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DRAFT APPRAISAL REPORT
THE REIMBURSABLE DEVELOPMENT PROGRAM

The objective of the RDP appears to be U.S. sales promotion...why shouldn't the office be placed in an agency more suited for this purpose?

PPC Issues Paper for FY 1980
Budget Review, August 3, 1978

OPERATIONS APPRAISAL STAFF
BUREAU OF PROGRAM AND POLICY COORDINATION

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LIST OF ABBREVIATIONS

U. S. AGENCIES

INTERNATIONAL ORGANIZATIONS

AID Agency for International Development
BuCen Bureau of Census
BuMines Bureau of Mines
BuRec Bureau of Reclamation
COE Corps of Engineers
Commerce Department of Commerce
CSC Civil Service Commission
Customs Bureau of Customs
DOD Department of Defense
DOL Department of Labor
EPA Environmental Protection Agency
FAA Federal Aviation Administration
FCC Federal Communications Commission
FHWA Federal Highway Administration
FWLS Fish and Wildlife Service
GSA General Services Administration
HEW Health, Education and Welfare
Interior Department of Interior
IRS Internal Revenue Service
NPA National Park Service
SSA Social Security Administration
Treasury Department of Treasury
TVA Tennessee Valley Authority
USCG United States Coast Guard
USDA Department of Agriculture
USGS United States Geological Service

CENTO
COCESNA
ECAFE
FAO
GLFC
IADB
IBRD
ICAO
IDA
IFC
ILO
IMF
IJC
IPHC
NATO
OAS
PAHO
UN
UNDP
UNESCO
UNO
WMO

Central Treaty Organization
Corporacion Centroamericana de Servicios de Navegacion Aere
Economic Commission for Asia and Far East
Food and Agricultural Organization
Great Lakes Fishery Commission
Inter-American Development Bank
International Bank for Reconstruction and Development
International Civil Aviation Organization
International Development Association
International Finance Corporation
International Labor Organization
International Monetary Fund
International Joint Commission/United States and Canada
International Pacific Halibut Commission
North Atlantic Treaty Organization
Organization of American States
Pan American Health Organization
United Nations
U.N. Development Programmes
U.N. Education, Scientific and Cultural Organization
United Nations Organization
World Meteorological Organization

FOREIGN COUNTRIES

UAE United Arab Emirates
UAR United Arab Republic

EXECUTIVE SUMMARYRDP IN BRIEF

The Reimbursable Development Program (RDP) is a program through which friendly countries, international organizations and voluntary non-profit relief agencies purchase goods and services (primarily technical services) from or through USG agencies when such purchases are consistent with the general purposes of Part I of the Foreign Assistance Act. Most USG agencies cannot respond to such requests directly, but can do so if AID makes a determination that the proposed action is consistent with the provisions of Section 607(a) of the Foreign Assistance Act. Such "607 determinations" constitute the approval of individual activities* under the RDP. Most of the limiting provisions of the Foreign Assistance Act do not apply to the RDP. The text and some background on Section 607(a) is included in Appendix A.

Although most of the provisions of Section 607(a) date from the 1950s, the RDP in roughly its present form began in 1963 with the approval of a proposal for the U.S. Geological Survey (USGS) to undertake a mineral resource survey for the Government of Saudi Arabia. U.S. relations with Saudi Arabia, other non-AID recipients, and AID graduate countries such as Iran and Libya, were important to the achievement of U.S. foreign policy objectives and the U.S. wished to maintain a developmental

*Activities are the equivalent under RDP to projects under regular AID programs.

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relationship with these countries. A number of these countries were still relatively under-developed and needed technical assistance even though they had sufficient financial resources to pay for their needs. The intent of the program was to facilitate the continued access by these countries to U.S. technology and technical experts, thereby also strengthening commercial ties.

As the number of AID graduate countries increased, there was increased pressure within the USG to expand technical cooperation with these ex- and non-AID recipient countries. Although the RDP increased in number of activities and participating countries, it was still a very marginal operation until the petroleum crisis of 1973-74. In 1974, Congress enacted a new Section 661 in the Foreign Assistance Act authorizing the President to use \$1 million (FY 1978 authorization is \$2 million):

- 1) to facilitate open and fair access to natural resources of interest to the U.S.; and
- 2) to stimulate reimbursable aid programs consistent with Part I of the Act.

AID began to step up its support for the program, and in 1976 a coordinator for reimbursable programs was hired from the private sector and attached to the Office of the Administrator with a

mandate to administer the new Section 661 authority. With an eye on the rising petro-dollar balances, the objective of the RDP shifted from responding to requests for technical services to maximizing the sales of both U.S. goods and technical services. This focus continued with the new management of the RDP program under the current administration.

Through FY 1977, cumulative reimbursements totalled \$178.9 million, of which 96 percent were accounted for by five countries (Saudi Arabia, Iran, Kuwait, Zaire and Nigeria). Saudi Arabia alone accounted for 86 percent of the program. Potential additional purchases from already approved activities (as of 9/30/77) total \$792 million; again a small number of countries dominate: Saudi Arabia (\$593 million), Iran (\$171 million) and Nigeria (\$17 million). In one sense, the Saudi Arabia program should be excluded from the data because the Treasury Department is playing the role for the Saudi Arabia program that AID normally plays for other programs.

In spite of the dominance of a few countries in the dollar value of cumulative and potential reimbursements under the current program, 56 countries and 10 international organizations have participated in the RDP since 1963. The region with the largest number of participating countries is Latin America (18), of which 10 are AID recipients. Forty-eight (48) percent of the program could be categorized as falling

within the categories of Food and Nutrition or Education and Human Resources; 86 percent would fit current Agency definitions of development projects. Environment/Natural Resources and Housing/Urban Development are the principal sub-categories in what would be categorized as Selected Development Problems. The primary activity that accounts for the balance of the program that is not categorized here as development is that of the Federal Aviation Administration (FAA) -- highly specialized services and equipment (e.g., for air traffic control) which are purchased by both developing and industrialized countries.

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PRINCIPAL ISSUES

The principal issues or questions addressed in this appraisal are as follows:

- 1) What are the objectives of the program? Should they be modified?
- 2) How should success/failure of the program be measured?
- 3) How effective are program development tools?
- 4) Should the RDP continue within AID?
- 5) Can management of the RDP be improved?

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

I. What are the objectives of the program? Should they be modified?

Conclusions: (1) Beginning in 1975, the raison d'etre for the program shifted from meeting the technical assistance needs of non-AID recipient LDCs to promoting the sales of U.S. goods and services. Maximizing sales became the program's overriding objective.

(2) This sales image has resulted in tensions in relations with the U.S. Department of Commerce, the Bureau of Economic and Business Affairs of State and a number of U.S. Embassies abroad because AID seemed to be intruding into their turf. Congressmen have also questioned whether the program should not be given to the Department of Commerce and Embassy commercial officers to administer. Within AID, objections have been raised to using limited funds and personnel ceilings for a "non-development program" oriented toward the richer LDCs.

(3) The RDP is, in fact, more developmental than generally assumed. However, it would likely be more so if its primary objective were a "technology for development" focus rather than a "sales" focus.

RECOMMENDATION: That the focus of the RDP be changed to "technology for development" and that a strategy paper be prepared indicating target countries (based on broader U.S. interests than just sales potential) and priority technical areas for program development efforts.

II. How should success/failure of the program be measured?

Conclusions: (1) Based on the current objective of sales promotion, the primary criterion of success should be the dollar value of all activities plus the sales by the private sector which result from Section 661 or 607 activity. Data on private sector sales generally are not available.

(2) With the developmental focus recommended, evaluation criteria would focus on the number and types of activities carried out in target countries and the reaction of the country. For example, one would ask such questions as: Are the activities making a significant contribution to the country's development effort -- in the judgment of the country? Are they contributing to other U.S. objectives in the country? The dollar value of activities in a country would be a less important indicator of success.

III. How effective are program development tools?

Conclusions: (1) The principal program development efforts during the last year have been trips to the field by RDP managers, the funding of Section 661 project definition missions, and advance of Section 661 funds to selected USG agencies for promotional trips. The RDP has also been discussed at regional meetings of Embassy commercial officers.

(2) Although regional RDP attaché positions have been approved within AID, they have been vacant for most of the last year because those hired by the previous administration were relieved, and there were difficulties in recruiting successors, in obtaining Ambassadorial MODE clearance, and in obtaining Ambassadorial concurrence in position descriptions and clearance for individual candidates.

(3) Since the RDP had low priority within the Agency until 1975 and has not been able to mount an effective program development effort since that time, it is difficult to judge whether the present program development tools are adequate.

(4) Furthermore, some tools have not been used, e.g., the facility provided in the legislation to defer payment until 180 days after the end of the fiscal year in which the services are provided -- at no interest charge (called reimbursement) and the "deferred payment" provision which allows the country to take three years to pay -- but with interest at an Export-Import Bank rate of interest.

(5) Some people feel that the cost of U.S. technicians is so high that program development efforts will continue to be marginally effective, particularly in the less affluent AID graduate countries, unless some means can be found of reducing costs. The most frequently proposed "solution" to this problem is "topping off",

i.e., having the USG cover part of the salary and allowances of the U.S. experts.

- RECOMMENDATIONS: (1) That the current program development effort be strengthened along the lines set forth in the report (pp 38-40, 47-8).
- (2) That procedures be developed to facilitate the utilization of the "reimbursement" mechanism, at least on a trial basis in two or three countries.
- (3) That further attempts be made to reduce the costs of technical services provided under the RDP or mitigate their effects. Some suggestions are provided on pp. 40-41.
- (4) That the "topping off" or a similar mechanism to reduce the costs of U.S. experts be considered only for very unusual cases, e.g., Nigeria with its low income per capita (less than \$300), and after consultation with appropriate members of Congress.

IV. Should the RDP continue within AID?

Conclusions: (1) The RDP should be regarded as a developmental program and could become more effective if its primary objective were changed to focus on meeting technology requirements of target non-AID recipient countries. Thus the Administrator of AID should be interested in strengthening the program in the context of his broader

responsibility as head of the Development Coordination Committee (DCC) and as the President's chief advisor on development in the LDCs.

