, there should be more contact between the Foundation and various private organizations, including universities, and more use of them in carrying out the Foundation's program.

V. Summary of Conclusions and Recommendations

84. The Asia Foundation is an effective instrument for the furthering of United States interests in Asia. It is well-managed, has a body of competent and experienced personnel, is widely established and well-regarded in Asia, and has demonstrated the ability to use a limited amount of money to reach a wide range of individuals and institutions beyond the reach of official United States representatives and programs. The Foundation has shown itself to be sensitive and responsive to local needs and priorities, and is innovative and expeditious in the administration of the small projects which largely compose its program. By its example and by the projects it supports, it is an effective proponent of pluralism and democratic social and political values. It makes efficient use of the United States Government funds which provide most of its financing.

85. The essential mission of the Asia Foundation, which merits continued and increased public support, is primarily to demonstrate the continued and abiding concern of the American people and government with helping Asians to grapple constructively with the human and cultural stresses of rapid modernization, economic development, and political and social change. To fulfill this mission, the Foundation needs a long-term vision as to the problems and possibilities for constructive change in each society. It should build upon its knowledge and contacts to identify those individuals and institutions which can lead Asian societies in their attempts to achieve constructive, freedom-oriented, non-violent change.

86. The Panel is convinced that there is an important role to be played by the Foundation, which builds on its strengths, is unique to it, and is clearly distinguishable from the roles of government agencies and other private organizations. It should be considered

as a special, privately managed instrument for performance of a distinctive mission in Asia, like the Inter-American Foundation which was established as a special governmental instrument for support of similar objectives in Latin America.

87. Looking to the future, the Panel sees certain problems which should be remedied to preserve and enhance the strengths of the Foundation and its ability to perform its distinctive role.

88. In resolving these, the Panel believes that the following general approach is required.

By the Government

- Greater understanding and acceptance of the Foundation's role and of its relation to U. S. interests.

- Recognition of the need for, and an undertaking to provide the Foundation with, continuing and adequate financial support.

- Willingness to tailor the conditions of its financing and oversight relationships with the Foundation to permit it to develop and conduct its programs as a private organization free from the usual governmental agency processes and controls, which are designed primarily for larger programs with more defined objectives.

- Clarification of the nature of its responsibility for exercising cognizance of Foundation activities, and a specific assignment of such responsibility within the U. S. government.

By the Foundation

- A clear articulation of, and strong dedication to, its unique role founded upon its historical purposes, characteristics, and capabilities.

- Programming and management processes which permit flexibility and encourage innovative and perceptive programming.

- Strong intellectual leadership, by Board of Trustees and management, in directing Foundation activities toward long-term U. S. interests in Asia and vigilance to assure freedom from excessive program control by suppliers of funds.

- Preservation of the strength of its country-oriented and headquarters staff.

- The raising of increasing levels of funds from private sources.

89. To these ends, the Panel makes the following specific recommendations:

(1) The Foundation should continue, increase and sharpen its efforts to raise funds from the private sector, both in the U.S. and in Asia.

(2) The Executive Branch should be prepared to commit, subject to the appropriation process, a specified level of basic grants for five years on which the Foundation can plan its program. A comprehensive review of the Foundation's program should be conducted prior to the end of the 5 year period.

(3) The basic Government support to the Foundation should be provided from one source -- from a line-item appropriation to A.I.D. under the Foreign Assistance Act. This basic support should carry an appropriate legislative history to sustain the Foundation's mission in relation to a broadly conceived U.S. interest, rather than solely the programmed objectives of economic development, and to protect it from pressures for detailed operational controls.

(4) The amount of the Government's basic support for the Foundation should be increased to $10 million over a period of 2 years. A transitional level of $7.5 million should be provided for the fiscal year 1977.

(5) Special program or operating grants to undertake specific activities for A.I.D. or State (CU) should be used where agreeable to the parties, but the Foundation's regular and continuing program should not be dependent upon such grants.

(6) The responsibility for managing the Government's interest in and liaison with the Foundation should be placed in a single official -- A.I.D.'s Assistant Administrator for Population and Humanitarian Assistance. He should be assisted and supported by the Assistant Secretary of State for East Asian and Pacific Affairs, the Assistant Secretary of State for Near Eastern and South Asian Affairs, and the Assistant Secretary of State for Educational and Cultural Affairs. But responsibility for governmental relationship should be in a single individual, not a committee.

(7) The Government's review of the Foundation's effort led

by the A.I.D. Assistant Administrator, should be focused on policy, the overall effectiveness of the Foundation, the quality of management and staff, relations with other elements of the Executive Branch and Congress, etc. It should be based upon appropriate reports but should not stress project-by-project approval.

(8) The details of the appropriate Government-Foundation relationship under this arrangement should be worked out at an early date and embodied in a Memorandum of Understanding. This should be the basis for any legislative changes required.

(9) Under a one-line appropriation to A.I.D., the work of the Foundation should be reviewed annually by the appropriate substantive and appropriation Committees of the Congress.

