



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 10, 1999

Counselor
to the Agency

MEMORANDUM TO THE FILES

FROM: C/AID, Kelly C. Kammerer *KCKammerer*

SUBJECT: Reorganization Plan for the Foreign Affairs Agencies: State/USAID Agreement on the Interpretation of Section 1522 of the Foreign Affairs Reform and Restructuring Act of 1998 -- "the Administrator... shall report to and Be Under the Direct Authority and Foreign Policy Guidance of the Secretary of State".

Discussion: On April 18, 1997, President Clinton announced a reorganization plan for the foreign affairs agencies under which USAID would remain a distinct agency with a separate appropriation. Under the President's plan, the USAID Administrator would "report to and be under the direct authority and foreign policy guidance of the Secretary of State". In essence, the President's decision meant USAID would revert to the status it had before the creation of the International Development Cooperation Agency (IDCA) in 1979, when it existed as an agency within the Department of State.

From its creation in 1961 until IDCA was established by Reorganization Plan No. 2 of 1979, USAID operated pursuant to a Presidential Executive Order (E.O. 10973), and a Delegation of Authority from the Secretary of State (Delegation No. 104). Under those authorities (and relevant provisions of the Foreign Assistance Act of 1961, as amended, hereinafter "the FAA"), the USAID Administrator served under the "policy guidance" and "general direction" of the Secretary of State (See FAA Sections 101(b) and 622(c)). After 1979, the IDCA Director (or, since 1981, the Administrator of USAID "acting" as the IDCA Director) also "reported to" the Secretary on matters relating to foreign policy. (See section 2 of Reorganization Plan No. 2 of 1979.)

In addition to the above-cited authorities, the President's April 1997 decision provided that the Administrator would operate under the "direct authority" of the Secretary of State. While the meaning of "direct authority" was not defined in the White House Fact Sheet accompanying the President's decision (TAB A), the anticipated relationship of the Secretary and the Administrator under this new arrangement was described in USAID memoranda submitted to the NSC and the Office of the Vice President (OVP) (TAB B), and in the subsequent 1997 report of the Inter-Agency Task Force on Reorganization (TAB C). (Note: While section 1523(a)(4) of the Foreign Affairs Reform and Restructuring Act of 1998 (which codified the President's decision on reorganization) also did not define the term direct authority, it did specify that provision was in addition to authority vested in the Secretary under FAA Sections 101(b) and 622(c)).

As explained in the material submitted to the NSC and the OVP (TAB B), putting the Administrator under the direct authority of the Secretary of State was not intended to place USAID or its Administrator under the day-to-day operational control or direction of the Secretary on other than foreign policy matters. It was also made clear that USAID would continue to operate with its budget authorities intact. The OVP (Leon Fuerth) advised the Administrator that the President's decision on reorganization reflected these understandings, which subsequently were incorporated in both the 1997 Inter-Agency Task Force Report and the 1998 Presidential Report on reorganization. The White House Fact Sheet, released with the President's decision on April 18, 1997, summarized this new relationship as follows: "the plan the Vice President devised strikes a sound balance between the need for greater policy coherence and effectiveness with the necessity of preserving [USAID's] special mission and skills".

To implement the President's decision, an inter-agency task force spent four months in 1997 working out the details of the proposed reorganization (May - August 1997). The Secretary, the OMB Director, the NSC and the OVP approved the agreements contained in the Task Force report relating to USAID. The report also formed the basis for the Administration's position in negotiations with the Congress on the reorganization legislation subsequently enacted on October 19, 1998. (See the Conference Report on the Foreign Affairs Reform and Restructuring Act, H.R. Rep. No. 105-432, pages 131-133, March 10, 1998) (TAB D).

The relevant USAID-related agreements in the August 1997 Task Force report (which were incorporated with only minor, non substantive modifications in the President's 1998 Report to the Congress) included the following: (1) USAID would be established by law as an agency of the U.S. government, operating with authorities delegated from the Secretary; and (2) USAID would exercise the same functions and authorities it had under IDCA, including authority:

- to receive apportionments for development assistance and other economic assistance appropriations;
- to create policies for development assistance and other economic assistance programs;
- to implement development assistance and other economic assistance programs;
- To manage and administer assistance programs, including the requisite personnel authorities.

As noted above, these agreements formed the basis for the Administration's negotiations with the Congress on the reorganization legislation enacted in October 1998 (See Conference Report, *ibid.* at page 133). That legislation, in addition to creating USAID as an independent establishment within the Executive Branch, included verbatim the President's terminology describing the Administrator's relationship with the Secretary under the reorganization: "The Administrator...shall report to and be under the direct authority and foreign policy guidance of the Secretary of State" (See Section 1522 of PL 105 - 277, the Foreign Affairs Reform and Restructuring Act of 1998) (TAB E).

After the reorganization legislation was enacted in October 1998, Secretary Albright directed Patrick Kennedy, Assistant Secretary for Administration, to reconvene the Inter-Agency Task Force in order to prepare the reorganization report required by the new law. On November 12, 1998, at the first meeting of the reconvened Task Force, Assistant Secretary Kennedy asked representatives of the affected agencies to review the report as approved in August 1997, and to either update it as required by the new law or to reach agreement on any bracketed language. Mr. Kennedy designated Ambassador William Courtney as the chairman of the Development Assistance (USAID) Task Force, noting that its job would be minimal, as there was no bracketed language in the Development Assistance Chapter of the 1997 report.

A summary of the deliberations of the Development Assistance Task Force follows:

1. At the first meeting (November 16, 1998), Ambassador Courtney noted that the reorganization legislation gave the Secretary new coordination authorities and that task force representatives would be asked to respond to various "strawmen" organizational options to carry out those coordination functions.
2. At the second meeting (November 18, 1998), USAID representatives came prepared to discuss methods to improve inter agency-coordination, but instead were given a substantially revised version of the Development Assistance Chapter of the 1997 Task Force Report. Ambassador Courtney noted that "people at the policy level" in State believed that the "coordination" and "direct authority" language in the reorganization act required substantive revisions to the August 1997 report, including possibly deleting reference to USAID's ability to receive apportionments directly from OMB, and changing USAID's independent budget role to one of preparing budgets and recommending allocations for the Secretary's approval.
3. On November 20, 1998, Ambassador Courtney sent USAID a further modification to the August 1997 report, "reflecting input from key offices here", that equated direct authority with a requirement that the Secretary "approve" USAID's annual budget, appeals, allocations and reprogrammings before they were submitted to OMB or the Congress (TAB F).
4. In each instance, USAID objected when these modifications were proposed on the grounds that the President's decision on reorganization did not envision this type of day-to-day control by State of USAID operations and budget (a principle that had been reaffirmed in the August 1997 version of the reorganization report). USAID further noted that nothing in the reorganization legislation contradicted or otherwise required substantive modifications to the President's decision or to the August 1997 report.
5. On November 23, 1998, USAID sent a memorandum to Assistant Secretary Kennedy (TAB G), noting that the Development Assistance Task Force had been unable to make progress on finalizing the Development Assistance Chapter because Ambassador Courtney was being asked by others in State to

include what USAID believed to be erroneous material. Once again, USAID asked that the August 1997 version of the reorganization report be the version submitted to the Congress.

6. On November 24, 1998, USAID sent a similar memorandum to Ambassador Courtney (TAB H), declining to comment on the revised State version of the Development Assistance Chapter on the grounds that it was based on the unacceptable premise that the Reorganization Act required changing the President's decision, or amending the August 1997 version of the Development Assistance Chapter of the Reorganization Report. Attached to both memoranda was a draft memorandum laying out options for improving coordination between State and USAID without inappropriately changing the President's decision that USAID remain a distinct agency (TAB I).
7. On November 24 and December 1, 1998, Ambassador Courtney sent to USAID further revisions to the Development Assistance Chapter, including language taken from USAID's memorandum on improved coordination. In both versions Ambassador Courtney continued to include language that would require the Secretary to approve USAID budget actions (TAB J).
8. On December 2, 1998, USAID sent another memorandum to Assistant Secretary Kennedy repeating USAID's objections to the "approval" language in the various redrafts of the Development Assistance Chapter (TAB K).
9. On December 3, 1998, the Administrator sent a separate memorandum to the Deputy Secretary (TAB L) raising concerns about reopening the previously agreed text of the reorganization report, and indicating that he believed that any proposal to change that agreed text should involve all the parties to the original agreement, including OMB and Vice President.
10. On December 3, 1998, in a conference call with Assistant Secretary Kennedy and Deputy Legal Advisor Jim Thessin, Mr. Thessin suggested that instead of requiring that the Secretary "approve" various USAID budget and strategic planning actions, the "direct authority" standard would be met if the Secretary instead "reviewed" those actions. Mr. Kennedy (noting that he had checked the review language with the "Seventh Floor"), subsequently notified me that State agreed with that change, which was then incorporated in the revised draft of the Development Assistance Mission Chapter on December 4. On December 7, USAID sent Ambassador Courtney

a fax noting its agreement with the compromise language (TAB M)

11. On December 10, 1998, the Administrator participated in a conference call with two senior representatives of the Department (the Counselor and the Chief of Staff), who said the Secretary, after reviewing the draft report, now believed the compromise standard should be changed once again, this time from "review" to "concur". The Administrator summarized the nearly three years of history associated with the President's reorganization decision, and advised the senior representatives that anything requiring "approval", "clearance" or "concurrence" by the Secretary of USAID's budget and planning functions would violate the President's April 18, 1997 decision, and the Secretary's frequently stated position that she did not want to micro-manage, nor involve the Department in, USAID's day-to-day operations. The Administrator indicated that if such a fundamental change in the Secretary's role were contemplated, it would have to be referred back to the OVP, OMB and NSC for consideration.
12. Within minutes of this discussion, the Administrator received a call from Mr. Kennedy, who said he had heard that the Administrator did not like the word "review", which is why the word "concur" had been substituted. The Administrator said he would be very pleased if the word were changed back to review, as he had no objections to that word.
13. After reaching agreement with USAID on this issue, the Department submitted the draft report to the Office of Management and Budget (OMB). On December 15, 1998, OMB sent the draft report to USAID and the other affected agencies for comment. On December 17, USAID provided its line-in line out comments, along with its understanding of the impact of the reorganization on the day-to-day operations of USAID and State (TAB N).
14. On December 19, the Department responded to that letter, accepting most of USAID's line-in line out revisions, but noting "we will meet with USAID in the near future to correct a number of opinions laid out [in USAID's December 17, 1998 letter]" (TAB O).
15. To clarify that the concerns referred to in State's December 17 letter did not relate to USAID's understanding of either the review standard or the nature of the delegation of functions and authorities to USAID once IDCA was abolished, USAID sent a follow-up letter to OMB on December 21, 1998

(TAB P). That letter, which was cleared by Assistant Secretary Kennedy on behalf of the Department, states, in relevant part:

A. On Delegation of Authority: "... the Secretary will delegate or redelegate to USAID the functions and authorities needed to carry out its mission. This will effect the President's April 18, 1997 decision, subsequently confirmed in PL 105-277, designating USAID as an independent establishment within the Executive Branch. As we noted in our [December 17, 1998] letter, our review with State to date has identified several IDCA-like coordination functions in the Foreign Assistance Act that logically should be reserved to the Secretary."