(2) Since the RDP is different from and marginal to other AID activities, yet competes somewhat for management attention, personnel positions and funds (operating expense and Section 661 program development activities), it might be appropriate to pull RDP out of AID and put it elsewhere in the proposed new IDCA structure -- possibly the proposed new Foundation for International Technological Cooperation.

V. Can Management of the RDP be improved?

Conclusions: (1) Management of the program can be improved. Improvements are needed in documenting the procedures for approving and implementing the program, for reporting on the program and for monitoring and evaluating the program. Specific suggestions are made in the report (pp. 51-55).

(2) The on board RDP staff is not adequate to handle the current workload, let alone the additional work recommended herein. This problem can be alleviated by the provision of additional support from the PDC Bureau and other parts of AID, by improving productivity of the RDP office, and by contracting for some program development support.

(3) The RDP office has had difficulty placing its RDP attachés in selected Embassies abroad, primarily because the role

envisioned for the Attaché overlapped with that of Embassy commercial officers. The RDP office does not have State Bureau clearance for stationing an officer in the Persian Gulf area, a clearly priority area.

RECOMMENDATIONS: (1) That steps be taken to improve the productivity of the RDP office and to provide the office with some additional support -- specific suggestions are provided in pp. 56-58.

(2) That RDP field positions be designated International Development Attachés and their job description modified accordingly. With RDP acceptance of this and other suggestions on overseas staffing (pp. 59-61), AID management should encourage the Bureau for Near Eastern and South Asian Affairs to accept the recommendation of the RDP office and the resident U.S. Ambassador that an RDP Attaché be assigned to Doha, Qatar.

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I. SCOPE OF THIS APPRAISAL

This appraisal reviews the Reimbursable Development Program (RDP), a program administered by the Office of Reimbursable Development Programs of the Bureau for Private and Development Cooperation (PDC/RDP). The RDP has evolved from Section 607(a) of the Foreign Assistance Act of 1961, as amended, which authorizes the President to facilitate the purchase by friendly countries, international organizations, and voluntary nonprofit relief agencies of U.S. goods and services through U.S. Government (USG) auspices.^{1/}

This appraisal reviews the operation of the RDP, its basic objectives and other issues which are mentioned below. This appraisal does not, however, include an evaluation of the specific activities carried out under the RDP. There have been no visits to countries buying technical services under the RDP nor discussions with nationals of those countries.

Specific issues or questions that will be addressed in this appraisal include the following:

- 1) What are the objectives of the program? Should they be modified?

^{1/} The provision of domestic excess property on a reimbursable basis, which is authorized under 607(b) of the Foreign Assistance Act, is not considered part of the RDP and has not been reviewed in this appraisal report.

- 2) How should success/failure of the program be measured?
- 3) How effective are program development tools?
- 4) Should the RDP continue within AID?
- 5) Can management of the RDP be improved?

II. RDP: A BRIEF DESCRIPTION

A. Evolution of the Program

The legislative authority for furnishing commodities and services on a reimbursable basis dates from the 1950s, but this report focuses only on the successor legislation (Section 607(a) of the Foreign Assistance Act of 1961, as amended) and the companion section (Section 661) which was passed in 1974. The text of Section 607(a), with some historical background on the section, is included in Appendix A.

The underlying rationale for the 607 legislation is that most U.S.G. departments are prohibited from operating overseas in their own right. Some which have authorization have no funds for that purpose. Thus, Section 607 provides the needed authority for the agencies to make contracts with foreign governments. However, under Section 607 the actions to be undertaken need to be fully reimbursed (the international programs offices of most of the other USG agencies receive no appropriated funds) and need to be consistent with Part I of the Foreign Assistance Act. AID makes a determination regarding this consistency as part of the approval of each activity carried out under the authority of Section 607.

The RDP, or self-financed technical services program as it was called earlier began to receive management attention in the early to mid-1960s.

There were countries with which there had been a bilateral assistance relationship (e.g., Iran, Libya) which was being terminated because they had become relatively high income countries as a result of oil revenues. Because of political/security reasons (e.g., with Iran in terms of East-West relations) or economic reasons (e.g., private investment in Libya), our Ambassadors in those countries, with State Department support, wished to maintain a developmental relationship with those countries. A similar objective (to develop a continuing government to government relationship) existed with regard to relations with Saudi Arabia which had never been an AID recipient.

These countries were still relatively under-developed and needed technical assistance even though they had sufficient financial resources to pay for their needs. The countries had become familiar with U.S. technology and technical experts and wanted to continue to have access to them. In addition to the political/security/economic reasons cited above for wishing to be responsive, it was considered in the long term commercial interest of the U.S. to facilitate this access. It was (and is) assumed that if a U.S. technician helps prepare a feasibility study or scope of work, U.S. engineers or other design experts will have a better chance of competing. Similarly, if U.S. technical experts design a project, U.S. contractors and suppliers of commodities are apt to be favored -- or at least be in a better position to compete.

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In 1963, the first activity^{1/} of what is currently referred to as the RDP was approved in Saudi Arabia. It was for a mineral resource survey by the U.S. Geological Survey (USGS). The Initial Estimated Value of USG services that would be purchased by the Saudi Arabian Government over the life of the activity was \$23 million. The project was still active at the end of FY 1977 and cumulative reimbursements^{2/} totalled over \$32 million.

There are records of some minor technical assistance in Iran in 1967, but nothing seems to have materialized in Libya. One of the problems at the time was that even though Libya wanted to continue some of the AID technicians serving in Libya at the time of the phaseout of the bilateral program, it was unwilling to pay the full salary costs that AID was paying because the salaries exceeded the salary of government ministers. RDP was the only tool available, and there was no means of "topping off" the salaries by the USG.

1/ "Activity" as used herein is roughly comparable to a project in the bilateral program. However, "activity" is used because the development and approval process is so different from the bilateral program and because many of the Section 607 activities correspond more to "project development and support" activities of the bilateral program than to projects as defined in Handbook 3.

2/ RDP reports use the term "Committed Value," which appears generally to be obligations of funds by the implementing agency against the advance of funds made by the purchasing country or international organization. However, "reimbursement" is used herein as being a more easily understood term even if not technically correct in terms of the process.

With additional countries becoming AID bilateral assistance "graduates," and the likelihood of even more, increasing concern was expressed in the late 1960s about the need for new means of expanding U.S. technical cooperation with non-AID countries. The expressions of concern came not only from the Department of State, but from universities which had established relationships with these countries as implementing agents for AID's bilateral assistance projects. With phaseout there was no apparent means for maintaining the relationships, particularly since many of these institutions could not contract with a foreign government even if the government was prepared to do so.

As a result of the pressure that was building, a special group was established to look at the problem: the Inter-Agency Working Group on Technical Cooperation. The Working Group submitted a detailed report in 1969. Following discussions of the report with the President's Science Advisor, the Secretary of State wrote the AID Administrator requesting him to expedite responding to the recommendations of the working group. The Secretary expressed concern that the U.S. was not taking advantage of the increasing opportunities for technical cooperation with former AID and non-AID developing countries. His rationale for an expanded program was:

"Such association could serve to promote U.S. commercial interests as well as our interests in improved international relations and understanding while also being of value to a wide variety of U.S. Government Agencies and private organizations."

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The Working Group's recommendations, which went beyond strengthening the RDP, were incorporated in the subsequent Peterson group recommendations which resulted in a proposal to Congress in 1971 to establish a new International Development Corporation. Given that this broader program was submitted to Congress, AID did little about the Working Group's report. However, AID did eventually (1972) establish an Office of Special Technical Services in the Technical Assistance Bureau to manage the RDP program. However, the Administrator decided not to assign technical cooperation attachés abroad and to rely heavily on private sector organizations to arrange and provide reimbursable services.

The U.S. political, security, economic and commercial interests which gave the first impetus in the early 60s to the current RDP program were magnified in importance with the petroleum crisis of 1973. Both the Executive Branch and the Congress looked for ways of improving relations with the newly rich oil exporters and other higher income or more technologically advanced countries who were no longer, or never had been, AID recipients.

In 1974, Congress added a new Section 661 to the Foreign Assistance Act (text is contained in Appendix B) in which AID was authorized to use up to \$1 million in FY 1975 (\$2 million was authorized for use in FY 1978) of the regular AID appropriation:

1) to facilitate open and fair access to natural resources of interest to the United States; and

2) to stimulate reimbursable aid programs consistent with Part I of the Act.

The funds used for purposes of Section 661 may be used notwithstanding any other provision of the Act.

There appear to have been at least three motivations behind the Congressional action:

1) improve relations with the oil-rich countries and other countries who were suppliers of raw materials which were critical to the U.S. economy or U.S. strategic needs;

2) increase sales of U.S. goods and services to the oil-rich countries; and

3) encourage oil-rich countries, particularly in the turbulent Middle East, to direct their energies and newly obtained wealth to development rather than to arms purchases.

The Department of State was clearly concerned about reasons (1) and (3), as well as other foreign policy goals. For example, the Department expended great effort to establish joint economic commissions with countries such as Saudi Arabia and Iran. The emphasis was to increase or create mutually beneficial relationships and patterns that could lead to improved long-term relationships. Establishment of bilateral science and technology agreements and commissions also received

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high priority to offset LDC charges that the U.S. and other industrialized countries were not sharing their technology with the LDCs.

By 1974, AID management was becoming more involved with the RDP program. However, there was still some concern about devoting too many Agency resources to a program that was marginal to the main mission of the Agency, that of helping the poor in the poor countries. Chairmanship of the Joint Economic Commission with Saudi Arabia was assigned to Treasury, and Treasury sought to have AID, under a Section 607 determination, staff a small mission in Riyadh to monitor operations and provide liaison among Saudi ministries, project directors in the field and the Treasury Department office managing U.S. participation. AID management was reluctant to get involved and Treasury established its own operational mechanism.

By 1976, however, AID management began seriously to strengthen the RDP operation. A coordinator for reimbursable programs was hired from the private sector and attached to the office of the Administrator with a mandate to use the new Section 661 authority to promote sales under the RDP. The Special Technical Services Office became the Country Financed Services Office and was shifted to the Bureau for Program and Management Services to manage the 607 program.

Private sector sales promotion people were recruited for assignment abroad as regional RDP attachés.