(10) Any Government audit should be fiscal in nature -- i.e., directed to the integrity of the Foundation's accounting system and the correctness of the use of the funds. It should not determine whether the specific projects conducted by the Foundation conformed to agency missions or program directions. It should give appropriate weight to the independent professional audits made regularly of the Foundation.

(11) With any new funds available, principal increases should be applied to restore country program levels.

(12) The Foundation should examine its programming methodology, including the nature of its programming guidance, the program categories used, the extent of central control, project approval, etc., to determine whether sufficient flexibility is provided to permit adequate new program development and timely response to project proposals.

(13) Communication between San Francisco and Country Representatives and among Representatives should be strengthened through provision of funds for travel, holding of periodic conferences, etc.

(14) The Foundation should undertake an early review of its personnel policies and practices, focusing on the adequacy of levels of pay, the balance as between San Francisco and the field, rotation policy, and provision for staff maintenance and development.

(15) Consideration should be given to the desirability of

placing a second American at major posts (say Korea, The Republic of China, Thailand, Philippines, Indonesia, Bangladesh, Pakistan) in order to improve program development and exploration and provide a basis for development of future representatives.

Appendix I Statement on Scope of Study

General Scope of an External Study of the Asia Foundation

An independent study of the Asia Foundation will be undertaken by a small group of distinguished private citizens with wide experience in development work, academic life, foreign affairs, and public service.

The study will be funded by the two government agencies which are the principal source of the Foundation's financial support, the Agency for International Development and the Department of State's Bureau of Educational and Cultural Affairs.

The study will review the current policies, objectives, and principal activities of the Foundation and their relationship to the national interests of the U.S. in Asia and to the objectives and programs of A.I.D. and the Bureau of Educational and Cultural Affairs.

The study will also consider the future role of the Foundation, what relationship it should have toward the Federal Government, Congress, and the private sector and how it can achieve a sound financial base for its activities.

The Study Mission will have the full cooperation of the U.S. Government and of the Asia Foundation. It will travel in the United States and in Asia and will prepare a written report for A.I.D. and the Department of State within the next six or seven months.

Appropriate administrative and clerical staff support will be arranged by the sponsoring agencies from outside the U.S. Government.

September, 1975

Appendix II

Basic Questions to be Considered
(Internal Document Agreed to by CU and A.I.D.)

A. The Foundation's contribution to the U.S. national interests in Asia (the role of the Foundation).

(1) What are the Asia Foundation's goals and operational objectives?

(2) In what ways does the Asia Foundation contribute significantly to USG, CU, and A.I.D. objectives?

(3) Are the Foundation's policy guidelines and operational objectives compatible with those of the U.S. Government (overall, State CU, and A.I.D.)?

(4) How can a proper balance be maintained between the Foundation's independence and the need for coordination of its efforts with official U.S. Government programs?

B. Does the Asia Foundation have distinctive characteristics in its ability to carry out its role in Asia and the U.S.

(1) In its operating procedures and style?

(2) In its make-up, composition, capabilities, and resources?

C. In actual operation how do Foundation programs and service activities relate to U.S. Government interests in Asia:

(1) What are the principal priorities and thrusts in the Foundation's current programs and projects?

(2) How does the Foundation adjust to changing situations in Asia and to evolving United States policy?

(3) What Foundation programs and projects appear to serve most effectively U.S. Government interests and objectives, including those of A.I.D. and CU?

(4) To what levels and sectors of Asian society are Foundation programs best addressed?

(5) What service roles does the Foundation perform in Asia and the United States? Do these service roles support U.S. objectives? If so, how?

(6) Should the Foundation play a broader role within the United States, or should it be primarily Asia-centered?

(7) Is overlap or duplication between the Foundation programs and directly conducted USG (CU and A.I.D.) programs a problem? If so, how could such an overlap be reconciled or reduced?

(8) What is the potential of the Foundation in terms of capacity for expanded service in the future?

D. What are the present working relationships between the United States Government and the Foundation?

(1) Between policy level government officials and the Foundation's governing Board of Trustees and Executive Officers?

(2) Between working level staff in Washington and in San Francisco?

(3) Between Country Team members in Asian countries and Foundation Representatives?

(4) What modifications are called for, if any?

E. How can a firm basis of financial support be attained and sustained by the Foundation?

(1) What are the potentials and limitations of support for the Foundation from the public and private sector, both in cash and in kind?

(2) What are the prospects for increased direct contributions to the Foundation from foreign sources? In the form of increased matching inputs?

(3) What should be the desired and realistic ratio between public and private funding?

(4) Does major financial support from the U.S. Government affect the Foundation's image and independence? If so, how?

(5) Should the Asia Foundation and the United States Government consider creating a direct link between the Foundation and the Congress, e.g., The East-West Center or, even more directly, the Inter-American Foundation?

(6) Would such a direct relationship to the Congress provide the Foundation with greater flexibility, for example, to have objectives and priorities which may vary from those of the Government agencies now funding the Foundation?