B. On exercising USAID budget functions under the direct authority of the Secretary: "the standard we have agreed on for the report is that the Administrator will submit for the Secretary's review, before they are transmitted to OMB or the Congress, the GPRA-mandated strategic plan and annual performance plan, the annual budget and appeals, allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance. In this process the Administrator will fully inform the Secretary concerning these proposed functions and the Secretary will inform the Administrator whether they are consistent with the Administration's foreign policy and other objectives.¹ There is no disagreement between USAID and State on this point."

16. The substance of the understandings described in USAID's December 17 and December 21 letters were made part of the record in the memorandum transmitting the reorganization report to the President (See Kammerer/Wechsler 12/22/98

¹ The words "and other" were added by Mr. Thessin, who explained that in addition to advising the Administrator on foreign policy matters, there could be other cases where the Secretary's position should also be taken into account. The example he used was a situation where the Administrator might want to propose a budget supplemental, but the Secretary believed the political climate in Congress was not propitious.

memcon, (TAB Q). The fact that these understandings were incorporated in the draft report submitted to the President was also confirmed in a December 30, 1998 NSC memorandum (TAB R), which stated that the NSC had approved the report to the President only after being assured by Mr. Kennedy that the Department concurred in, and had formally cleared, USAID's December 21, 1998 letter (which also incorporated by reference USAID's December 17, 1998 letter to Robert Kyle on the same subject).

As stated in USAID's December 17, 1998 letter to Mr. Kyle:

"The word "review" assumes a collaborative approach [between the Administrator and the Secretary]. In reaching agreement [with State] on this standard, we have deliberately avoided words like "approve", "concur" or "clear" in describing the Secretary's role... We believe this is an important distinction to maintain in order to protect the President's decision that USAID's long-term development mission be preserved and that USAID continue to operate as a distinct agency with its budget, policy, management, and implementation authorities intact."

17. The agreement on this collaborative approach was further reinforced in USAID's December 21 follow-up letter to Mr. Kyle (TAB P), which noted that USAID and State had agreed that if the Secretary found any of USAID's proposals inconsistent with the Administration's foreign policy or other objectives, she would inform the Administrator of her concerns. The Administrator would then take into account the Secretary's concerns in making USAID budget recommendations and decisions. Any disagreements on the appropriate course of action would be resolved directly between the Secretary and the Administrator.²

² Section 1523 of the reorganization act authorizes the Secretary to resolve policy, program, and funding disputes among United States Government agencies. The logical interpretation of this authority is that it relates to disputes among agencies subject the Secretary's coordination authority, e.g., a dispute between USAID and Treasury relating to funds or programs covered by the reorganization act. Even in such cases, OMB has made it clear that under the constitution, and the President's inherent power over foreign affairs, the President has the ultimate authority to resolve disputes among agencies.

Clearances:

A/AID:JBatwood (draft)
DA/AID:HCBabbitt (draft)
GC/LPA:RLester (draft)
AA/LPA:JBuckley (draft)
AA/M:TBrown (draft)
AA/PPC:TFox (draft)
PPC:TMorse (draft)

cc: AID/C, JMichel
GC, SMCCallister
D/GC, STisa
DAA/M, RNygaard

THE WHITE HOUSE
Office of the Press Secretary

April 18, 1997

FACT SHEET

Reinventing STATE, ACDA, USIA, and AID

“The era of big government is over.” – Bill Clinton

President Clinton’s plan brings an end to bureaucracies originally designed for the Cold War, streamlines the Executive Branch’s policy-making process, and enhances our nation’s ability to meet the growing foreign policy challenges of the 21st century. It puts matters of international arms control, sustainable development, and public diplomacy where they belong, at the heart of our foreign policy within a reinvented Department of State. It incorporates key lessons from the private sector.

The Plan:

The State Department will undertake a new round of internal reinvention to incorporate new organizations and to manage new responsibilities. This reinvention will make the new State Department more effective and efficient and better able to defend American interests and promote American values abroad.

The Arms Control and Disarmament Agency will be fully integrated with State within one year by merging both agencies’ related arms control and nonproliferation functions. The ACDA Director will be double-hatted as the Under Secretary of State for Arms Control and International Security Affairs, and then the two positions will be merged as Under Secretary/Senior Adviser to the President and Secretary of State, which will be able to communicate with the President through the Secretary of State. ACDA’s unique advocacy role will be preserved and the policy process supporting those efforts will be strengthened through additional interagency responsibilities. Along with ACDA’s technical and policy expertise, its verification, compliance, and legal functions will be preserved.

The United States Information Agency and the State Department will be integrated over a two-year period. During that process, the Director of USIA will be double-hatted as the new Under Secretary of State for Public Diplomacy. This process will likely begin with an integration of related functions, such as legislative and public affairs; after that, the integration process will turn toward USIA’s overseas press expertise and State’s press offices. The distinctiveness and editorial integrity of Voice of America and the broadcast agencies will be respected. A

new bureau will be created within the State Department to handle cultural and exchange issues.

The Agency for International Development will remain a distinct agency, but will share certain administrative functions with State and will report to and be under the direct authority and foreign policy guidance of the Secretary of State. Within two years, AID will integrate its press office and certain administrative functions. The International Development Cooperation Agency, created in 1979, will be abolished. The Secretary of State and AID Administrator will recommend what further steps might be taken to eliminate duplication.

The President's plan was the result of a long and deliberative process under the leadership of Vice President Gore. This reorganization plan enjoys the support of the Secretary of State and the heads of ACDA, AID, and USIA. In developing this plan, the Vice President worked from three guiding principles:

The programs of ACDA, USIA, and AID must be preserved. Sustainable development, nonproliferation, and public diplomacy are now more central than ever to American foreign policy; our institutional arrangements should reflect that. Moreover, there is no better time than the present to launch this process, at the outset of a new term, a new Congress, and with a new Secretary of State.

Complexities must be fully acknowledged. Reinvention and integration should take into account the central and continuing importance of reform of all of the agencies including the State Department, the relative complexity of the smaller agencies and anticipated level of difficulty in merging and integrating them, and the need to preserve the unique skills and capabilities inherent in each of the agencies. Any reorganization plan should be designed around our greatest strength -- the abilities and expertise of the dedicated public servants who work in those agencies.

The Executive and Legislative Branches must cooperate on foreign affairs. The need for reorganization in the foreign policy agencies is also recognized by key members of Congress. Their views and expertise on these matters should inform our process. Our ability to work together with the Congress on this endeavor should encourage our bipartisan approach toward for foreign policy matters.

After much deliberation, the plan the Vice President devised strikes a sound balance between the need for greater policy coherence and effectiveness with the necessity of preserving the special missions and skills of the three smaller agencies.

Tab B



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

March 13, 1997

MEMORANDUM

TO: Task Force on Reorganization of Foreign Affairs
Functions

FROM: J. Brian Atwood *JA*

SUBJECT: USAID Response to Reorganization Options

My comments on the various options are all premised on basic principles which I hope will guide us all as we consider what advice to give the President on how to organize to carry out the development/humanitarian mission. I will abbreviate my comments on the options, but I ask that my general position be reflected in the memo to the President.

My strong view is that the "integrative" options as applied to USAID, whether imposed immediately or phased in, will compromise our capacity to achieve strategic development goals, and violate fundamental tenets of management theory. Coordination between related functions for maximum effect in carrying out our foreign policy goals will not be achieved by blurring lines of authority, confusing systems of accountability or mixing two very different professional perspectives with the effect of suppressing one. This will not serve any Secretary of State well.

The President has recognized that as we move toward a world with 2 billion more people by the year 2020, we will need an institutional capacity to perform the development/humanitarian mission more than ever. Three principles must guide the reorganization effort: 1) do not remove the legal protections now afforded our long term strategic investments in development assistance; 2) maintain management integrity and accountability over these programs so that they can demonstrably achieve results; and 3) do not downgrade the mission at a time when our budget cuts have already diminished our ability to influence and leverage other donors.

The development/humanitarian mission¹ is discrete within the international affairs function. It supports and complements the diplomatic mission, but it is distinct. USAID's strategic framework for achieving development results requires a critical focus of effort and resources. The diplomatic mission requires agility, rapid response, quick analysis, reporting and policy formulation. The timeframe for closure in a development program is longer term. The institutional capacity needed to achieve strategic goals is more technical. The professional development perspective emphasizes program and resource management, analysis of a foreign nation's domestic condition (not its foreign policy positions), prospective sustainability for an initiative, an appreciation of how strategic goals (economic growth, population, education, environment and democracy) can be made synergistic and a keen awareness of what other donors are doing and how we can influence their investments.

For these reasons it is vital to create a clear chain of command. We place a premium on the achievement of results and therefore see management accountability as essential. If the development/humanitarian mission is integrated directly with a different mission, our development program will be subject to the natural pressures that are generated by an entirely different professional perspective. This is why we must strongly oppose all of the "integrative" options. We believe that these options would lead to the demise of our nation's institutional capacity to do this work and our international leadership role in the development/humanitarian field.

As the attached chart prepared for the Secretary of State reflects, coordination under the current arrangement is extensive, from the country team to the seventh floor. Ambassador's approve AID country strategies, State officials from regional bureaus sit in on our performance-strategy review sessions, they are invited to our budget sessions and they are now being consulted on our GPRA strategic plan. I attend the Secretary's staff meetings and we send a representative to the Deputy Secretary's daily meeting. Hundreds more ad hoc and scheduled meetings occur each week.

However, I have proposed an even more formal structure, chaired by the Secretary, to deal with any perception that might

¹Arguably, these could be defined as two separate missions, but this Administration, recognizing how important the synergies were in an increasingly crisis prone world, has sold the donor community on the concept of the relief-recovery-development continuum and we have made great strides in relating our disaster relief and food aid programs to our transition and development strategies.

exist that this is inadequate. The proposal would be to create this structure by Executive Order. It should enhance the process in that it provides a forum for discussing longer range issues and a mechanism to consult on strategic plans and budgets.

When coordination has taken the form of integrating operations it has historically failed and, in my view, the current congressionally-imposed "coordinators" for NIS and SEED are similarly flawed structures. The most often cited historic example is the effort to merge USAID-State Latin American operations during the Alliance for Progress. One USAID veteran of that experience told me the following:

"We had two chains of command so we would play one against the other depending on what we wanted to get done. Still, the pressures to work only with governments (not NGOs) and to try to influence their foreign policies were enormous. We found ourselves offering balance of payments cash, not for development purposes, but to bring influence. Finally, as the Vietnam War came along, State lost interest in the Alliance and we were left holding the bag. Several long-term projects -- investments -- had to be abandoned."