With the change of administrations in 1977, the RDP coordinator resigned and was replaced by another sales-oriented private sector person. The RDP attachés were relieved, with the intent of replacing them with other private sector people. However, this was not permitted because of the hiring freeze that had been imposed because of an impending reduction in force. In June 1977, the RDP coordinator's office in the Administrator's office was combined with the Country Financed Services Office to form a new integrated Office of Reimbursable Development Programs. In the subsequent general AID reorganization, the RDP office was placed in the Private and Development Cooperation Bureau.

The evolution of the organization of the RDP and the priority assigned to the program by AID management is reflected in the data on program progress. Data on RDP activity is presented in the following section in terms of actual reimbursements through FY 1977, in terms of the number of Section 607 determinations (i.e., activity approvals) and in terms of "potential" programs based on activity approvals through September 1977. Potential programs are calculated as the Initial Estimated Value (estimate at the time the 607 determination is signed) of "open" (still active or potentially so) determinations, adjusted upward in those cases where actual reimbursements exceed the Initial Estimated Value, plus actual reimbursements from "closed" (terminated) 607 determinations.

B. Program Accomplishments

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Cumulative reimbursements through FY 1977 amounted to \$178.9 million, of which \$141.2 million was during the last two fiscal years. At first blush, one would conclude that the upsurge of the last two years was the result of the approval of Section 661 and the high priority given to the program by top AID management. However, as can be seen from Table 1 below, the bulk of the expenditures are accounted for by the Treasury-administered Saudi Arabia program -- a program which resulted from efforts outside of AID and was affected little, or not at all, by the RDP sales promotion effort. Nevertheless, the level of expenditures during the last two years excluding Saudi Arabia is still higher than the average for earlier years.

As indicated in the last column of Table 1 there is a high level of potential purchases yet to come from on-going activities for which 607 determinations (approvals) were signed in recent years and which had not begun disbursing by the end of FY 1977. Again Saudi Arabia is predominant and Iran also looms large in the figures. The RDP office has had little to do with Iran; the Department of State provides the U.S. co-chairman for the Joint Economic Commission with Iran.

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TABLE 1

RDP: Recent Trends

	<u>Reimbursements</u>			<u>Potential Purchases as of 9/77^{a/}</u>
	<u>Cum. to 9/75</u>	<u>10/75 to 9/76</u>	<u>((\$Mill.)) 10/76 to 9/77</u>	
Worldwide Total	\$ 37.7	\$ 84.4	\$ 56.8	\$ 792.4
Less Saudi Arabia	<u>25.1</u>	<u>79.6</u>	<u>49.7</u>	<u>595.3</u>
World less Saudi Arabia	\$ 12.6	\$ 4.8	\$ 7.1 ^{b/}	\$ 197.1 ^{c/}

a/ From already approved 607 determinations.

b/ Of which Nigeria 3.0.

c/ Of which Iran 171.4 and Nigeria 17.0.

In looking at the progress of the RDP program, it seems appropriate to review also the trend in new Section 607 determinations (the approval document for new activities or, in a few cases, the extension of previously approved activities). These data are shown in Table 2 below.

There was little activity through FY 1967 (5 determinations). Action picked up somewhat from 1968 to 1971, given external pressures, but was still at a low level. In FY 1972, 22 determinations were approved but the pace slackened in 1973-4 as the Agency focused its attention on organizing itself to respond to the new Congressional mandate on concessional assistance. Beginning in FY 1975, the interest of the Agency's top managers (reflecting in part

27 Congressional passage of Section 661 and the push from State) becomes evident. Recent higher trends continued in FY 1978 with 34 determinations approved by the latter part of July.

Table 2

RDP: Trend of 607 Determinations
(Numbers Signed -- by FY of Signature)
(Data as of 9/30/77)

	<u>64-67</u>	<u>68-71</u>	<u>72-4</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>Cum.</u>
#Signed	5	34	47	39	28	35	188
Less # closed with no expenditures	<u>1</u>	<u>6</u>	<u>6</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>20</u>
# of Effective Determinations	4	28	41	36	26	33	168
Less # closed with expenditures	<u>3</u>	<u>24</u>	<u>34</u>	<u>17</u>	<u>8</u>	<u>3</u>	<u>89</u>
# of current activities, 9/30/77 (Of which no expenditure by 9/30/77)	1	4	7	19	18	30	79
	-	(1)	(1)	(3)	(6)	(15)	(26)

Fifty-six (56) countries and 10 international organizations have participated in the RDP since July 1963.

Table 3 below provides a breakdown of cumulative reimbursements by geographic area and principal countries (activities totaling at least \$500,000). Even with Saudi Arabia excluded, the Near East region (including North Africa and Turkey) is the largest participant in terms of the value of activities. Africa is the next most important region by value, but Zaire and Nigeria account for virtually all of the Africa program.

The region with the largest number of participating countries is Latin America. If the Saudi Arabia program were excluded, Latin America would also have the largest number of activities. However, the priority accorded the Near East (aside from the special case of Saudi Arabia) is clear from the number of countries in the region that are participating, and the number of activities being undertaken as well as the value of the country programs.

Table 3

RDP: Regions and Principal Participating Countries

Region Country	Cumulative Reimbursements As of 9/30/77			As % of Total		
	Value (\$ Mill)	# of Activ	# of Ctries	Value	# of Activ	# of Ctries
Africa	7.4	7	5	4	4	8
Zaire	(4.1)	(2)				
Nigeria	(3.2)	(2)				
Asia	1.7	21	10	1	12	15
Taiwan	(0.9)	(10)				
Malaysia	(0.7)	(2)				
Latin America	2.6	50	18	1	30	27
Trinidad and Tobago	(1.0)	(2)				
Argentina	(0.6)	(4)				
Near East	166.5	56	13	93	33	20
Saudi Arabia	(154.2)	(16)		(86)	(9)	
Iran	(5.4)	(16)				
Kuwait	(5.4)	(3)				
UAE	(0.5)	(4)				
International Organizations	0.2	16	10	*	10	15
Industrialized Countries	0.4	18	10	*	11	15
World-Wide Totals	178.9	168	66	100	100	100

* = Less than 1/2 of 1%.

Totals may not add due to rounding.

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In summary, the level of reimbursements (excluding the Saudi Arabian program), which totals less than \$25 million, does not seem very significant given how long the program has been operating and given that maximization of sales was the primary objective during the last two years.^{1/} However, there have been a number of new activities in the Persian Gulf states since 1975 which may lead to further cooperation. The new Nigeria program is a definite plus for RDP. The Venezuela and Brazil efforts so far have been disappointing; nevertheless, there are five open determinations with potential purchases of some \$600,000 in Venezuela and three activities in Brazil with a potential of \$300,000.

In relation to the general development and foreign policy objectives, the dollar value of reimbursements is not the only (and probably not the best) measure of success. In the broader context, it is encouraging to see such a large number of countries (56) participating in the RDP, even if the average size of activities are relatively small. Also favorable is the limited (10 organizations - \$200,000) but potential use of the 607 mechanism by international organizations to obtain USG expertise in LDC programs being financed by the international agencies. There is a possibility that some of the development financing agencies of the Arab OPEC countries will seek U.S. expertise through the RDP.

^{1/} The reimbursements picture would be somewhat more favorable if private sector sales flowing from RDP activities were included; however, little data are available.

The types of activities carried out under the RDP are quite varied. Most technical assistance is provided by USG agencies, but AID or another USG agency may in some cases contract with the private sector for goods or services on behalf of the purchasing country. This is the reason why the Saudi Arabian program is so large in dollar value. A number of international organizations also have been authorized by Section 607 determinations to purchase items carried on the Federal Supply Schedule from the General Services Administration. However, GSA does not provide the RDP office with data on these purchases so the program data presented above do not include this type of activity.

There follows a sampling of 607 activities:

- (a) mineral resource surveys, e.g., a \$34 million project between the Saudi Arabian Government and the U.S. Geological Survey from 1963 to 1977;
- (b) the placement and training of foreign students in U.S. universities and colleges, e.g., a \$20 million project between the Nigerian Government and A.I.D.;
- (c) specialized equipment and services in air traffic control from the Federal Aviation Administration (FAA) to both industrialized and developing countries, e.g., a West German \$5,000 purchase of cathode tubes or a 5-year agreement for equipment and services for Costa Rica;
- (d) specialized medical treatment by the Veterans Administration to such countries as Korea, Argentina and Israel;

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- (e) technical assistance in taxation by the Internal Revenue Service (IRS), e.g., a \$540,000 program with the government of Trinidad and Tobago between 1968 and 1977;
 - (f) emergency help in dealing with oil spills and offshore oil well leakage by the U.S. Coast Guard in both developing and industrialized countries;
 - (g) feasibility studies, technical services and technical training by such agencies as the Bureau of Reclamation (BuRec), the Bureau of Census (BuCen), the Environmental^{Protection} Agency (EPA), the Corps of Engineers (COE), the Federal Highway Administration, the Customs Service, the U.S. Geological Survey (USGS) and the Department of Agriculture (USDA) in developing countries, both recipients and non-recipients of bilateral assistance;
 - (h) the nearly \$700 million of activities promoted by the Saudi Arabian-U.S. Joint Commission on Economic Cooperation which are managed/coordinated on the U.S. side by the Department of the Treasury; and
 - (i) short and long-term technical services to international agencies, e.g., FAA to the International Civil Aviation Organization, BuCen to the U.N. Development Program, BuRec to IBRD, the Veterans Administration to the Pan American Health Organization, and USGS to the Interamerican Development Bank.

C. Why RDP Hasn't Accomplished More

The most frequently cited problem in terms of program acceptance is the high cost of U.S. technical services. This seems to be of greatest concern where these services have been provided previously under concessional terms. Even the newly rich oil exporters are objecting to U.S. cost schedules, e.g., the 40 percent overhead rate on the Treasury program in Saudi Arabia is being reduced to about 30 percent in response to Saudi pressure.

Exacerbating the normal disadvantage of high U.S. salary scales, most European countries are providing topping off for their technical assistance experts. The OECD report of February 1978 on cost-recoverable technical assistance programs provides some information on the practices of some of the countries. Reimbursement is generally not sought for social security and fringe benefits for the country's technical experts.