(7) How can a firm level of support be attained over the next ten years?

TABLE 1
The Foundation's Finances
FY 1970 - FY 1975

A. Summary of Public Support

	State Dept.*	A.I.D. *	Other	Total
FY 1970	$ 500,000	$ 3,116,440	$ 12,636	$ 3,629,076
FY 1971	750,000	3,825,000	17,984	4,592,984
FY 1972	775,000	3,786,000	86,200	4,647,200
FY 1973	850,000	6,036,000**	11,000	6,897,000
FY 1974	950,000	5,317,166	-	6,267,166
FY 1975	900,000	3,900,000		4,800,000
Total	$ 4,725,000	$ 25,980,606	$127,820	$30,833,426

* Information provided by TAF. Differs slightly from that provided by A.I.D.

** Includes $1.4 for a 3 year program in population.

B. Summary of Private Support

	Corporations	Foundations & Organizations	Individuals & Others	Total
FY 1970	$ 102,947(15)	$ 128,700 (6)	$ 2,054(12)	$ 233,701
FY 1971	56,056(19)	134,172 (8)	35,953(21)	226,181
FY 1972	158,230(41)	46,533 (9)	29,750(32)	234,513
FY 1973	113,402(43)	303,050(13)	7,010(15)	423,463
FY 1974	355,036(39)	172,585(10)	30,003(23)	557,624
FY 1975	129,706(35)	138,761(10)	11,678(20)	280,145
Total	$ 915,378	$ 923,801	$116,448	$1,955,627

TABLE 1 (Cont'd)
The Foundation's Finances
FY 1970 - FY 1975

C. Summary of Contributions in kind:

	Books	Equipment	Other	Total
FY 1970	$ 6,561,861	-	$ 300	$ 6,562,161
FY 1971	3,226,423	$ 559,130	300	3,785,853
FY 1972	4,023,531	-	2,050	4,025,581
FY 1973	4,500,063	20,000	300	4,520,363
FY 1974	3,286,616	10,000	10,980	3,307,596
FY 1975	4,142,000	-	-	4,142,000
Total	$ 25,740,494	$ 589,130	$ 13,930	$ 26,343,554

D. The Endowment:

	Balance and Increase (or Decrease) Over Previous Year	Amount and Number of Trustee Gifts	Income
FY 1970	$2,890,227 (816,927)	$ 37,650 (17)	$ 177,954
FY 1971	2,375,875 (514,352)	43,473 (24)	219,639
FY 1972	1,946,386 (429,489)	51,550 (20)	199,664
FY 1973	2,218,871 +272,485	47,544 (20)	126,618
FY 1974	2,543,421 +324,550	43,665 (17)	162,666
FY 1975	2,817,520 +274,099	61,628 (26)	195,542
		$285,710	$ 1,082,083

Summary of Private Support:	
Cash	$ 1,955,627
In Kind	26,343,554
Endowment	1,082,083
Total	$29,381,264

Table 2 - Total Foundation Expenditure
(Million Dollars)

ITEM	1959	1966	1968	1969 (est.)	1970 (est.)	1971	1972	1973	1974	1975
Grants and Services	4.6	5.0	3.9	3.4	3.1	3.7	3.7	4.3	4.4	3.6
Program Support	1.3	.5	1.2	2.1	1.2	1.9	1.2	1.3	1.5	1.7
Administrative	1.1	2.5	1.3		.8		.7	.6	.7	.8
TOTAL	7.0	8.0	6.4	5.5	5.1	5.6	5.6	6.2	6.6	6.1

Table 3 - Foundation Expenditure for Grants and Services
(Million Dollars)

Country Programs	4.0	3.3	3.0	2.6	3.1	3.0	2.9	2.9	2.6
Regional Programs	-	-	.1	.2	.2	.2	.4	.2	.1
Manpower	-	-	-	-	-	.2	.3	.2	-
Population	-	-	-	-	-	-	.4	.6	.3
San Francisco	.6	.6	.3	.3	.3	.3	.4	.5	.5
TOTAL	4.6	3.9	3.4	3.1	3.6	3.7	4.4	4.4	3.5

Table 4 - Comparison of Expenditures for Country Grants and Services with Other Expenditures
(Million Dollars)

YEAR	Country Grants & Services	Total Expenditure		Total Grants & Services		Total Overseas Program	
		Amount	Country Grants as a Percent	Amount	Country Grants as a Percent	Amount	Country Grants as a Percent
1958 - 59	3.990	6.993	57	4.565	87.4	3.990	100
1967 - 68	3.312	6.470	50.1	3.877	88	3.444	96.2
1974	2.931	6.636	44	4.399	67	3.884	75.5
1975	2.637	6.081	43.4	3.630	73	3.100	84.1
1976 (Budget)*	2.959	7.141	40.1	4.921	60	4.174	71
1977 (Planned)*	3.525	8.234	41.5	5.760	61	4.900	72

* Not including undistributed program reserve