USAID's principle partner is the Department of State and our most important function is to support U.S. foreign policy as it deals with crisis mitigation, post crisis transitions and preventive diplomacy (or crisis prevention). But we also support our international economic and trade promotion strategies by working with Treasury, Agriculture and the Commerce Department-led Trade Promotion Coordinating Council. We support U.S. environmental protection objectives working with EPA; disease control objectives working with HHS and CDC; and judicial reform working with the Justice Department. We are closely aligned with the Department of Agriculture in the operation of our Food for Peace Program and our agricultural research and development programs which also benefit American farmers. Our work with the World Bank, the other MDBs, the IMF and the UN voluntary agencies is extensive as well. And, since their inception we have backstopped and supported the Vice President's Binational Commissions with Egypt, Russia, Ukraine and South Africa.

Were our budget to be prepared exclusively by the State Department, these important domestic objectives would be secondary at best. And, we as a government, would weaken our development voice in dealing with other multilateral and bilateral development organizations.

Finally, in the past four years, USAID has reinvented itself not only to perform its traditional mission more effectively, but to adjust to the need for rapid response in the post-Cold War world. We created the Office of Transition Initiatives, the state of the art in working in post-crisis environments. We have

proactively introduced new concepts of crisis prevention, including the President's Greater Horn Initiative. From Haiti, to Bosnia, to South Africa to Russia, we have served the foreign policy needs of the President and the Secretary, demonstrating clearly the quality of our coordination with the State Department. The "integrative" options will not add to our capacity to carry out these tasks, but it will seriously harm it.

I can and will accept a solid line reporting relationship to the Secretary of State, as was the case prior to 1979, that would make the USAID Administrator a part of her own senior team and would make USAID an autonomous part of the State Department. Consistent with the three principles I have noted above, this solid line relationship must allow the USAID Administrator to exercise the fundamental management tools needed to run the Agency: e.g., strategic planning, budget, personnel, financial planning and accountability. At the same time, such a system would enhance coordination, open the possibility of merging other functions (the refugee function performed by PRM should be a part of our Bureau for Humanitarian Response and could be absorbed with significant cost savings given USAID's much stronger back-up capacity), enhance not downgrade the development mission and enable the United States to retain a distinct institutional capacity it will find even more indispensable in the future.

USAID's Preferred Option

The above considerations notwithstanding, my strong preference is that the President adopt option 4C which is a "process" option that will give this exercise the sense of gravity it deserves. We will not serve the President well if we attempt to create the structural architecture for the first part of the 21st century in two weeks. Even if we happen on the right choice, we will look as though we are doing it under political pressure, it will be perceived as lacking the weight of a serious examination and it will be accepted by Congress as the opening offer of an extended negotiation with individuals who want either to reduce the President's 150 account request or to eliminate one or more entire missions. Presidential prerogative in the national security field will be compromised by such a negotiation with Congress.

If 4A is combined with a Presidential Advisory Panel of prestigious Americans from both parties, it will have added weight. If 4A is combined with a new Executive Order creating ad interim an International Affairs Policy Coordinating Council chaired by the Secretary of State (to be modified when a reorganization plan is approved by Congress), it will deny opponents the argument that we are allowing our "uncoordinated" arrangement to extend another year.

Other Options

Here are my brief comments on the other options in the "non-paper."

Option #1 (formerly 1A and 1B) -- Modernizing Without Reorganizing

GAO studies have noted the tremendous disparities in the levels of reinvention progress in the foreign policy agencies. This option avoids the need to "re-do" what has already been achieved under NPR-led efforts. The option also avoids creating a super-bureaucracy, which will have its own management problems. It has the benefit of having been the option supported by the Vice President at the conclusion of the last reorganization exercise.

While this option may fall short of today's political expectations, it is in many ways the most practical solution, particularly if it is combined with technological changes and a Coordination Council that would address the coordination-communication issues.

Option #2 (focus is on 2C related to USAID) -- Merge one or more agencies into the State Department

Agency Comment: This option is unacceptable except as I have defined it above. As written in the non-paper, it does not protect development resources. It downgrades the development mission. It potentially distributes development functions to several different bureaus of the State Department. Finally, it clearly puts the development mission at risk.

The description of this option does not explain how USAID's administrative support operations would be merged into State. Most of USAID's support operations have been developed to service a program agency (substantial financial resources are allocated to accomplish measurable results) while State is a policy/service agency. Functions like financial management and procurement could be co-located, but they are substantially different and merger would be time-consuming and costly.

The description of this option is unclear on a number of points. As stated, the Under Secretary for International Resources and Development would have responsibility for global programs, but responsibility for implementation would fall to the newly combined regional bureaus, presumably responsible to the Under Secretary for Political Affairs. This is a prescription for chaos within the State Department. Regarding options that merge USIA and ACDA into State, I have no comment.

Option #3 (combines 3A and 3B?) -- Integrate all Four Agencies

Agency Comment: The option of an International Development Foundation (IDF) should not be considered under either sub-option. First and foremost, putting long-term development outside the purview of the executive branch would damage the ability of the U.S. to conduct effective development assistance programs because there would be no effective mechanism for either setting or achieving results in support of U.S. foreign policy goals. Second, experience has demonstrated that a mix of NGO and government interventions are critical to achieving development goals, particularly in the areas of economic growth via policy reform and promoting democracy where government institutions need to change. NGOs cannot access government ministries easily. Finally, over time, the IDF budget would become an easy target thereby resulting in a diminution of resources for international affairs.

Option 3A might be workable assuming it uses the Defense Department model where different services with distinct cultures serve under common leadership. Using this model, each of the three agencies would become a separate agency within an expanded Department of State rather than being merged into State's existing structure as bureaus or under secretaries. This would have the advantage of retaining the clarity of missions and the separate cultures that support those missions. USAID, for example, could revert to pre-1979 organizational arrangements, in which the Administrator would retain his current title and level while reporting directly to the Secretary of State. The heads of ACDA and USIA could also remain as Directors within State.

Regarding 3A and 3B, see comments above. The issue for USAID is not the timing, it is the substance.

Option #4 (combines 4A, B and C and eliminates D) -- A Study by a Commission of Experts

Agency Comment: USAID favors 4C, see above discussion. Properly structured, any one of these studies can provide a serious look at our foreign affairs responsibilities in the years ahead and help define how to achieve them while bringing the best available expertise to bear. No "quick fix" reorganization option, whatever its content, can meet this test. Any study must address our problems of foreign affairs direction and management honestly and in a nonpartisan fashion, and it must seek the widest possible range of inputs.

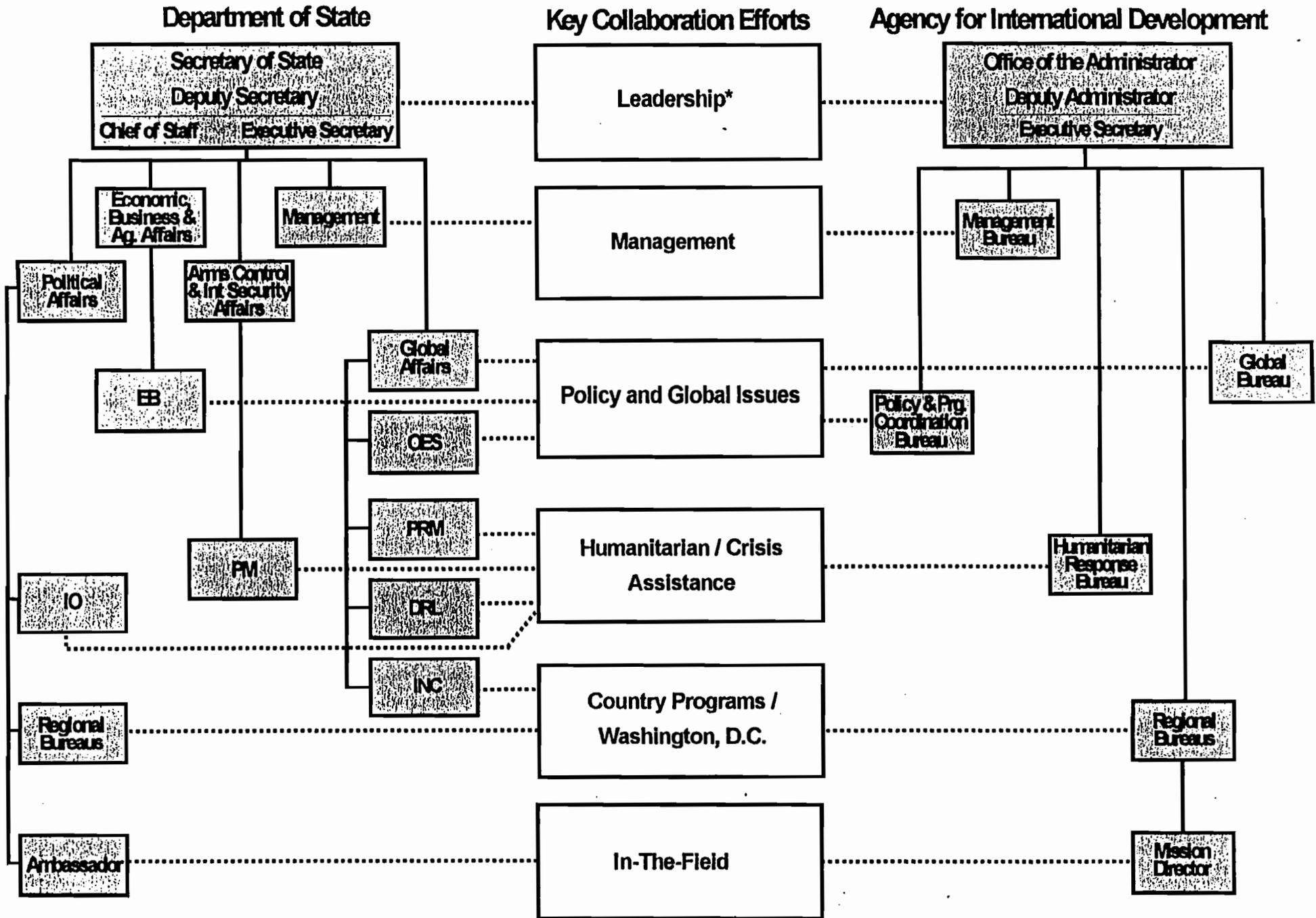
Irrespective of the particular study that might be adopted, the mandate given the Commission/Panel must be to avoid moving boxes in the absence of a rationale for moving them. The first step should be a serious assessment of the world in which we are

to operate and a revalidation or modification of the various foreign affairs missions. Only then does it make sense to move to the second step and determine what should be done with respect to management and organization issues.

Any "Commission" plan would then only work if that plan is voted up or down by Congress under a previously legislated reorganization authority (see 4C). This keeps the President in the driver's seat and protects his prerogative to organize the Executive Branch as he sees fit.