Without a systematic and consistent effort at program development, it is difficult to be sure just how inhibiting the high cost of U.S. technical personnel is. Until 1975-76, there was little program development activity -- other than airgrams to the field. As late as 1972, the operational strategy was to inform the field and U.S. institutions generally about the program and assume that private sector organizations, including private voluntary

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organizations, would actually provide the technical services sought by the LDCs. Even the post-1975 effort has been somewhat hit and miss.

Until mid-1977, the effectiveness of the program suffered because of the split of the operation into two offices. Only two regional RDP attaché positions were filled before the change in administration, which resulted in those two being relieved of their positions. The attaché in the Near East did not know AID, the other USG agencies or the Near East; therefore, he was probably just becoming effective at about the time he was relieved. The establishment of personal relations and follow-up are essential, and these have not been accomplished by the field personnel to date.

The lack of field personnel could have been mitigated to a considerable extent by an aggressive use of Embassy officers in program development. While some ^{Embassies} have been active, RDP management concentrated on building its own staff, based in part on the theory that bureaucrats could not be good "salespersons."

Program development efforts will tend to be most effective if they are based on well-conceived program objectives, translated into a program strategy and subordinate operational plan(s). The overriding program

objective in the recent period seems to have been maximization of sales, which was not conducive to achieving support from the rest of AID and seemed to bring the RDP into conflict with the Department of Commerce and Embassy economic and commercial officers. The de facto strategy has been to concentrate on the Near East oil exporters and other oil exporting nations, but this is not set forth in any strategy document. Nor is there any operational plan for implementing the strategy.

Although other factors have been cited as reasons for the low level of accomplishments of the RDP to date, the choice of priority objective, the lack of planning, the high cost of U.S. technical services and the lack of agency enthusiasm for the program (a function, in part, of the objectives/strategy during the period of top agency enthusiasm) seem fundamental. RDP objectives and strategy will be discussed more fully in the following section. The topping off issue and other factors involved in program development will be discussed in a subsequent section.

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III. RDP OBJECTIVES

A. Is RDP a Sales or Development Program?

As indicated in Section II., RDP predecessor programs were not given much priority by AID. What little effort there was (up to 1975) to expand the program was made as a result of outside pressure, e.g., from Ambassadors, the Department of State, the White House Science Advisor, etc. Understandably, AID had higher priority concerns related much more directly to its priority mission; at one point, AID's very existence was in jeopardy.

In 1975, the AID climate changed. Top management was private sector oriented, Congress had shown (with the passage of Section 661) that it was interested in and supportive of the program and the State Department and other elements of the USG were pushing to improve relations with the oil exporting states, particularly those in the Near East. Suddenly, the reimbursable program had priority. The stance changed from a passive one to an active one. Concurrently, the discussion shifted from meeting non-AID LDC technical assistance needs to promoting sales of U.S. goods and services. Maximizing sales became the overriding objective and thus the principal criterion for success.

To many in AID, a sales program cannot be equated to a development program. Thus, with new AID management after the change in administration in 1977 and AID's New Directions becoming partially redefined in its Basic Human

Needs approach, it was inevitable that the RDP would again be looked at searchingly -- particularly by those controlling (and those seeking additional) funds and positions. The organizational down-grading of the RDP Coordinator's Office seemed to reflect a lower priority for the program. The PPC issues paper for the FY 1980 PDC budget review certainly raises the issue squarely: isn't this a sales program and shouldn't it be somewhere else in the USG, e.g., the Department of Commerce?

That the program has the "sales" image is understandable given the shift in emphasis initiated in 1974-75. The current RDP manager has followed the trend. He indicated in testimony on the Hill and in internal Agency discussions that maximization of sales of U.S. goods and services was his primary objective. In line with that policy, he has sought authority (with Agency support) to use Section 661 to fund activities that would lead to private sales rather than the purchase of technical services from USG agencies. A recent cable from an RDP attaché illustrates the issue: he requested that both "development" and "technical" be deleted from subject lines of cables addressed to him -- apparently because they were inhibiting.

That promotion of sales is the primary objective is not contested by RDP management; however, RDP management maintains that this issue is essentially one of semantics. When one says to RDP management, as Congressmen have: "Then why not give the RDP to Commerce and the Embassy commercial officers," development is also cited as an important objective and it is stated that RDP projects are development projects to a very high degree.

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Whether or not one accepts the thesis that it makes no difference operationally whether "sales" or "development" is the primary objective of the RDP, it is important for the program's image to test the assertion that RDP activities are developmental. To do this, a rough categorization was made of the RDP activities by functional (appropriation) categories, with a further breakout of the Selected Development Problems category. If the activities generally fit Sections 103-5 or the areas specifically cited in Section 106, they were considered developmental.

Using the Initial Estimated Value of open 607 determinations as a base, a calculation was made for total cumulative programs. According to these data, 48 percent of the program would fall in Food and Nutrition and Education and Human Resources categories. Most of the Selected Development Problems activities could be justified in a bilateral program. The principal exception is the large amount utilized for air transportation -- highly specialized services and equipment provided by the FAA, e.g., for air traffic control. In total, 86 percent of the cumulative program is for activities which appear to fit current Agency definitions of development projects.

Based on the foregoing, it appears that the RDP is much more developmental than generally perceived. However, the foregoing data include Saudi Arabia and Iran, whose portfolios are extremely large in relation to the rest of the program, and both are countries in which

the RDP office has not been active. Furthermore, the data encompass the program since inception. It seemed appropriate, therefore, to undertake a similar type of analysis of the data for the last three fiscal years (FY 1975-55 -- the "sales" period), excluding Saudi Arabia and Iran. The results of that analysis are shown in Tables 6 and 7 below.

It will be noted from the tables that the percentage of program funding for Food and Nutrition plus Education and Human Resources activities is even greater (72 percent) because of the \$20 million training program for Nigeria. The participation in the program by AID bilateral program countries continues to be evident, in money terms, number of countries participating and number of activities. Some 39 countries and 5 international organizations have participated in the program during the period, of which 13 countries were recipients of AID bilateral assistance.

TABLE 4
RDP: FY 75-77 PROGRAM APPROVALS^{1/}
BY TYPES OF 607 ACTIVITIES

	<u>\$ Millions</u>	<u>Percent of Total</u>	<u>Number of Activities</u>	<u>Number of Countries</u>
Food & Nutrition	0.7	2	2	2
Education & Human Resources	22.5	70	12	11
Special Development Problems	<u>8.8</u>	<u>27</u>	<u>61</u>	<u>37</u>
Environment/Natural Resources	4.3	13	36	22
Air Transportation	3.2	10	13	12
Housing & Urban Development	1.2	4	7	6
Miscellaneous	<u>0.1</u>	<u>*</u>	<u>5</u>	<u>5</u>
TOTALS	32.0	100	75	43 ^{2/}
Average Activity Size\$426,000			
Average Country Program.\$727,000			

* = Less than 1/2 the unit shown
 Totals may not add due to rounding.

^{1/} Initial Estimated Value of Section 607 determinations of the period or cumulative reimbursements as of 9/30/77 for the same determinations, whichever was larger.
^{2/} Does not add because a number of agencies have had programs in more than one country.

TABLE 5
RDP: FY 75-77 PROGRAM APPROVALS
BY CATEGORIES OF COUNTRIES

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<u>Country Categories</u>	<u>Approvals (\$Mill.)</u>	<u>Number of Activities</u>	<u>Number of Countries</u>	<u>F&N + EHR (%)</u>
Oil Exporters	24.1	21	8	87
AID Recipients	4.1	19	13	11
Non-AIDs	1.9	16	8	2
Industrialized	1.7	13	9	-
International Organizations	0.1	6	5	-
	<hr/> 32.0	<hr/> 75	<hr/> 43	<hr/> 100

Totals may not add due to rounding.

From the foregoing analysis, it is concluded that the RDP is more developmental than usually perceived. The image problem is largely self-inflicted, because of the rhetoric about sales, the inadequacy of reporting, and the lack of a clear strategy and operational plan. Nevertheless, even if the foregoing shortcomings were remedied, it is likely that many would still question whether the program should be within AID where it competes for personnel ceilings and operating expense funding. Suggestions regarding the shortcomings and the organizational location are addressed in the following sections.

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- A Suggested New Approach

It seems clear that the primary motivation for establishing the RDP and for executive and legislative measures to attempt to improve the effectiveness of the program have been to promote foreign policy goals, both political and economic (with security overtones in the Near East). Commercial sales have been secondary and have been seen largely as a side benefit to be accrued over the long term -- probably shorter term in the case of the Near East, but still secondary to broader foreign policy goals. It is also clear from a detailed analysis of the activities carried out under the RDP, particularly when the Saudi Arabian program is excluded, that the overwhelming bulk of activities are technical assistance in nature. The provision of this assistance, even if fully paid for by the recipients, is consistent with the requests of the LDCs for an improved program of technology transfer from the industrialized countries.

It is suggested, therefore, that statements by RDP management, messages to the field and Congress and RDP's operational strategy be modified to emphasize the longer term goals of meeting the technology needs of and improving or maintaining good relations with, those developing countries of special importance to the U.S. which are not AID concessional assistance recipients.

Such a modification in approach is not proposed just as a change in semantics to improve the image of the RDP. Rather, it should have implications for program development, operations, evaluation and staffing, all of which are discussed in more detail in subsequent sections. These proposed changes are considered desirable regardless of where the program is housed.

Some of the implications of the proposed modified approach are that a general strategy would be developed which would provide priorities in terms of the countries with which increased technological relationships would be sought and priorities in terms of the subject matter areas that would comprise program development efforts. The respective roles of the RDP officers and Embassy personnel would be clarified.

The target countries would probably not be changed too much from the current implicit priorities, but the focus would be sharpened. A likely priority list would include the oil exporters of the Near East, Nigeria, Venezuela, Colombia, Trinidad and Tobago, Brazil, Argentina and possibly Mexico, Korea and Malaysia.

Priority subject matters would depend on an evaluation of the needs of the countries. However, it appears that there are four general areas which are apt to be of high priority to these countries: (1) improving education, health and nutrition (particularly in the Near East countries); (2) improving systems of

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public administration (again in the Near East); (3) coping with urban problems (particularly the non-Near East Countries); (4) protecting the environment and the identifying planning for natural resource use -- particularly including the use of some of the newer sophisticated technology.