Attachment:
As stated.

cc: Vice President
Secretary of State
National Security Advisor



* Legislative and Budget Coordination Highlights

Key Collaboration Efforts: Department of State & USAID

Leadership	Secretary & Deputy Secretary - Administrator	
	Manager-to-Manager Discussions Programs in High Priority Countries Summits & International Conferences Congressional Strategies Administrative Reforms	Principals Meetings Administration Initiatives (e.g., GHAI) 150 Strategies & Reviews High Level USG Travel
	Other USG: NSC	

Management	Under Secretary - Assistant Administrator	
	ICASS Staffing/NSDD-38 Security/Health and other Joint Services Technology/IRM Planning	Operational/Administrator Budget Formulation FBO Building/Space Utilization & Problems Evacuations FSN Policies
	Other USG: OMB, Treasury, OPM, DOT/Maritime, USDA/Food Logistics, CFO Council, DOD, OFPP, PCMI, GAO	

Policy and Global Issues	State/Global Affairs, OES, IO, EB & SRP DRL - USAID PPC & G	
	Country and Program Priorities Policy Issues related to International Organizations International Conferences Donor Coordination Sector Policies/Approaches and Technical Support	
	Other USG: DOE, HHS, USDA, USTR, TPCC, EPA	

Humanitarian/Crisis Assistance	S/PRM, G, PM, IO, DRL - USAID/BHR (with relevant Regional Bureaus)	
	Food Aid/Relief Coordination/NGO Liaison UN and Other Donor Burden Sharing Coordinating Military Ops in Emergency & Transition Countries Crises Prevention/Transition Strategy Support Support for Regional Initiatives Disaster Early Warning	
	Other USG: USDA, DOD	

Country Programs/Wash., D.C.	Assistant Secretary - Assistant Administrator; AF - AFR; ARA - LAC; EAP/NEA/SA - ANE; EUR - ENI*	
	Approval of Mission Strategies & Strategic Objectives Country Resource Allocation/150 Account Reviews Staffing Levels/NSDD-38 High-level Working Groups Political/Social/Environmental/Economic and Debt Coordinating Disaster Response Implementing Regional Initiatives Preparation/Coordinating Congressional Testimony * Special State Coordinators for NIS, CEE, Bosnia, Ireland, Turkey, Cyprus	Assessing Program & Country Performance Identification Key Policy Issues Hill and OMB Consultations Coordinating Inter-agency activities Liaison with MDBs and Donors Consultative Group/Round Table Preparation Hosting/Briefing for High Level Visitors Responding to Public Inquiries
	Other USG: All agencies, as needed	

In-The-Field	Ambassador - USAID Director/Representative	
	Strategic Planning/Identification of Sectors and Strategic Objectives Economic, Social, D/G, Crisis Analyses Results Review and Resource Request (R-4) Donor Coordination Technical Support for Embassy Projects Disaster Preparedness and Response Graduation/Downsizing/Close-outs Strategies Representational/CODELs/STAFFDELS	Analysis of Country Commitment/Quality of Partnership Conduct of Policy Dialogue Country Team Coordination Support for U.S. Business NGO Partners: Facilitation/Support/Coordination Staffing/NSDD-38 Office/Residence Space Planning
	Other USG: All agencies, as needed.	



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

March 31, 1997

UNCLASSIFIED

MEMORANDUM FOR: The President
FROM: J. Brian Atwood *JB*
SUBJECT: Reorganization of Foreign Affairs Agencies

USAID's Preferred Option

USAID has been successful in pursuing its development/humanitarian mission¹ and in supporting U.S. foreign policy goals because its reformed management systems are more capable today of achieving measurable results and responding in crisis and transition situations. In our view, if the agency were merged on an integrated basis into the State Department, it would be far less capable of performing both its long-term mission and its crisis/transition tasks. This is the conclusion the Vice President reached in 1995 and that you supported when you vetoed Senator Helms' bill last year. Senator Helms' agenda, I believe, continues to be to abolish foreign aid.

If it is necessary, however, to clarify the chain of command in order and to create a new partnership between development and diplomacy, I would suggest placing an autonomous USAID under the Secretary of State. The organizational authority that created the International Development Cooperation Agency (IDCA) in 1979 gave vastly expanded powers to its director (for the past 17 years, the USAID Administrator) and a direct reporting line to

¹Arguably, these could be defined as two separate missions, but this Administration, recognizing how important the synergies are between development and humanitarian programs in an increasingly crisis prone world, has developed the concept of the relief-recovery-development continuum. Our disaster relief and food aid programs to our transition and development strategies.

the President. This well-intentioned effort to improve coordination on development issues has never functioned well although it contains vital statutory authorities for USAID.

The preferred USAID option is, therefore, to rescind the IDCA statute and to create a solid line reporting relationship to the Secretary of State. The Administrator's current authorities to protect long-term development resources and the management instruments essential for this specialized mission would be retained under this option.

If this approach is combined with a new Policy Coordination Council chaired by the Secretary (see Tab C of options memo), and is promoted as a new partnership, we believe this would be well received in Congress. If the Secretary embraces this change and indicates that she will use the USAID Administrator as a member of her senior team, the change will acquire real meaning and will create a healthy new partnership between the two institutions under her leadership.

Why an Autonomous USAID?

When President Kennedy sent legislation to Congress in 1961, creating USAID, he said: "If our foreign aid funds are to be prudently and efficiently used, we need a unified administration and operations -- a single agency in Washington and in the field." The end of the Cold War makes this principle even more compelling as the development challenge grows and budgets fall.

Last year a joint study of six European donors led by the British Overseas Development Institute and the European Centre for Development Policy Management concluded that "...donor structures and organizations are considered more likely to be effective in aid delivery and potential development impact if: (a) they unify all aid instruments and aid recipients under single direction; (b) they have the maximum possible autonomy in relation to diplomatic and commercial pressures; (c) a high degree of operational freedom in the use and management of aid expenditures within countries; (d) adequate personnel in the field...; and (e) a sufficient level of specialist skills available..."

USAID's mission supports and complements the diplomatic mission, but it is distinct. The professional development perspective emphasizes program and resource management, analysis of a foreign nation's domestic condition (not its foreign policy positions), the prospective sustainability of a given initiative, an appreciation of how strategic goals (economic growth, population, environment and democracy) can reinforce one another, and a keen awareness of what other donors are doing and how we can influence their investments.

The diplomatic mission, on the other hand, requires agility, rapid response, quick analysis, reporting and policy formulation. The perspective is short term and resources tend to be seen as tactical assets, not strategic investments.

For USAID, it is vital to maintain a clear chain of command and management systems that hold employees and partners accountable for results. If the development/humanitarian mission is integrated with the diplomatic mission, it will be subject to predictable pressures; for example, the strong tendency to expend resources for current crises and/or to disburse them broadly to enhance diplomatic, as opposed to development, effectiveness.

Adapting to a Crisis-Prone World

The argument that State needs to control USAID's resources and assets to respond to crisis is not a valid one. In the past four years, USAID has been restructured to provide the Secretary and the President with a greatly enhanced capacity to respond to crises and to post-crisis transition situations. These changes have enabled USAID to play a lead role in support of U.S. foreign policy priorities in Bosnia, Haiti, South Africa and the West Bank/Gaza.

Nor is day-to-day coordination a problem. It is extensive at all levels, in Washington and in the field. Integration of USAID's assets into State could in fact compromise our government's capacity to serve the program needs of our foreign policy by muddling management accountability. Meanwhile, long-term development, the antidote to crisis, would be placed at risk.

The Practical Problems of Merger

Merging USAID into State would confront the Administration with a host of practical problems as well. For example:

--USAID is the only agency of the four that is funded by a separate Appropriations Subcommittee and a separate appropriations bill, the Foreign Operations Appropriation. Merger on an integrated basis would mean that those Subcommittees would lose their oversight and control over USAID and its programs. The Subcommittee chairs and senior minority members on both sides have already recommended against merger.

--USAID has begun consolidating all its operations, including all 2,600 of its Washington staff, under one roof in the new Federal Triangle Building. A full merger of USAID into State would almost certainly require changing the terms of this arrangement and would cost the government at

least \$200 million.

--USAID's principal partner is the DOS, but USAID supports other important domestic objectives, coordinating closely with EPA, HHS, Justice, Agriculture, Commerce and Treasury. These unique and effective partnerships could be weakened by an integrated form of merger, damaging our ability to achieve both domestic and foreign environmental, disease control, and agricultural research goals.

USAID's Role as Leader of the Donor Community

USAID and its predecessor agencies created the so-called donor community, the now 21 nations that comprise the Development Assistance Committee (DAC) of the OECD. We have provided the intellectual and practical leadership that has produced a strong consensus on how development work is done. A USAID professional has always chaired the DAC.

Most of the 21 members of the DAC have organized their foreign assistance programs under independent or semi-independent organizations headed by the equivalent of a Cabinet Secretary. Not coincidentally, two national programs generally perceived to be less effective in terms of achieving results (Japan and Italy) are subsumed under the foreign ministries of their respective countries.

USAID is still seen as the strongest bilateral development agency. The USAID Administrator represents the United States at the Development Assistance Committee of the OECD, the annual Tidewater meetings (of development ministers), at World Bank Consultative Groups and with the various development organizations of the United Nations. The integration options could compromise our unique capacity to influence and leverage other donors.

USAID as Reinvention Laboratory

USAID has made great progress as a reengineered agency under the National Performance Review since 1993 when the entire agency became an experimental lab in the Reinvention of Government Program. We have overhauled USAID from top to bottom by reorganizing and eliminating 90 organizational units; creating a strategic framework for development (even before GPRA); reducing project design by 75 percent; cutting regulations by 55 percent; cutting competitive contract award time by over 50 percent; introducing reforms to open USAID's procurement to the best expertise in America; developing a new electronic acquisition and procurement planning system that replaces 65 different systems and eliminates most paperwork; creating new offices for rapid transitional response, democracy and governance and technical

support; reengineering systems to emphasize results, participation and teamwork; and enhancing USAID's partnerships with NGO's.

The management changes, the new systems and the strategic plan all were designed to accomplish more effectively the development/humanitarian mission. Integrating this mission with a different one would mean losing the benefits of these changes and could once again raise serious questions of confidence in our government's ability to account for foreign aid resources.

Congressional Motives

The principal proponent of fully integrating USAID into the Department of State is Senator Helms, who is ideologically opposed to long-term sustainable development. Senator Helms' position on foreign aid is not grounded in a desire for good governance. His 1995 Committee Report on the Foreign Aid Bill makes clear his ultimate intention: "providing development assistance is not vital to United States national security interests..... USAID has outlived its usefulness and should be abolished." While the reference is to the agency, Senator Helms would abolish the development mission itself.

There are many thoughtful members of Congress who do not share Senator Helms' views of either foreign assistance or USAID. Among Republicans, key members of USAID's Oversight Committees, like Senator Lugar and McConnell and Representatives Livingston and Callahan, have shown no interest in supporting Senator Helms in his crusade to abolish foreign aid. These members and many more on the Democratic side believe that a merger into State would kill the foreign aid program.

Conclusion

I strongly believe that a merger package that contains meaningful reform at the State Department, the merger of some agencies, the ending of duplication over time and the reconsolidation of USAID into State as described herein, will satisfy most of those urging change on the Hill. We need to undertake this reorganization with care and phase it in over time. Most importantly, we should try to do no harm.

As we move toward a world with 2 billion more people by the year 2020, we will need an institutional capacity to undertake the development/humanitarian mission more than ever. I urge you to reaffirm the importance of this mission and to preserve the autonomy of USAID. That would be an appropriate way to mark the 50th anniversary of the Marshall Plan.

Tab C

Reorganization of the Foreign Affairs Agencies

September 1997



USAID



Executive Summary

On April 18, 1997, the White House announced the Administration's plan to reorganize U.S. foreign affairs agencies. These recommendations, developed through the cooperative efforts of the Department of State, the U.S. Agency for International Development, the U.S. Arms Control and Disarmament Agency, and the U.S. Information Agency, fill in the details of that plan. Dozens of employees meeting in task forces conducted the analysis and helped shape a new Department of State to meet the challenges of the 21st century.

Current Resources

Agency	U.S. Employees	Other Employees (FSNs)*	1997 Funds (in \$ millions)
State	15,179	8,178	\$4,674
USIA	4,740**	2,268	1,059**
ACDA	313***	9	41.5
Total	20,223	10,455	5,774.5

*Foreign Service National employees.

**Figures include broadcasting functions of USIA (2,808 positions and \$385 million), which Congress is considering making an independent agency.

***Figure includes military and civilian detailees.

Key Features of New Department of State

- Integrated arms control, nonproliferation, and disarmament function joining with the international security and political-military function headed by a strengthened Under Secretary with five bureaus consolidated into three;
- Integrated public diplomacy function in support of U.S. foreign policy with a new Under Secretary guiding the public diplomacy and public affairs missions;
- New partnership between foreign policy goals and foreign aid strategies;
- More than 7,000 employees from ACDA, USIA, and USAID to be incorporated, in Washington and overseas;
- Consolidated policy support and management functions, with efficiencies from streamlining administrative processes to be realized after integration completed.

Arms Control, Nonproliferation, and International Security

The integrated foreign policy missions of ACDA and the State Political-Military Bureau will be directed by an Under Secretary with an expanded portfolio that includes communicating with the President through the Secretary of State. This Under Secretary/Senior Adviser to the President and Secretary of State for Arms Control, Nonproliferation, and Disarmament will also lead the interagency process on

nonproliferation issues, and work closely with the NSC staff in managing the arms control policy process. A Special Adviser with a small staff will report directly to the Under Secretary on critical verification and compliance issues. During the transition period, the Director of ACDA will be "double-hatted" to perform the functions of the Under Secretary on an interim basis. While ACDA's legal counsel will be integrated with the State Legal Adviser, the unique ACDA legal functions will be preserved by establishing a new Associate Legal Adviser position with responsibility for arms control and nonproliferation matters. Arms control activities presently handled elsewhere in State, outside the Political-Military Bureau, will be consolidated into this new structure. Total resources (in FY-97 terms) are estimated at about 570 permanent full-time positions and less than \$70 million.

Public Diplomacy and Public Affairs

USIA's public diplomacy programs -- targeting foreign audiences in support of U.S. policies -- will be focused under the direction of a new Under Secretary for Public Diplomacy and Public Affairs. This office will include public diplomacy bureaus dealing with the functions of International Educational and Cultural Affairs and International Information Programs, as well as State's domestic Public Affairs Bureau. Public diplomacy staffs will be added to each State regional and functional bureau, while USIA's overseas staff will transfer into the State regional bureaus. The greatest challenge in integrating USIA was how to take account of the long-time Congressional concern legislated under the Smith-Mundt Act and the Zorinsky Amendment, which prohibit USIA's resources from being used to influence American public opinion. The resources (in FY-97 terms) to be devoted to public diplomacy are estimated at 3,200 positions and \$500 million, including approximately \$210 million in resources devoted to overseas operations and \$185 million in exchange programs. Another 2,800 positions and \$385 million are identified with international broadcasting functions (including the Voice of America) which Congress has proposed to be an independent entity, although the Secretary would have a seat on the Broadcasting Board of Governors.

International Development

Consistent with the President's decision, the International Development Cooperation Agency (IDCA) will be abolished. USAID will remain a distinct agency, and its Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State. In addition, efforts will be made to improve coordination between State and USAID regional bureaus and to eliminate any duplication among their global programs. USAID will integrate its press operations with State by October 1, 1998. The new International Cooperative Administrative Support Services (ICASS) system for supporting overseas operations, which becomes fully operational on October 1, 1997, will be the basis for shared administrative services, along with increased shared domestic administration of travel, storage of household effects, and training.

Consolidating Policy Support and Management Functions

The three fully integrated agencies will standardize these operations with common systems that incorporate the best practices of each agency.

- **Legal Affairs** -- ACDA and USIA staffs will be consolidated with the State Legal Adviser's Office. ACDA's unique legal functions will be preserved in newly created units in the Legal Adviser's Office that will serve the Under Secretary in his role as Senior Adviser to the President. The Freedom of Information, privacy, and declassification functions currently located in ACDA and USIA legal offices will join State's Bureau of Administration. USIA General Counsel staff who review Exchange Visitor visa waivers will join the Bureau of Consular Affairs. USIA General Counsel staff who designate Exchange Visitor visas will join the Bureau of International Educational and Cultural Affairs.
- **Congressional Liaison** -- Units of ACDA and USIA will join the State Bureau for Legislative Affairs, providing senior representatives *at the deputy assistant secretary level* for the arms control and public diplomacy functions.
- **Press and Public Affairs** -- Domestic press relations staffs from all four agencies will be drawn together under the Bureau of Public Affairs, which will fall under the overall direction of the Under Secretary for Public Diplomacy and Public Affairs.
- **Management** -- Central management functions will be integrated within the appropriate bureaus under State's Under Secretary for Management. These include Information Management, Overseas Facilities and Operations, Domestic Facilities, Logistics, Diplomatic Security, Financial Management, Grants, and Human Resources. EEO functions will merge into a unit reporting to the Secretary.
- **Executive Offices** -- At the bureau level these will be similar to current State models.

Changes in Legislation

Legislation is being sought to abolish USIA, ACDA, and IDCA, and transfer their missions and authorities to the Department of State. Appropriate conforming changes in statutes and regulations will replace current references to the agencies and reflect the new, consolidated structure. **USAID will be established in law as an agency of the U.S. government, and all IDCA authorities will be redelegated to it by the Secretary of State.**

Implementation Timeline

While some procedures for implementing reorganization will flow from the requirements of the Foreign Affairs Authorization bill (currently in conference), the Department will establish a reorganization office, guided by a senior Oversight Committee, to coordinate and monitor implementation over the next 2-3 years.

Throughout the implementation process, affected agencies will continue to consult on planning and detailed sequencing of the thousands of "nuts and bolts" actions -- from new position descriptions to office space planning and relocations -- that must be accomplished to integrate all operations by the effective dates mandated by the President's decision and by legislation.

Implementation will include extensive two-way communications with stakeholders and employees to take into consideration their concerns, mitigate potential negative impacts, and gain the professional commitment of these groups to a new, reinvented State Department.

Continuing State Department Reinvention

The State reinvention effort has recently established a new role for Under Secretaries in strategic planning, priority-setting, and resource management decisions, and strengthened the role of Assistant Secretaries in foreign policy coordination and implementation.

The reorganization task forces suggested many additional improvements to current operations. Some are appropriate to fold into implementation efforts. Consideration of some reengineering initiatives can begin right away. More extensive proposals involving changes in overall operational priorities, management reform and restructure, or broader interagency relations will be the subject of a reinvention/reengineering effort which will coordinate closely with the GPRA process and any other initiative authorized by the Secretary. For these reinvention efforts to succeed, senior management must provide visible, sustained support.

IV. The Development Assistance Mission

What Will Happen to the U.S. Agency for International Development (USAID)

Background

The President's decision in April retains USAID as a distinct agency with a separate appropriation. The Administration's plan places the USAID Administrator under the direct authority and foreign policy guidance of the Secretary of State and abolishes the International Development Cooperation Agency (IDCA). It also requires that USAID integrate its press office and certain administrative functions with the Department of State. In addition, it calls on the Secretary of State and the USAID Administrator to recommend what further steps will be taken to eliminate duplication.

Abolition of IDCA and Delegation of Authorities

Several steps will be taken to effect the President's decision and to provide the "direct authority" relationship specified. In essence, the "dotted" organizational line between USAID and State will be "blackened," with the Administrator having most authorities derived by redelegation from the Secretary of State. The Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State. The USAID Administrator will carry out the approved overall assistance and economic cooperation strategy. The following legislative and administrative steps will also be needed.

Reorganization Plan No. 2 of 1979 -- which established IDCA, with USAID as a component, to coordinate economic assistance programs of U.S. government agencies -- will need to be repealed. The repeal of Reorganization Plan No. 2 and the enactment of conforming amendments will return those functions now vested in IDCA or its director back to USAID or the Secretary of State, as was the case prior to 1979.

E.O. 12163, which delegated most Foreign Assistance Act assistance-related authorities to IDCA, will need to be revoked. A new executive order will need to be issued or E.O. 12163 amended, delegating all the functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This would be consistent with the framework prior to the establishment of IDCA. Legislation would also establish USAID as an agency of the U.S. government.

In keeping with USAID as a distinct agency and consistent with the Secretary's direct authority and foreign policy guidance, provision will be made to enable the Secretary to delegate to USAID functions and authorities that USAID currently exercises, and that are contained in delegations from IDCA. These would include authority:

- To receive apportionments for development assistance and other economic assistance appropriations;

- To ~~manage~~ offices for development assistance and other economic assistance programs;
- To implement development assistance and other economic assistance programs;
- To manage and administer assistance programs, including the requisite personnel authorities.

Integration of Press Office and Certain Administrative Functions

Not later than October 1, 1998, USAID's press office will be merged with State's Public Affairs Bureau. The eight USAID public affairs staff working in press relations will become State Department public affairs officers. Seven of these public affairs officers will be located at the USAID offices in the Ronald Reagan Building and one will be within State's Public Affairs Bureau as the "USAID Desk Officer." The seven public affairs officers will be located at USAID in order to provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional/functional bureaus. When it becomes technologically feasible, USAID will share its newsclipping and other media monitoring services with State.

The reorganization will include the consolidation of certain USAID administrative functions with those of State. Two years ago, State and USAID began to consolidate overlapping administrative support functions. Much has been accomplished or is now in progress. A memorandum of understanding between the two agencies, specifying agreements in four new areas for shared services that would provide logical, efficient, and effective operations, has been prepared. These services are:

- **Support** -- The two agencies are implementing joint agreements to have State process the retirement of USAID Foreign Service Officers and provide retirement counseling, use the same travel contract, and collocate USAID's headquarters mainframe computer operations with State's, as well as a number of other small agreements for joint headquarters services.
- **ICASS** -- State and USAID will implement the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services, using the concept of best practices and considering the cost and quality of services.
- **Training** -- USAID will expand its use of State training services, e.g., foreign language training from State. State and USAID will also develop professional and technical training programs together to the maximum extent possible.
- **Storage** -- State will try to accommodate USAID's needs for storage of employees' household goods. The two agencies already share other transportation and storage services.