We believe the RDP office should target its program development activities toward the foregoing countries and subject matters. It would, however, still issue Section 607 determinations for activities in other non-AID and AID recipient countries, as well as authorize 661 missions to those countries, upon request of Embassies and USAIDs. But the RDP efforts in these non-target countries would be limited to: assisting Embassies and USAIDs to understand better the procedures for utilizing Section 661 and 607 authorities; assuring that they know that the initiative for development and monitoring of RDP activities in the non-target countries lies exclusively with the U.S. Embassy; and keeping the Embassies and regional bureaus informed of program developments in all RDP countries.

Once a fleshed out strategy statement along the foregoing lines was prepared and coordinated with State, country (or possibly sub-regional) operational plans could be prepared incorporating proposed RDP program development initiatives, budgetary and staffing

requirements, etc. These plans should be reviewed at least annually prior to the preparation of the annual budget submission, with special reviews being held as needed. Where appropriate, the preparation of regional or country plans might be preceded by visiting missions to evaluate technology requirements and technological capabilities and absorptive capacity. In some cases documentation from meetings of joint science and technology committees or commissions may provide needed information and preclude the need for a general mission.

Adoption of a "technology for development" strategy along the above lines would seem to have a number of advantages:

- (1) It is clearer to questioning Congressmen, AID officials, and other USG agency officials why AID is administering the program;
- (2) RDP personnel, particularly in the field, are less apt to come in conflict with other USG agency personnel;
- (3) The RDP image will be enhanced with the developing countries with which we wish to deal;
- (4) It can take the pressure off for producing immediately high sales figures and permit the RDP office to devote additional time to building for the future;
- (5) The program could be used more extensively to promote the types of activities cited in AID's legislative mandate -- activities that would not necessarily have the greatest payoff from a sales

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perspective but could make an important contribution to the country's development and/or improving bilateral relations or meeting other foreign policy needs;

(6) Greater attention could be focused on priority countries (from a foreign policy or international development point of view) even though a high level of sales did not seem imminent;

(7) RDP can legitimately be mentioned in U.S. documents for the UN Conference on Science and Technology for Development as one of the U.S. programs to facilitate technology transfer and to help up-grade LDC technological institutional capability;

(8) The chances for competition with the U.S. private sector would be diminished -- a charge now made in some quarters;

(9) It would be much easier to evaluate the success of the program.

C. Measuring Program Success

A clear distinction should be made between evaluating the RDP and evaluating specific activities of the program. This section deals with program evaluation; activity evaluation is addressed in Section VI (Program Management) below.

The degree to which the success or failure of a program can be evaluated depends largely upon the availability of clear objectives and relevant measurement data. Frequently, the availability of measurement data will also depend upon the clarity of the objectives of the program; if the objectives are not clear, it is unlikely that a system will have been created to obtain needed evaluative data. For that reason, the sales vs. development issue is clearly not one of semantics; it affects both program strategy and operational plans (including staffing, monitoring, reporting and evaluation).

If sales of U.S. goods and services is taken as the primary objective of RDP, then one will establish such evaluation criteria as the total value of reimbursements in a given period plus the estimated future reimbursements. An attempt would be made to obtain data on U.S. private sector sales that flow from Section 661 and Section 607 activities. There would be an interest in the trend in the average value of approved new activities because good management would suggest concentrating on activities with the greatest potential value -- unless

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the activity would contribute to a high level of private sector sales. There would be a tendency to judge RDP attachés by the total sales to their target countries or the size of country 607 programs where private sales data were not available. The RDP attaché would feel obliged to spend a good bit of his time trying to make sales and gather sales data.

Mention has been made in earlier sections of broader political and economic (and in some cases security) interests served by the RDP. This does not mean that RDP can be expected generally to have direct, immediate impact on these interests. Rather, it is assumed that the interests will be served by an active, obvious U.S. interest and participation in the economic and social development of the country involved. Thus, one is looking for a significant (as judged by the target country) participation in the developmental effort of the country.

The significance of the U.S. participation will not necessarily be judged by the size of the RDP program. The number of activities undertaken in the country may be more significant. A higher valued (in \$) activity, however, may be indicative of a longer term relationship -- which generally could be assumed to be of greater significance. Country satisfaction with each activity, regardless of size, becomes of greater importance when the developmental objective is primary.

The type of activity, e.g., introducing new concepts, training country personnel, etc., is apt to be more significant than the value.

Assuming an overall technology for development strategy is prepared, it should be possible to prepare regional and country operational plans in sufficient detail to permit monitoring of progress against the plan and periodic evaluation of the program. The evaluation criteria should be tailor-made to the specific sub-regional or country situation. If those who prepare the country plans would use the concepts of the Logical Framework as design tools, both monitoring and evaluation would be simplified.

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IV. PROGRAM DEVELOPMENT

A. Current Promotion Efforts

The principal promotional effort during the last year appears to have been trips to the field by the Director, Deputy Director (to Nigeria) and the Assistant Director for Promotion and Marketing of the RDP. In addition, much management time has been expended trying to place RDP personnel in selected U.S. Embassies to carry on promotional activity.

Other program development activities include attempting to organize a development conference/seminar in Nigeria and encouraging U.S.G. agencies participating in RDP to prepare brochures on their international activities. PPC/RDP has begun work on a new RDP brochure. RDP has been on the agenda of two or three regional meetings of Embassy Commercial Officers, but with limited participation by RDP personnel.

Section 661 funds have been used for five project definition missions during the first nine months of FY 1978; 25 missions were financed in FY 1977. Section 661 funds have also been advanced to selected USG agencies (NASA, Customs, EPA, BuCen, USDA) for promotional trips.

B. Current Problems

There are two levels of concern: (1) problems in carrying out the promotional or program development effort; and (2) problems in country acceptance and utilization of the RDP.

The principal operational problems have been: a complete turnover (with the change of administration) in the personnel working on promotion, including loss of field personnel; the fact that newly recruited AID/W personnel are new to government; a separation of the 661 and 607 operations in two offices until mid-1977; long delays in recruiting and then placing field personnel because of resistance to accepting RDP attaches (one arrived in Korea in June 1978, one is scheduled to arrive in Venezuela in August 1978 and Embassy/State clearances are not yet available for Nigeria or the Near East). Rather tight restrictions on the use of Section 661 and reorganization and organizational downgrading of the RDP office were also negative factors.

The principal problems in obtaining higher levels of RDP acceptance by non-AID recipient countries are: the high cost of U.S. technical professionals in relation to the cost of Europeans; a less-than-satisfactory program development effort; and the inability to use the "deferred payment" and "reimbursement" provisions of Section 607. The lack of a more formal strategy and operational plans may have contributed indirectly to the disappointing results of the program development effort.

The foregoing problems will be discussed in somewhat more depth in the following section in conjunction with the presentation of suggestions to alleviate some of them.

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In some other USG agencies, the capability to respond quickly to an expanding program has been declining because of the pressure on overall departmental ceilings. The recent Presidential decision to make available additional ceilings to other USG agencies/departments for fully reimbursed positions should largely alleviate this situation if quickly and appropriately administered.

C. Appraisal and Suggestions

1. The Program Development Effort

Program development efforts have not been as effective as they could have been, even taking into account the problems cited in the previous section. This seems to have resulted to a considerable extent from the decision made in 1975 that a sales program was what was needed. From that it was concluded that only private sector salesmen could do the job. Private sector salesmen apparently had a certain disdain for bureaucracy and bureaucrats, and they tried to run the program with minimal contact with bureaucracy, including Embassies to some extent. The program began to be considered the program of the salesmen, not of the USG.

Some of the foregoing has been reversed by the present management, but there is need for further remedial steps. This is not meant to imply that the program should be run solely by bureaucrats; on the contrary,

some outside private sector input is valuable. Improved communications between, and greater integration of the two groups is needed, with greater use being made of the talents of the bureaucrats.

A State/EB officer who has attended all of the commercial officer conferences within the last two years states that the commercial officers want more information on the RDP. They particularly need more information on the nuts and bolts of the operation: how to arrange for a 661 mission; what kind of agreement is necessary after a 607 determination is approved; what is the Embassy's support role for the U.S.G. agency that undertakes a 607 project; is the "175 authorization" (re international agreements) required, etc. These matters should be covered in a world-wide airgram. It is suggested, also, that the RDP regional operations officers attend commercial officers' conferences. Not only could they supply helpful information to the commercial officers, but the operations officers could obtain a better understanding of field problems. They could then improve procedures where feasible and provide better briefings to other U.S.G. agencies on the country situations that their teams would encounter.

An additional means to improve communications with field missions would be to send out annually an airgram report on the 601 and 607 operations. Besides making the field feel a part of the program, it could encourage thinking about new potential activities or approaches.

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Members of the RDP office, when traveling to the field, should try to include Embassy officers in their meetings with local officials. Not doing so adds to the feeling that the RDP is not an Embassy responsibility and can contribute to Embassy reluctance to accept a field RDP officer in the country (or region). Conversely, Embassy officials usually will be appreciative for any new contacts the visiting RDP officer may provide them. Furthermore, follow-up contacts are likely to be needed and are apt to be more constructive if made by an Embassy officer who has previously met with the host country official or individual. The Embassy also can frequently give the visitor a more adequate background on the local individual than elsewhere available.

Since private commercial sales frequently could result from both 661 missions and 607 activities, either in lieu of or in addition to RDP programs, and since promotion of such sales are clearly the province of Commerce and State/EB, it is suggested that copies of all 661 approvals and 607 determinations be made available to EB and the appropriate office(s) of Commerce. Similarly, those offices should receive copies of some, if not all, 661 reports. If such procedures were worked out with these agencies and were documented, it could help clarify the RDP role (i.e. its relationships to other overseas functions) to concerned Congressmen. It could also minimize, if not eliminate, the charge that 661 is being used to compete unfairly with private sector consultants.

In the FY 1980 budget submission, three elements are mentioned as making up the A.I.D. strategy for expanding the RDP. The third is repeated here as deserving more effort than it has received lately: "developing outreach capabilities on a worldwide basis through such mechanisms as: specialized technical presentations; market analyses; identification of appropriate public and private sector sources for specific development assistance needs; sponsorship of government conferences to promote U.S. technology transfers." Preparation of an up-dated brochure on the RDP program and expedited printing of a new edition of the out-of-print Federal International Development Offices Directory could also be added. Some of the foregoing could be undertaken with existing staff levels by contracting out for the work.