Regional Bureau Coordination and Global Program Relations

Current Status: Overall, existing policy coordination between the Department and USAID is highly effective. The leadership of both institutions recognizes the need for such coordination and the division of responsibility is clear. The Secretary exercises direct authority and provides foreign policy guidance, and within this context the Administrator budgets for development programs, creates development policy, implements development assistance and other economic

assistance programs, and manages and administers assistance programs. There is some variation in coordination structure among the regional bureaus of the two agencies -- particularly where there are legislatively defined State Department "Coordinators" associated with USAID's Bureau for Europe and the New Independent States (NIS) of the former Soviet Union. And there are major differences in the functions and structure of the global programs of State and USAID.

- **Coordination at the Strategic Planning Level** -- Both State and USAID are developing strategic plans in the context of the Government Performance and Results Act (GPRA). USAID has worked with State in developing the "International Affairs Strategic Plan" and has coordinated with the Department in developing its own "Strategic Framework."
- **Other Structured Coordination** -- The two agencies jointly participate in staff meetings, interagency working groups and task forces, binational commissions, and international meetings.
- **Informal Coordination** -- Much of the day-to-day exchange of information, clearance of messages, and relationship-building is informal, including frequent telephone calls or "dropping by" at the staff level, and joint participation in meetings and briefings. These professional relationships are less visible than formal arrangements, but play an essential role in identifying early on issues of importance to both institutions. Similar informal discussions are held at the State Assistant Secretary-USAID Assistant Administrator level.
- **Relationships in the Field** -- The USAID Director (or USAID Representative) is a member of the Ambassador's country team. USAID is an active participant in the development of the embassy annual planning process, and the Ambassador usually signs off on the USAID R4 (Results, Reviews, and Resource Requests) submission. The Ambassador assesses the performance of the USAID mission director and deputy director as part of the annual performance appraisal process.
- **Relationships Between the Global Programs** -- There are significant differences between State and USAID global programs -- both in structure and in function. State conducts the diplomatic functions, including negotiating international treaties on global issues. USAID develops and manages strategies and programs in those sectors that are critical to sustainable development. Notwithstanding the differences in missions, the differences in personnel skills needed to accomplish the different missions, and the lack of symmetry between USAID and State bureaus handling global issues/programs, collaboration has been good.

Constraints: Most of the constraints identified relate to different procedures and communication rather than to any serious issue with coordination of U.S. foreign policy and USAID assistance strategies. These include inconsistencies between regions and between the mandates of USAID and State central bureaus, and ownership of coordination (commitment to effective coordination is unevenly shared across the State and USAID regional bureaus).

State and USAID are connected via e-mail only through the unclassified system. Many State officials have only classified channel equipment at their desk, making easy exchange of messages and documents difficult since USAID only uses unclassified e-mail. On the State side, cables with a limited distribution and classified or restricted e-mail are a significant form of

communication. USAID does not have routine access to this channel. With USAID's move to the Reagan Building, it will be essential to focus on maintaining the strong current working relationships, particularly at the working level, and to improve communications technology.

The Case of Eastern Europe and the Republics of the Former Soviet Union: Due to the need for high-profile interagency coordination at the startup of assistance to Eastern Europe and the NIS, special Coordinators were established at State, including USAID activities. There are close professional relationships and interactions between the USAID offices and the offices of the Coordinators, but the dual channels for oversight and responsibility for programmatic decisions have frequently led to bureaucratic gridlock.

Next Steps: In accord with the President's decision, a development coordination task force or similar mechanism should review and test new management procedures to improve coordination between State and USAID's regional bureaus and to examine potential areas of cooperation on further reforms that would eliminate any duplication between bureaus within the Office of the Under Secretary for Global Affairs and USAID's Bureau of Global Affairs.

Tab D

FOREIGN AFFAIRS REFORM AND RESTRUCTURING ACT

MARCH 10, 1998.—Ordered to be printed

Mr. GILMAN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 1757]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1757), to consolidate international affairs agencies, to authorize appropriations for the Department of State and related agencies for fiscal years 1998 and 1999, and to ensure that the enlargement of the North Atlantic Treaty Organization (NATO) proceeds in a manner consistent with United States interests, to strengthen relations between the United States and Russia, to preserve the prerogatives of the Congress with respect to certain arms control agreements, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Foreign Affairs Reform and Restructuring Act of 1998".

SEC. 2. ORGANIZATION OF ACT INTO DIVISIONS; TABLE OF CONTENTS.

(a) **DIVISIONS.**—*This Act is organized into three divisions as follows:*

(1) **DIVISION A.**—*Foreign Affairs Agencies Consolidation Act of 1998.*

(2) **DIVISION B.**—*Foreign Relations Authorization Act, Fiscal Years 1998 and 1999.*

(3) **DIVISION C.**—*United Nations Reform Act of 1998.*

responsibility to communicate with
 in policy, for example, to explain
 involvement in international af-
 at none of the restrictions appli-
 able to public affairs and other
 s of the Secretary of State as
 functions pursuant to this divi-
 existing restrictions will, how-
 blic diplomacy programs (which
 re integrated into the State De-
 s the exceptions in current law.
 cy programs that are unique to
 ial produced by them, shall cons-
 ns of the Zorinsky Amendment
 elevant. At the same time, the
 o integrate the activities that it
 reach, direct public affairs cons-
 s, and administrative activities,
 reign affairs agencies without

ides that funds that are specifi-
 a public diplomacy programs at
 not be used to influence public
 that no program material pre-
 tributed or disseminated in the
 s clear that if an amount is spe-
 cation bill for such public diplo-
 oe subject to these restrictions.
 greater planning and budget
 macy functions are integrated

REORGANIZE THE DEPARTMENT

ecretary, subject to the require-
 ate or reallocate any function
 to establish, consolidate, alter,
 entities within the Department
 to carry out any reorganization
 ion does not authorize the Sec-
 statute that establishes or de-
 office or officer of the Depart-
 ould add functions and respon-
 ed under current law, she could
 away any responsibilities cur-
 formed by that bureau.

PERSONNEL

rovides in subsections (a) and
 III, not later than the date of
 transfer of any function of AID
 ed personnel and positions of
 to the Department of State at
 rate of basic pay or basic sal-
 e held immediately preceding

transfer. Thus, members of the Foreign Service will transfer to the Department in the same Foreign Service class (or, in the case of Foreign Service nationals, at the same grade), at the same salary rate, and with the same tenure held prior to transfer. Civil Service employees transferred to the Department will transfer at the same Civil Service grade, at the same rate of basic pay, and with the same tenure held prior to transfer. Tenure, in this context, refers to the employment status of the employee (e.g., probationary, career conditional, or career tenure). This provision is also intended to ensure that the type of appointment (e.g., Civil Service competitive or excepted service appointment, or Foreign Service career or limited appointment) held immediately preceding transfer will remain unchanged by reason of the transfer.

Subsection (c) authorizes the Secretary, for a period of not more than six months commencing on the effective date of the transfer of personnel to the Department under subsections (a) and (b), to assign such personnel to any position or set of duties at any grade in the Department except that by virtue of such assignment, such personnel shall not have their grade or class or rate of basic pay or basic salary rate reduced, nor their tenure changed. Although the Secretary's authority to make assignments under this subsection is limited to a six-month period following transfer, the duration of any assignment made pursuant to this authority and the retention of grade may continue indefinitely, as long as the employee remains in a position to which s/he is assigned during the six month period. This provision will overcome any requirement for the Department of State involuntarily to demote or reassign personnel at the end of the six-month period, even though the number of employees who retain a particular grade may exceed the number of positions at that grade level. This provision does not, however, provide Civil Service personnel with a guaranteed grade if, for example, they apply for and obtain another position or the Department chooses to employ reduction in force procedures to reduce the number of Department employees. The Secretary shall consult with the relevant labor organizations with regard to the exercise of this authority. This subsection gives the Secretary the flexibility to assign and reassign for a six month period transferred personnel to any position within the Department after they have been transferred to the Department, except to positions that by law require appointment by the President, by and with the advice and consent of the Senate.

REORGANIZATION OF AGENCY FOR INTERNATIONAL DEVELOPMENT

The bill requires that AID's Press Office and certain administrative functions be transferred to and consolidated with the Department of State. The committee of conference is aware that the Department of State and the Agency for International Development recently entered into an agreement to implement the President's April 1997 decision that these two agencies should share certain administrative functions.

The single largest change will occur overseas as the International Cooperative Administrative Support Services (ICASS) system is put into place. ICASS is designed to provide AID with the data and other information needed to compare the costs of services

within the system that encourages the use of the most economic service provider. Both agencies will, over the next fiscal year, work to maximize shared administrative support services. As part of this agreement, both agencies agree to analyze jointly the data generated by ICASS to identify opportunities where one or the other agency can expand shared services.

Also, AID had agreed already to have the Department of State provide retirement processing for Foreign Service officers, retirement counseling for AID officers, and site consolidation of AID headquarters' computer operations. According to the Administration, these are either now implemented or on their way to implementation.

Further, AID has agreed to expand its use of training services offered by the Department of State. Specifically, AID will attempt to obtain all of its foreign language training from the Department of State. In addition, State and AID have agreed to jointly develop training programs so that other professional and technical training can be shared to the maximum extent possible.

The Department of State has agreed to try to accommodate AID by taking responsibility for storage of employees' household goods. In addition, State and AID already share other transportation and storage services, and they will continue to review these areas for other opportunities. The committee of conference expects AID and the State Department to continue to explore areas in which additional consolidation and cost savings can occur and that the Foreign Relations Committee and the International Relations Committee will be notified of such progress.

ASSISTANCE PROGRAMS COORDINATION AND OVERSIGHT

The bill provides for the coordination of activities of the Secretary of State in relation to United States assistance. The activities include designing of an overall assistance strategy for countries in the region; ensuring the coordination of United States government agencies; coordinating with the individual country governments and international organizations; and resolving policy disputes among United States government agencies with respect to assistance being provided.

This coordination authority does not supersede the responsibility of the Secretary of Commerce in relation to the promotion of exports of United States goods and services. Nor does this supersede the responsibility of the Secretary of the Treasury to coordinate the activities of the United States in relation to the International Financial Institutions, and the organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs.

This section of the bill is essential to bring improved coordination and rationalization to U.S. overseas economic and development assistance programs. The establishment within the Department of State of this coordination function will ensure that, in the future, foreign aid programs are being carried out in a manner consistent with our nations overall foreign policy. It furthers the President's goal of establishing the Secretary of State's pre-eminence in foreign policy making. According to the State Department's April 17, 1997, statement regarding reorganization, one reform "... would be to

further improve coordination between Bureaus." This section supports the

A.I.D. UNDER THE DIRECT AUTHORITY OF THE SECRETARY OF STATE

The President's decision on reorganization for International Development assistance is under the direct authority and for the Secretary of State. This bill supports the

This bill includes a section which will allocate to the International Development Corporation (IDCA)—which is abolished by this bill—the functions of the International Development Corporation. The bill provides that the Secretary of State may allocate or transfer these functions. It is the understanding of the committee that the Secretary of State intends to allocate these funds currently apportioned to the International Development Corporation. Bringing AID under the direct authority of the Secretary of State, will improve the coordination of long term assistance.

AUTHORITY TO TRANSFER FUNDS

Section 616 provides that the head of the appropriate Federal Agency may transfer any provision of this subdivision to the head of the appropriate Federal Agency. This provision is intended to have an orderly transfer of any function prior to the effective date of the division, including the transfer of funds with such functions. In exercising these functions, funds would be transferred in accordance with Title VI. This provision is intended to have an orderly transfer of any function prior to the effective date of the division. It is intended that the Broadcasting Board of Governors is authorized in this section to transfer personnel or funds used to provide administrative support. This section comes a separate federal establishment.

DIVISION B—STATE DEPARTMENT AUTHORITY

AUTHORIZATION OF APPROPRIATIONS

The conference substitute authority for fiscal year 1998 and \$6,664,093 for fiscal year 1999 is \$6,780,000. The President's request for FY 1999 is \$6,780,000. The substitute follows the Senate format for appropriations in the specific sections.

ADMINISTRATION OF FOREIGN AFFAIRS

The House bill (sec. 1101) authority for fiscal year 1998 and \$2,610,271,000 for fiscal year 1999 is \$2,610,271,000 for the reorganization of Foreign Affairs. The House

the use of the most economic over the next fiscal year, work support services. As part of this analyze jointly the data gen- ities where one or the other

have the Department of State Foreign Service officers, retire- and site consolidation of AID according to the Administra- ed or on their way to imple-

and its use of training services Specifically, AID will attempt raining from the Department have agreed to jointly develop ssional and technical training possible.

agreed to try to accommodate age of employees' household already share other transpor- will continue to review these nmittee of conference expects continue to explore areas in st savings can occur and that d the International Relations gress.

ATION AND OVERSIGHT

ation of activities of the Sec- States assistance. The activi- sistance strategy for countries tion of United States govern- e individual country govern- ns; and resolving policy dis- ent agencies with respect to

not supersede the responsibil- elation to the promotion of ex- vices. Nor does this supersede he Treasury to coordinate the ation to the International Fi- zation of multilateral efforts ncy convertibility, debt reduc- orm programs.

al to bring improved coordina- eas economic and development ent within the Department of ill ensure that, in the future, ed out in a manner consistent y. It furthers the President's State's pre-eminence in foreign Department's April 17, 1997, one reform ". . . would be to

further improve coordination between AID's and State's regional Bureaus." This section supports that objective.

A.I.D. UNDER THE DIRECT AUTHORITY AND FOREIGN POLICY GUIDANCE OF THE SECRETARY OF STATE

The President's decision on reorganization retains the Agency for International Development as a distinct agency but places it under the direct authority and foreign policy guidance of the Secretary of State. This bill supports that objective.

This bill includes a section which provides that funds formerly allocated to the International Development Cooperation Agency (IDCA)—which is abolished by this legislation—now be allocated to the Secretary of State. The bill provides that the Secretary of State may allocate or transfer these funds to the head of any other agency. It is the understanding of the committee of conference that Secretary Albright intends to allocate this foreign aid and the administrative funds currently apportioned to AID to its Administrator. Bringing AID under the direct authority and foreign policy guidance of the Secretary of State, will strengthen the U.S. Government's coordination of long term development and humanitarian assistance.

AUTHORITY TO TRANSFER FUNCTIONS EARLY

Section 616 provides that the Secretary may, notwithstanding any provision of this subdivision and with the concurrence of the head of the appropriate Federal Agency, transfer the whole or part of any function prior to the effective dates established in this subdivision, including the transfer of personnel and funds associated with such functions. In exercising this authority, personnel and funds would be transferred in accordance with the applicable provisions of Title VI. This provision is intended to permit the Administration to have an orderly transfer of functions if the Administration chooses to transfer some functions from an agency prior to its abolition. It is intended that the Secretary will consult with the Broadcasting Board of Governors if she exercises the authority of this section to transfer personnel or assets that might otherwise be used to provide administrative support for the Board when it becomes a separate federal establishment.

DIVISION B—STATE DEPARTMENT AND RELATED AGENCIES AUTHORIZATION ACT

AUTHORIZATION OF APPROPRIATIONS FOR THE DEPARTMENT OF STATE

The conference substitute authorizes a total of \$6,140,895,000 for fiscal year 1998 and \$6,664,093,000 for fiscal 1999. The President's request for FY 1999 is \$6,789,259,000. The conference substitute follows the Senate format providing the authorization of appropriations in the specific sections of the bill.

ADMINISTRATION OF FOREIGN AFFAIRS

The House bill (sec. 1101) authorizes \$2,610,271,000 for fiscal year 1998 and \$2,610,271,000 for fiscal year 1999 for the Administration of Foreign Affairs. The House bill (sec. 1101(1)(B)) requires

Development as an entity described in section 104 of title 5, United States Code:—

(b) RETENTION OF OFFICERS.—Nothing in this section shall require the reappointment of any officer of the United States serving in the Agency for International Development of the United States International Development Cooperation Agency as of the day before the effective date of this title.

CHAPTER 3—CONFORMING AMENDMENTS

SEC. 1421. REFERENCES.

Except as otherwise provided in this subdivision, any reference in any statute, reorganization plan, Executive order, regulation, agreement, determination, or other official document or proceeding to the United States International Development Cooperation Agency (IDCA) or to the Director or any other officer or employee of IDCA—

(1) insofar as such reference relates to any function or authority transferred under section 1412(a), shall be deemed to refer to the Secretary of State;

(2) insofar as such reference relates to any function or authority transferred under section 1412(b), shall be deemed to refer to the Administrator of the Agency for International Development;

(3) insofar as such reference relates to any function or authority transferred under section 1412(c), shall be deemed to refer to the head of the agency to which such function or authority is transferred under such section; and

(4) insofar as such reference relates to any function or authority not transferred by this title, shall be deemed to refer to the President or such agency or agencies as may be specified by Executive order.

SEC. 1422. CONFORMING AMENDMENTS.

(a) TERMINATION OF REORGANIZATION PLANS AND DELEGATIONS.—The following shall cease to be effective:

(1) Reorganization Plan Numbered 2 of 1979 (5 U.S.C. App.).

(2) Section 1-101 through 1-103, sections 1-401 through 1-403, section 1-801(a), and such other provisions that relate to the United States International Development Cooperation Agency or the Director of IDCA, of Executive Order No. 12163 (22 U.S.C. 2381 note; relating to administration of foreign assistance and related functions).

(3) The International Development Cooperation Agency Delegation of Authority Numbered 1 (44 Fed. Reg. 57521), except for section 1-6 of such Delegation of Authority.

(4) Section 3 of Executive Order No. 12884 (58 Fed. Reg. 64099; relating to the delegation of functions under the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, the Foreign Assistance Act of 1961, the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1993, and section 301 of title 3, United States Code).

(b) OTHER STATUTORY AMENDMENTS AND REPEAL.—

(1) TITLE 5.—Section 7103(a)(2)(B)(iv) of title 5, United States Code, is amended by striking "United States International Development Cooperation Agency" and inserting "Agency for International Development".

(2) INSPECTOR GENERAL ACT OF 1978.—Section 8A of the Inspector General Act of 1978 (5 U.S.C. App. 3) is amended—

(A) in subsection (c)—

(i) by striking "Development" through "(1) shall" and inserting "Development shall";

(ii) by striking "and" at the end of subsection (a)(1) and inserting a period; and

(iii) by striking paragraph (2);

(B) by striking subsections (c) and (f); and

(C) by redesignating subsections (d), (e), (g), and (h) as subsections (c), (d), (e), and (f), respectively.

(3) STATE DEPARTMENT BASIC AUTHORITIES ACT OF 1956.—The State Department Basic Authorities Act of 1956 is amended—

(A) in section 25(f) (22 U.S.C. 2697(f)), as amended by this division, by striking "Director of the United States International Development Cooperation Agency" and inserting "Administrator of the Agency for International Development";

(B) in section 26(b) (22 U.S.C. 2698(b)), as amended by this division, by striking "Director of the United States International Development Cooperation Agency" and inserting "Administrator of the Agency for International Development"; and

(C) in section 32 (22 U.S.C. 2704), by striking "Director of the United States International Development Cooperation Agency" and inserting "Administrator of the Agency for International Development".

(4) FOREIGN SERVICE ACT OF 1980.—The Foreign Service Act of 1980 is amended—

(A) in section 202(a)(1) (22 U.S.C. 3922(a)(1)), by striking "Director of the United States International Development Cooperation Agency" and inserting "Administrator of the Agency for International Development";

(B) in section 310 (22 U.S.C. 3930), by striking "United States International Development Cooperation Agency" and inserting "Agency for International Development";

(C) in section 1003(a) (22 U.S.C. 4103(a)), by striking "United States International Development Cooperation Agency" and inserting "Agency for International Development"; and

(D) in section 1101(c) (22 U.S.C. 4131(c)), by striking "United States International Development Cooperation Agency" and inserting "Agency for International Development".

(5) REPEAL.—Section 413 of Public Law 96-53 (22 U.S.C. 3512) is repealed.

(6) TITLE 49.—Section 40118(d) of title 49, United States Code, is amended by striking "the Director of the United States International Development Cooperation Agency" and inserting "or the Administrator of the Agency for International Development".

(7) EXPORT ADMINISTRATION ACT OF 1979.—Section 2405(g) of the Export Administration Act of 1979 (50 U.S.C. App. 2405(g)) is amended—

(A) by striking "Director of the United States International Development Cooperation Agency" each place it appears and inserting "Administrator of the Agency for International Development"; and

(B) in the fourth sentence, by striking "Director" and inserting "Administrator".

TITLE XV—AGENCY FOR INTERNATIONAL DEVELOPMENT

CHAPTER 1—GENERAL PROVISIONS

SEC. 1501. EFFECTIVE DATE.

This title, and the amendments made by this title, shall take effect on the earlier of—

(1) April 1, 1999; or

(2) the date of reorganization of the Agency for International Development pursuant to the reorganization plan described in section 1601.

CHAPTER 2—REORGANIZATION AND TRANSFER OF FUNCTIONS

SEC. 1511. REORGANIZATION OF AGENCY FOR INTERNATIONAL DEVELOPMENT.

(a) IN GENERAL.—The Agency for International Development shall be reorganized in accordance with this subdivision and the reorganization plan transmitted pursuant to section 1601.

(b) FUNCTIONS TO BE TRANSFERRED.—The reorganization of the Agency for International Development shall provide, at a minimum, for the transfer to and consolidation with the Department of State of the following functions of AID:

(1) The Press office.

(2) Certain administrative functions.

CHAPTER 3—AUTHORITIES OF THE SECRETARY OF STATE

SEC. 1521. DEFINITION OF UNITED STATES ASSISTANCE.