2. Problems of Program Acceptance

As mentioned above, the most frequently cited reason for small RDP programs in a number of countries, particularly the non-oil-exporters is the high cost of U.S. technicians. This undoubtedly is a constraint on program expansion and there follows some thoughts on how to mitigate the problem.

Since there is a consistent record of LDC purchases of certain kinds of technical services, in spite of the cost, the data should be analyzed for lessons learned. It has already been suggested that the RDP should accord priority to expanding the number (and perhaps size) of those

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activities (services) which have been in greatest demand in recent years. Secondly, an analysis of the data may suggest certain types of activities which seem to have characteristics similar to the high-demand services which could be introduced into the program (or expanded). In addition, contacts could be made with technological research institutes (government and private) for information on the latest developments in the high-demand areas or potential high-demand areas to determine if these latest developments could have relevance to RDP's priority target countries.

Since it probably is not feasible or desirable to reduce the salary costs of U.S. technicians, cost-cutting must focus on other elements of costs. Overhead costs would be the obvious target, but there probably is not much room for squeezing there because most of the agencies run the RDP programs out of international program offices which receive no appropriated funds and rely for their existence on overhead charges in their contracts. Negotiating services in kind from the purchasing government, especially housing, would reduce dollar costs. Contracting for an end product for a fixed sum, in lieu of cost plus (where feasible), could conceal high salary costs and make the proposal less controversial within the purchasing country. PDC/RDP might wish to work with an agency or two to try this approach on a trial basis.

Topping Off

The most popular and long-standing proposed "solution" to the high-salary problem is "topping off," i.e., covering the salary costs above a certain level -- what the market can bear or the local salary for a comparable position. Annex C of the paper LDC FINANCED TECHNICAL SERVICES of 1/31/75 provides useful background on this issue, including the reasons why RDP's predecessor decided not to seek authorization for topping off except in unusual circumstances in which the Secretary of State or the AID Administrator specifically approved. To date, the authority has not been used.

That position still seems appropriate because: there are potential administrative (and possibly legal) problems in topping off; Congress probably would react negatively if topping off were initiated on a large scale; there has not been an adequate test (i.e., under a single office with full field staffing) of current program development tools -- not all tools have been used (see below); a number of possibilities for improving the program development efforts are proposed herein; and the proposed Technology Exchange and Cooperation program, with its cost-sharing features, may provide a more appropriate response to the less affluent LDCs which are most resistant to high U.S. technician costs.

The RDP Office makes a strong case for introducing some concessionality into the Nigeria program, indicating that this has the support of the

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Africa Bureau and would seem to be consistent with the recent Presidential initiatives to increase U.S.-Nigerian economic cooperation. Since Nigeria is a relatively poor country (GNP per capita of less than \$300) and is an important exporter of low-sulphur oil, consideration should be given to using Section 661 funds to provide some cost-sharing for some Nigerian proposals.

The "access to natural resources of interest to the U.S." provision of Section 661 should provide legislative authority, although it would be prudent to discuss any proposal with appropriate Congressmen before initiating negotiations with the Nigerians. The legislative history of Section 661 does provide mention of topping off, but only in terms of personnel assigned to international institutions or foreign governments; thus, it might not apply in specific Nigerian cases. AID management should consider whether it might be more appropriate to maintain RDP activities on a fully reimbursable basis and introduce concessionality into some activities in Nigeria via a Technology Exchange and Cooperation cost-sharing type program. The "access to natural resources" provision of Section 661 probably could provide the funding authority.

In lieu of topping off, consideration might be given to using Section 661 funding to cover selected agency overhead costs. Since those costs are the price that must be paid for the agency to engage in international programs and since it is considered in the U.S. interest to expand these programs, it would be logical for the RDP program to pay the subsidy if it were not feasible to pass it on to the

consumer. However, as indicated above, not all programs need such a subsidy. Therefore, it would be necessary to establish which USG agency we were prepared to cover -- and possibly in which countries. Unless the cases were capable of precise definition and relatively few in number, the administrative headaches could be almost as bad as topping off. Furthermore, such precision should be a prerequisite to presenting such a proposal to Congress.

RDP Financial Terms

Improving RDP financial terms has been suggested as either a substitute for or a complement to a reduction in technician or overhead costs. Some of the RDP officers are skeptical that much can be done in this area. One point of view is that terms need to be made concessional or it is not worth tinkering with them, and concessional terms are not attainable -- and perhaps should not be. This conclusion seems to be based primarily on the fact that no use has been made of the "reimbursement" or "deferred payment" provisions already available in Section 607. However, it does not appear that the current provisions have really been tested.

One of the problems with the Section 607 provisions is that the funding that would be advanced, pending the reimbursement, would come from the regular AID appropriated dollar accounts. Section 607 provides that \$1 million may be set aside to cover the three-year deferred payment provision. Agency

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budgeteers are not anxious, however, to hold \$1 million aside for this purpose, particularly since its use is uncertain. RDP officers are skeptical whether \$1 million is sufficiently attractive for larger projects and concerned that the administrative headaches would be too cumbersome to be useful for small projects -- which are not of much interest anyway when "sales" is the objective. Since no procedures have been developed and documented in the Handbooks for either the "reimbursement" or "deferred payment" provisions, RDP officers are understandably reluctant to discuss these provisions with a potential participating country.

Although the deferred payment provision probably is not concessional enough for large projects, and is more bother than it is worth for small projects particularly in many Latin American countries where legislatures have to approve external loans, the reimbursement provision probably could be useful. Following a Section 661 mission, a government ministry might wish to follow up with a Section 607 technical assistance type project, but would be unable to do so immediately because it had not budgeted for the activity. Since the "reimbursement" provision would permit payment to be deferred until six months after the end of the current fiscal year, it is likely that this would mean that payment would be deferred until the next fiscal year of the participating country. Use of the reimbursement procedure would make it possible to maintain the momentum for an activity development.

It is proposed, therefore, that procedures be developed for utilizing the "reimbursement" provision. These procedures should be as simple as possible, i.e., not of the nature of a formal loan agreement. To start with, a relatively small maximum amount per activity might be established to test its utility and practicality. A set-aside might be made of up to \$500,000 initially. A variation, or follow-on action, would be to ask the Congress in next year's legislation to authorize the Agency to establish a revolving fund of \$1 or \$2 million to cover set-asides for either reimbursement or deferred payment actions. Then the funding would be assured without requiring a set-aside each fiscal year which disrupts the budgeting of the regular bilateral program.

An operational problem cited by one of the implementing agencies was the inability to use 661 funds, once a 607 determination had been signed, to send a team to the country to negotiate the operating agreement. Since this can expedite getting the project going, it would seem appropriate to use Section 661 funds for this purpose. At least it could be provided on an advance basis, to be reimbursed to the account when the agency signed its agreement -- assuming that its agreement with the participating country would cover the costs of the trip.

In addition to the reimbursable and deferred payment possibilities provided for in Section 607, Export-Import Bank financing could probably be made available under certain circumstances. However, it probably would only make sense if the project were large and the amortization period would be longer than three years; otherwise, 607 provisions would probably be more attractive. Ex-Im might be reluctant to finance the project if the services being financed were being provided by another USG agency rather than the U.S. private sector, but might be willing to do so if it were clear that the services were not competitive with the private sector.

According to a consultant's reports on RDP possibilities in the Persian Gulf states, these states tend to do business with organizations whose personnel have established personal relationships with government officials and obtained their trust. A former Ambassador in the region stresses the value of the contact being made by a technical professional rather than a generalist. It seems important, therefore, to facilitate visits to countries by technical groups or visits by officials of potential participating countries to U.S. technical offices, even though an immediate project cannot be reasonably assumed. The "reasonable assumption" criterion for the use of Section 661 should relate to the development of a program, not an activity, because we are trying to build a long term relationship,

not necessarily an immediate sale. If the foregoing interpretation is not consistent with current GC determinations, it is suggested that the necessary legislative history be established to justify such a determination.

Program acceptability is also affected by the response time of PDC/RDP and the implementing USG agencies. RDP management needs to devote more attention to program management concerns to insure that the RDP office can maintain (and in some cases, shorten) its response time (see Section VI). In addition, consideration should be given to utilizing the field officers, when in place, to draft some of the documentation that now must be done in AID/W. Attention also needs to be given to the capability of the principal USG agencies participating in the program -- to insure that field officers do not develop more programs than can be implemented and to see if RDP resources can be used or procedures simplified to increase the other agencies' capabilities and/or reduce response time.

V. ORGANIZATIONAL OPTIONS

Even with a clear strategy statement more sharply focused on the development priorities of the regular AID bilateral program, the RDP will continue to be given low priority by many in AID because it is dealing with the generally better off countries. Thus, it can tend to blur the AID objectives. Further, the RDP will be competing with the regular bilateral program for management attention, personnel positions and operating expense and program funds -- the Section 661 funds come from regular appropriations for the bilateral program. If RDP were to use its authority for reimbursement in the following fiscal year or deferred payments up to three years, the funding required would also have to come out of the regular appropriations.

The proposal to establish the International Development Cooperation Administration (IDCA) puts the reimbursable program in a different perspective. Although RDP is marginal to -- even competes slightly with -- the bilateral AID program, the Administrator of AID or the IDCA should be interested in strengthening the program in the context of his broader responsibilities as head of the Development Coordination Committee (DCC) and as the President's chief advisor on development in the developing countries. It might be appropriate, therefore, for the RDP to be pulled out of AID and established elsewhere in the new IDCA structure.

Just where in that structure is difficult to say given the status of planning for the new agency. The proposed Foundation for International Technological Cooperation (FITC) would seem to be the logical place, but this depends upon that agency's mission. The FITC could encompass three major programs: management of interregional research on worldwide problems, the proposed new Technology Exchange and Cooperation program and the RDP.

An alternative could be to establish the RDP office as a separate element reporting to the IDCA administrator.

Either of the foregoing would appear preferable to leaving the RDP office in AID, assuming IDCA is established. In conjunction with such an organizational move, it is suggested that separate funding be established for the RDP operation. This would reduce the competitive aspect of the program and would also make it possible to compare more easily the results of the program with its costs.

VI. PROGRAM MANAGEMENT

A. Program Documentation

There is no section in Chapter 6 of Handbook 3 on the programming process for Sections 661 or 607. This should be remedied. Then those being assigned to the office would have some guidelines. Such documentation would also be helpful when it is necessary to discuss workload or level of positions.

The procedure for obtaining 661 missions, obtaining approval of 607 determinations, and initiating 607 projects should be available not only in the AID Handbook but also should be included in the Foreign Affairs Manual so that Embassy officers will also have ready access to the information.

Generally, the agreements made between USG agencies and foreign governments (or elements thereof) are considered international agreements in the context of the Case Act (PL 92-403, approved August 22, 1972). As such, they are subject to a "Circular 175" clearance procedure with State/Legal. The procedure, including action responsibilities

of AID/RDP, the implementing agencies and possibly the Embassies need to be documented in the AID Handbook and possibly in the Foreign Affairs Manual.

Both the obligation of Section 661 funds and the approval of Section 607 determinations (i.e., project approvals) are done by letter. It is suggested that forms be designed for these purposes, with provisions made for appropriate narrative either on the form or as an annex -- similar to the bilateral assistance project agreement. This could simplify the process and also make it much easier to use the documents for processing information.

It is recognized that the foregoing actions can take time that cannot be spared by existing staff. We suggest that SER/MP assist in this task. Mr. Ellis of that office is familiar with the RDP operation and could manage such an effort in an expeditious and thorough manner.

B. Program Reporting

Financial reporting on the obligation of Section 661 funds is prepared by the Office of Financial Management in the form of a trial balance. Any programming type report on 661 must be prepared by hand by PDC/RDP.

Under the Section 607 program, the implementing agencies report quarterly on their commitment of funds against country advances. From these, and its own record of approved 607 determinations, PDC/RDP prepares reports periodically on the 607 program. Two types of reports are prepared: one covering "open" 607 determinations, i.e., projects/activities that are considered still active (or potentially so); the other covering "closed" determinations, i.e., projects for which final close-out reports have been received by PDC/RDP from the implementing agency. Each of the two types of reports is prepared with two formats: one with data by country, the other with data by implementing agency. The "open" reports carry data for the latest quarter (or other reporting period) and cumulative.

Because of the large amount of data and the different ways it gets displayed, it is a very burdensome task to prepare the 607 reports. Since there is no reports officer, the reports are usually not very timely. They are also of limited value for analytic or management purposes. It is suggested, therefore, that SER/DM, perhaps with an assist from SER/MP and/or OFM, prepare an automated information system for the 607 program. This could save staff time for the main work of the office and provide more meaningful and timely management reports. Consideration should be given to distributing these reports, at least annually, to field missions and to those implementing agencies that have an interest. Well-designed reports submitted to appropriate AID/W

offices also could help obtain a better understanding and appreciation of the program.

C. Activity Evaluation

Since most Section 661 activities will be designed to obtain follow-on Section 607 activities, evaluation will involve primarily seeing if in fact Section 607 activities resulted. However, this can serve a useful management function. If certain types of activities consistently do or do not result in follow-on activities or if 661 missions to certain countries consistently do or do not produce follow-on activities, management can use this information in developing subsequent program development operational plans. A periodic review of how implementing USG agencies use the 661 funding advanced to them also could turn up innovative program development techniques that could be shared with other agencies.

It does not seem appropriate for AID to attempt to request implementing agencies and participating governments to provide evaluation plans in each of their agreements and to establish follow-on evaluation procedures for monitoring the implementation of the evaluation plan. It would be even less appropriate for AID to attempt to evaluate the activities or to monitor others' evaluation efforts. However, it would be prudent for the implementing agency to be sure that its agreement is specific on what is expected of the agency and the means by which its performance will be judged. AID should encourage the agencies to become familiar

with AID evaluation procedures and to utilize or adapt the AID evaluation system to the extent feasible in its RDP activities -- in its interest and in that of the participating country.

AID should follow up with participating country officials periodically to assure that they are satisfied with the performance of the implementing USG agency or USG-contracted implementing agent. This could be instructive as to which types of activities and possibly which implementing agencies seem to be meeting RDP objectives well (or poorly). As indicated for the 661 missions, this type of evaluation could provide useful information for management in terms of its strategy and operational plans.

D. Staffing

No attempt will be made to suggest a certain level of staffing. However, it is clear that there is not adequate staff to handle the current workload and the additional work that has been recommended herein. Certain suggestions will be made, therefore, of ways RDP can increase output with current staffing levels. It will be suggested, also, that AA/PDC alleviate the workload problem by providing support to RDP from other parts of the bureau and by arranging assistance from elsewhere in the Agency. Some comments will also be offered regarding overseas staffing.

The approved staffing level for RDP is 11 in AID/W and 8 overseas for the following positions:

AID/W: Coordinator
 Special Assistant
 Deputy Coordinator
 Asst. Coordinator -- Promotion and Marketing
 RDP Regional Advisors (4 -- 1 for each region)
 AID/W Support Staff (3)

Overseas: RDP Attachés (5)
 FS Secretaries (3)

As indicated in previous sections, there is a need for additional attention to program documentation and reporting. Even with the outside assistance suggested, there will still be a need for an increase in the amount of time devoted to what might be called program management and procedures. For example, the reports from the implementing agencies are frequently tardy and it is necessary for someone to be monitoring the submission of reports and following up. Someone will need to work with OFM and/or SER/DM even after the reporting is automated. Can the PDC management office provide the additional needed services?

There is a need for some additional monitoring of the implementation of 661 and 607 activities plus some evaluation activities as discussed in Sections III.C. and VI. C. Even though the regular AID evaluation procedures should not apply, AID should at least follow up with the purchasing country both during project implementation and at project

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completion to insure that the country is satisfied with the performance of the implementing agency or contractor. This will generally be accomplished by the RDP regional attaché or an Embassy. However, someone in PDC/RDP should be monitoring the follow-up effort to insure that it is being done on a timely basis.

Considerable additional program development activity has been proposed plus preparation of a strategy paper and regional and country operational plans (for priority countries), additional program management effort, etc. These cannot be done in a timely way without outside help or additional staffing or some combination thereof. Given the tightness on ceilings, RDP management will no doubt also have to seek ways of using existing staff more efficiently. This should include a review of the Nigerian participant training program. This program is taking the full time of one officer. In addition, the Deputy Director has been devoting 50 percent or more of his time to the Nigerian program, with a large part of that time devoted to the participant program. It is recommended, therefore, that planning be initiated to obtain the services of another USG agency or of a private contractor to manage the program.

To meet the workload crunch, consideration should be given not only to help from PDC management and other offices but also to contracting (e.g., in the program development area) and to obtaining temporary

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assignments to PDC/RDP of people on complement.

Improved efficiency could also be obtained if the RDP office could be housed together. However, the suggested move of the office to Rosslyn or Universal North, even if it brought the office together, would impair efficiency considerably because the office has a great deal of cable traffic and contacts with both State and AID regional bureaus.

As previously indicated, most USG agencies do not have the authority to carry out programs abroad, except in response to a Section 607 determination. However, the Federal Aviation Administration does have such authority -- at least for some of the activities that it undertakes under the RDP. It is suggested, therefore, that discussions be undertaken with the FAA to see if it would be possible for it to carry out its activities outside of the Section 607 procedure -- at least for activities in the industrialized countries. This could reduce the workload on the RDP office and also permit the RDP to be focused on LDCs and on activities which fit within the categories of programs specifically cited by Congress in the AID legislation.

Field Staffing

The RDP office has had considerable difficulty placing RDP attachés in the field. In some cases, the problem has been in obtaining Ambassadorial

MODE clearance; in others, the problem was Ambassadorial concurrence in the position description or the proposed candidate. In the case of the Near East, an Ambassador would like to have an RDP attaché assigned but the State Bureau has not concurred. The Bureau's position is that there is not sufficient business in the Persian Gulf area yet to justify someone in the field. It is also argued that a technical professional rather than a generalist will be able to make the most effective contacts; therefore, the Bureau feels that posting a generalist in the area will not be too helpful.

The adoption of "technology for development" rather than "sales" as the primary objective of the RDP should ease the difficulties with Ambassadors. The functions to be performed and the contacts that the RDP attaché would be likely to establish would be different from those of regular Embassy personnel. It is suggested that the position title be designated International Development Attaché and that the incumbent have international development experience. He should be familiar with the development administration problems faced by developing countries and ways of dealing with the problems -- or at least sources of assistance for dealing with them. He should become knowledgeable on the local development planning machinery

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and development priorities, particularly in areas where U.S. technology or technical expertise could be especially valuable. The Attaché should also follow assistance activities of other donors in the region.

While accepting the thesis of the Bureau for Near Eastern and South Asian Affairs that it is technical professionals that establish the relationships that lead to mutually beneficial cooperative undertakings, the experienced generalist can be an effective catalyst for arranging the getting together of the technical professionals and serving as a local intermediary until a project is established. Even after the project is established, the generalist can frequently help out the project by informal contact work with planning and budgeting offices.

It has been proposed elsewhere in this report that program development efforts could be enhanced by increasing the number of regional seminars or workshops and/or visits by technical groups to more than one country in a region. This sort of thing is far easier arranged by a person in the area with regional responsibilities than by officers in the individual Embassies or a regional officer stationed in Washington. As suggested elsewhere, the regional Attachés should not only be concerned

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with promotion of new activities but also should be performing some documentation, monitoring and evaluation activities -- which can also be done in program development. This also is far easier to perform from a field location.

Since it is clear that the Congress considers the Near East region a priority area for the RDP, it is hoped that the Bureau for Near Eastern and South Asian Affairs will reconsider its position and permit the stationing of the proposed RDP Attache in Doha, Qatar. One of his first tasks could be to develop, in conjunction with the Persian Gulf Embassies, the kind of operational plan suggested in Section III. B. above.

To save on MODE ceilings as well as AID positions, the RDP office should endeavor to do without U.S. secretaries abroad, either through use of locals, local contracting, or use of locally assigned U.S. dependents on a less than 40 hours per week basis. Consideration might also be given to contracting locally other kinds of services that could be helpful in program development work.

VII. IMPLEMENTING AGENCIES

The implementation of most RDP activities is undertaken by other USG departments or agencies. Some 22 different organizations have been participants in the program, in addition to AID and the Department of the Treasury office which handles the Saudi Arabia program initiated under the auspices of the Saudi Arabia-U.S. Joint Economic Commission. Summary data on the activities of the agencies with cumulative programs in excess of \$1 million are presented in Table 6 below.

Generally, the agencies are supportive of the RDP. Since a number of the agencies do not have authority to undertake overseas programs in their own right, and since the participation of some of them in the bilateral AID programs has been declining, they are pleased to be able to continue overseas activities through the RDP.

In the budget review of the RDP, someone questioned whether RDP use of some USG agencies would not reduce the manpower in those agencies which would be available for implementation of AID bilateral programs. At the moment, the only possibility for such a problem would seem to be the U.S. Department of Agriculture (USDA). However, the USDA contact did not see that as a problem now that the President has approved the provision of

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TABLE 6

RDP: Principal Implementing Agencies

(\$ Millions)

	<u>Cumulative Reimbursements as of 9/30/77</u>	<u>Cumulative Number of Activities^{1/}</u>	<u>Number of Countries & Int'l Orgs.</u>
Treasury ^{2/} (of which: Saudi Arabia)	93 (93)	6 (6)	1
Geological Survey (USGS) (of which: Saudi Arabia)	33 (32)	43 (1)	30
Department of Agriculture (USDA) (of which: Saudi Arabia)	15 (14)	8 (1)	5
Highway Administration (FHWA) (of which: Kuwait Iran)	9.4 (4.7) (4.1)	4 (1) (2)	3
Department of Labor (DOL) (of which: Saudi Arabia)	7.6 (7.5)	4 (2)	2
Bureau of Census (BUCEN) (of which: Saudi Arabia)	7.1 (7.0)	4 (2)	3
A.I.D. (of which: Nigeria)	3.9 (3.0)	12 (1)	10
Federal Aviation Admin. (FAA) (of which: Zaire)	3.3 (2.2)	29 (1)	23
Bureau of Reclamation (BUREC) (of which: Zaire)	4.0 (1.9)	14 (1)	11
Internal Revenue Service (IRS) (of which: Trinidad & Tobago)	1.0 (1.0)	9 (2)	7
Other Agencies (13)	<u>1.3</u>	<u>35</u>	<u>14</u>
TOTAL	179	168	66 ^{3/}

^{1/} Number of effective 607 determinations, plus breakout of Treasury determination of 6/6/75 covering activities in Saudi Arabia.

^{2/} Saudi Arabia Joint Economic Commission activities less those being implemented by USDA, DOL and BUCEN.

^{3/} Does not add because a number of agencies have had programs in more than one country.

additional temporary personnel ceilings for USG agencies (other than STATE and AID) for implementing the RDP program, i.e., when the positions are being fully reimbursed and only for the life of a specific activity. USDA now has 25 people abroad under the RDP and expects to go to 50 next year if programs now being negotiated materialize. This compares to 600 abroad under the bilateral program.

Section 607(a)

1. Text

Whenever the President determines it to be consistent with and in furtherance of the purposes of Part I and within the limitations of this Act, any agency of the United States Government is authorized to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid (including foreign voluntary nonprofit relief agencies so registered and approved when no United States voluntary nonprofit relief agency is available).

Such advances or reimbursements may be credited to the currently applicable appropriation, account, or fund of the agency concerned and shall be available for the purposes for which such appropriation, account, or fund is authorized to be used, under the following circumstances:

(1) Advances or reimbursements which are received under this section within one hundred and eighty days after the close of the fiscal year in which such services and commodities are delivered.

(2) Advances or reimbursements received pursuant to agreements executed under this section in which reimbursement will not be completed within one hundred and eighty days after the close of the fiscal year in which such services and commodities are delivered: Provided, That such agreements require the payment of interest at the current rate established pursuant to Section 2(b)(1)(B) of the Export-Import Bank Act of 1945 (59 Stat. 526), and payment of such principal and interest does not exceed a period of three years from the date of signing of the agreement to provide the service: Provided further, That funds available for this paragraph in any fiscal year shall not exceed \$1,000,000 of the total funds authorized for use in such fiscal year by Chapter 1 of Part I of this Act, and shall be available only to the extent provided in appropriation Acts. Interest shall be accrued as of the date of disbursement to the agency or organization providing such services.

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2. Purpose

Section 607 authorizes U.S. Government agencies to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and Voluntary Nonprofit Relief Agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid. It permits the U.S. agency to credit funds received in reimbursement for services and commodities furnished to the current applicable appropriation, fund or account if the funds are received within 180 days after the close of the fiscal year in which services or commodities are delivered. In 1975, this section was amended to permit A.I.D. to reuse up to \$1 million of reimbursements received in any fiscal year from countries for services or commodities furnished to such countries, even if the reimbursements are not received within 180 days of delivery in accordance with existing Law, provided that the deferral of payment is made in accordance with an agreement requiring payment of interest at Export-Import Bank rates of interest, with repayment of principal and interest to be completed within three years. Interest payments are paid into the Treasury. Reimbursement may be limited to the out-of-pocket expenses, if any, of the transferring agency. In general, under this section, the Administrator by making a determination will authorize other government agencies to deal directly with foreign governments (e.g., the furnishing of postal equipment to the Government of Liberia by the Post Office Department). The section also may be used as authority for A.I.D. to make transfers (particularly of excess property).

3. Year Enacted

Originally enacted in substantially this form as Section 535(b) of the MSA of 1954. Section 535(b) was a condensation of Sections 404(c) of the Act for International Development, Section 303(c) of the MSA of 1951, and Section 304(b) of the U.N. Palestine Refugee Aid Act of 1950.

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4. Originating Body

Executive Branch Proposal

5. Sponsor

Executive Branch (1977 amendment permitting foreign relief organizations to utilize Section 607 authority was sponsored by Representative Solarz.)

6. Subsequent History

a. Section 10(e)(2) of the MSA of 1956 amended Section 535(b) to include the 180 day grace period for use appropriated funds.

b. Section 10(g) of the MSA of 1957 added the words "consistent with and" to the first sentence of the section.

c. The FMA of 1961 incorporated the MSA provisions into Section 607(a), adding the American Red Cross and Voluntary Agencies as eligible participants.

d. This section was redesignated as Subsection (a) by Section 301(b) of the FAA of 1968.

e. Section 315 of the International Development and Food Assistance Act of 1975 added the second proviso which permits deferred repayments of up to three years under specified circumstances. This was an Executive Branch proposal added in Committee by Senator Case.

f. Section 122 of the International Development and Food Assistance Act of 1977 amended Section 607 of the FAA, which permits the President to furnish services and commodities on an advance-of-funds or reimbursement basis to voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid, to authorize such services and commodities to be furnished to such foreign (third-country) relief agencies as may be so registered and approved. The amendment provides that such agencies should be used only when no U.S. voluntary nonprofit relief agency is available. The House report states that this amendment is not intended to affect assistance to private organizations of the recipient country, which receive services, commodities, or other assistance as a matter of course under A.I.D.'s regular development

programs. It is intended to extend the privilege of Section 607 programs to third-country nonprofit voluntary relief agencies that may be in a position to carry out needed activities in situations where no local or U.S. relief agency can do the job.

7. Legislative History

a. MSA of 1954: Public Law 83-665 (August 26, 1954)

Senate Report: No. 83-1799, p. 113
(July 13, 1954)
(Committee on Foreign Relations)

House Report: No. 83-1925 (pt. 1), pp. 109-110
(June 25, 1954)
(Committee on Foreign Affairs)

No. 83-2637, p. 30 (August 5, 1954)
(Committee of Conference)

b. MSA of 1956: Public Law 84-726 (July 18, 1956)

Senate Report: No. 84-2273, pp. 37, 76
(June 19, 1956)
(Committee on Foreign Relations)

House Reports: No. 84-2213, pp. 44, 79
(May 25, 1956)
(Committee on Foreign Affairs)

No. 84-2643, pp. 8, 24
(July 7, 1956)
(Committee of Conference)

c. MSA of 1957: Public Law 85-141 (August 14, 1957)

Senate Report: No. 85-417, pp. 56, 57
(June 7, 1957)
(Committee on Foreign Relations)

House Report: No. 85-776, pp. 40-41, 86
(July 9, 1957)
(Committee on Foreign Affairs)

- d. FAA of 1961: Public Law 87-195 (September 4, 1961)
Senate Report: No. 87-612, p. 30 (July 24, 1961)
(Committee on Foreign Relations)
No. 87-1088, p. 18 (August 30, 1961)
(Committee of Conference)
- e. FAA of 1968: Public Law
Senate Report: No. 90-1479, p. 35 (July 26, 1968)
House Report: No. 90-1587, pp. 4, 30
(June 26, 1968)
(Committee on Foreign Affairs)
No. 90-1884, p. 5 (September 10, 1968)
(Committee of Conference)
- f. International Development and Food Assistance Act
Act of 1975: Public Law 94-161 (December 20, 1975)
Senate Report: No. 94-406, pp. 48-49, 79
(October 1, 1975)
(Committee of Conference)
- g. International Development and Food Assistance Act
of 1977: Public Law 95-88 (August 3, 1977)
House Report: No. 95-240, p. 41 (May 3, 1977)
(Committee on International Relations)
No. 95-501, p. 35
(July 14, 1977)
Committee of Conference

Foreign Assistance Legislation for Fiscal Year 1978:
Markup sessions of the House Comm. on International
Relations, 95th Cong., 2d Sess. 133-134 (1977)

FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

Section 661: Reimbursable Development Programs

The President is authorized to use up to \$2,000,000 of the funds made available for the purposes of this Act in the fiscal year 1977 and \$2,000,000 of the funds made available for the purposes of this Act in the fiscal year 1978, to work with friendly countries, especially those in which United States development programs have been concluded or those not receiving assistance under Part I of this Act, in (1) facilitating open and fair access to natural resources of interest to the United States and (2) stimulation of reimbursable aid programs consistent with Part I of this Act. Any funds used for purposes of this section may be used notwithstanding any other provision of this Act.