In this chapter, the term "United States assistance" means development and other eco-

nomics assistance, including assistance made available under the following provisions of law:

(1) Chapter 1 of part I of the Foreign Assistance Act of 1961 (relating to development assistance).

(2) Chapter 4 of part II of the Foreign Assistance Act of 1961 (relating to the economic support fund).

(3) Chapter 10 of part I of the Foreign Assistance Act of 1961 (relating to the Development Fund for Africa).

(4) Chapter 11 of part I of the Foreign Assistance Act of 1961 (relating to assistance for the independent states of the former Soviet Union).

(5) The Support for East European Democracy Act (22 U.S.C. 5401 et seq.).

SEC. 1522. ADMINISTRATOR OF AID REPORTING TO THE SECRETARY OF STATE.

The Administrator of the Agency for International Development, appointed pursuant to section 524(a) of the Foreign Assistance Act of 1961 (22 U.S.C. 2384(a)), shall report to and be under the direct authority and foreign policy guidance of the Secretary of State.

SEC. 1523. ASSISTANCE PROGRAMS COORDINATION AND OVERSIGHT.

(a) AUTHORITY OF THE SECRETARY OF STATE.—

(1) IN GENERAL.—Under the direction of the President, the Secretary of State shall coordinate all United States assistance in accordance with this section, except as provided in paragraphs (2) and (3).

(2) EXPORT PROMOTION ACTIVITIES.—Coordination of activities relating to promotion of exports of United States goods and services shall continue to be primarily the responsibility of the Secretary of Commerce.

(3) INTERNATIONAL ECONOMIC ACTIVITIES.—Coordination of activities relating to United States participation in international financial institutions and relating to organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs shall continue to be primarily the responsibility of the Secretary of the Treasury.

(4) AUTHORITIES AND POWERS OF THE SECRETARY OF STATE.—The powers and authorities of the Secretary provided in this chapter are in addition to the powers and authorities provided to the Secretary under any other Act, including section 101(b) and section 522(c) of the Foreign Assistance Act of 1961 (22 U.S.C. 2151(b), 2382(c)).

(b) COORDINATION ACTIVITIES.—Coordination activities of the Secretary of State under subsection (a) shall include—

(1) approving an overall assistance and economic cooperation strategy;

(2) ensuring program and policy coordination among agencies of the United States Government in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance Acts;

(3) pursuing coordination with other countries and international organizations; and

(4) resolving policy, program, and funding disputes among United States Government agencies.

(c) STATUTORY CONSTRUCTION.—Nothing in this section may be construed to lessen the accountability of any Federal agency administering any program, project, or activity of United States assistance for any funds made available to the Federal agency for that purpose.

(d) AUTHORITY TO PROVIDE PERSONNEL OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT.—The Administrator of the Agency for International Development is authorized to detail to the Department of State on a non-reimbursable basis such personnel employed by the Agency as the Secretary of State may require to carry out this section.



United States Department of State

Washington, D.C. 20520

Nov 20

Jill,

Enclosed is our redraft,
reflecting input from key
offices here.

Let's talk after you &
your colleagues have reviewed.

Thanks,

Bill

cc Pat Kennedy
Jim Thessin
Craig Johnstone
Cameron Munter

phone # 67840

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USAID's status as a distinct agency and consistent with the Secretary of State's direct authority and foreign policy guidance, the Secretary will approve USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and reprogramming of development and other economic assistance. In this context, the Secretary will delegate to USAID a broad range of functions and authorities that USAID currently exercises. In carrying out these functions and authorities, USAID will consult as appropriate with the Department of State. These will include authorities:

- To receive apportionments for development and other economic assistance appropriations;
- To create policies for development and other economic assistance programs;
- To implement development and other economic assistance programs;
- To manage and administer assistance programs, including the requisite personnel authorities.

State-USAID Policy and Resource Management

The leadership of both institutions recognizes the need for effective coordination consistent with strong accountability and a clear division of responsibility. **In consultation with the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer assistance programs. State and USAID will establish a number of regular mechanisms for consultation and coordination. These will include:**

- **Coordination at the Strategic Planning Level -- Both State and USAID develop strategic plans in the context of the Government Performance and Results Act (GPRA). State coordinates with USAID in developing the "International Affairs Strategic Plan," and USAID's "Strategic Framework" is coordinated with the International Affairs Strategic Plan.**
- **Performance Planning in Washington -- Preparation of regional and functional Performance Plans at State will involve full coordination with USAID. USAID will participate in the Secretary's reviews of Performance Plans and in reviews of Mission Performance Plans.**
- **Relationships in the Field -- USAID budgeting and planning at overseas missions will be consistent with overall Mission Performance Plans prepared under the direction of Chiefs of Mission. The USAID Director (or USAID Representative) is a member of the Ambassador's country team. The Ambassador assesses the performance of the USAID mission director as part of the annual performance appraisal process.**
- **Other Structured Coordination -- Both agencies jointly participate in a range of staff meetings, interagency groups, task forces, binational commissions, and international meetings.**
- **Informal Coordination -- Much of the day-to-day exchange of information, clearance of messages, and relationship-building is informal, including frequent telephone calls and "dropping by" at the staff level, and joint participation in meetings and briefings. These professional relationships are less visible than formal arrangements, but play an essential role in identifying early on issues of importance to both institutions. Similar informal discussions are held at the State Assistant Secretary-USAID Assistant Administrator level.**

Coordination of U.S. Assistance

The *Act* gives the Secretary substantial new authorities in the coordination of U.S. development and other economic assistance. Coordination activities of the Secretary of State, under the direction of the President, will include: (1) approving an overall assistance and economic cooperation strategy; (2) ensuring program and policy coordination among USG agencies in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance acts; (3) pursuing coordination with other countries and international organizations; and (4) resolving policy, program, and funding disputes among USG agencies. Coordination of activities relating to promotion of exports of U.S. goods and services, however, will continue to be primarily the responsibility of the Secretary of Commerce, and coordination of activities relating to U.S. participation in international financial institutions and relating to organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs will continue to be primarily the responsibility of the Secretary of the Treasury.

Consistent with the authorities for the Secretary of State, mechanisms are being developed to implement stronger interagency coordination of assistance. These mechanisms will build upon field coordination, including cooperative efforts of all agencies at post to prepare Mission Performance Plans, and the aligning of specific plans of agencies in the field to MPP goals and strategies. In Washington, the Secretary of State will oversee coordination of assistance, supported by State-chaired mechanisms at various levels which will involve USG agencies that participate in the funding and delivery of U.S. assistance. USAID already carries out donor coordination in the field, through international organizations, and in contacts with donor governments and NGOs.

Integration of Press Office and Certain Administrative Functions

Not later than April 1, 1999, USAID's press office will be merged with State's Public Affairs Bureau. The eight USAID public affairs staff working in press relations will become Department of State public affairs officers. Seven of these officers will be located at the USAID offices in the Ronald Reagan Building and one will be within State's Public Affairs Bureau as the "USAID Desk Officer." The seven public affairs officers will be located at USAID in order to provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional and functional bureaus.

Reorganization will include the consolidation of certain USAID administrative functions with those of State. Three years ago, State and USAID began to consolidate overlapping administrative support functions. A memorandum of understanding between the two agencies, specifying agreements in four new areas for shared services that would provide logical, efficient, and effective operations, has been prepared. These services include:

- **Support** -- The two agencies are implementing joint agreements to have State process the retirement of USAID Foreign Service Officers and provide retirement counseling, use the same travel contract, and collocate USAID's headquarters mainframe computer operations with State's, as well as a number of other small agreements for joint headquarters services.

- **ICASS** -- State and USAID will implement the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services, using the concept of best practices and considering the cost and quality of services. **Any exception to the use of ICASS as the service provider will be appealed to Washington.**
- **Training** -- USAID will expand its use of State training services, e.g., foreign language training from State. State and USAID will also develop professional and technical training programs together to the maximum extent possible.
- **Storage** -- State accommodate USAID's needs for storage of employees' household goods. The two agencies already share other transportation and storage services.

Security -- State and USAID (as well as ACDA and USIA) will combine their security services into one entity.

Housing -- The two agencies will operate under a unified Housing Board at all overseas locations.

11/20/98 FRI 17:35 FAX 202 647 6301 CHINA 2000 (A/CAR)

Draft Nov 20 p.m.

(Sentences in bold deserve special attention.)

IV. The Development Assistance Mission

What Will Happen to the U.S. Agency for International Development (USAID)

Background

Consistent with the President's decision in April 1997, the *Foreign Affairs Reform and Restructuring Act of 1998* retains USAID as a distinct agency with a separate appropriation. The USAID Administrator is to report to and be under the direct authority and foreign policy guidance of the Secretary of State. Under the direction of the President, the Secretary of State will coordinate all U.S. assistance -- defined in the *Act* as "development and other economic assistance" -- except for activities related to export promotion and to international financial institutions and certain other financial assistance. The *Act* abolishes the International Development Cooperation Agency (IDCA). It requires that USAID integrate its press office and certain administrative functions with State.

Abolition of IDCA and Delegation of Authorities

Several steps will be taken to implement the *Act* and the President's decision so as to provide the "direct authority" relationship specified in the *Act*. In essence, the "dotted" organizational line between USAID and State will be "blackened," with the Administrator having most authorities derived by redelegation from the Secretary of State. The Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State. The USAID Administrator will carry out the approved overall assistance and economic cooperation strategy.

In accordance with the *Act*, Reorganization Plan No. 2 of 1979 -- which established IDCA, with USAID as a component, to coordinate economic assistance programs of U.S. government agencies -- will cease to be effective as of April 1, 1999. The effective repeal of Reorganization Plan No. 2 and the enactment of conforming amendments contained in the *Act* returns those functions now vested in IDCA or its director back to USAID or the Secretary of State, as was the case prior to 1979.

E.O. 12163, which delegated most Foreign Assistance Act development and other economic assistance-related authorities to IDCA, will be amended to delegate assistance functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This would be the same framework that existed prior to the establishment of IDCA. The *Act* also establishes USAID as an agency of the U.S. government.

To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance. In keeping with

Tab G



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

FOR EYES ONLY

November 23, 1998

*Counselor
to the Agency*

NOTE FOR THE ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION

Pat,

As you can see from my attached note to Bill, we have been unable to make progress in resolving the Development Assistance Mission chapter. We had earlier submitted revisions to the chapter, cleared by the lawyers, that reflected last year's agreement and the new legislation. But the latest response (which we received from Bill on Friday evening) goes even further in the wrong direction than the unacceptable proposals we had received last Wednesday.

Brian indicated you wanted our description of how coordination would work under the "solid-line" arrangement. Attached is our proposal, which we believe is fully consistent with our agreement last year. Let me know if you would like to discuss it.

A handwritten signature in cursive script that reads "Kelly".

Kelly C. Kammerer

Attachment: a/s

Tab H

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

November 24, 1998

COUNSELOR
TO THE AGENCY

Ambassador William Courtney

Bill:

Your latest draft (which we received this afternoon) continues to be based on an unacceptable premise. USAID's position is that we already have an agreement on the Development Assistance Mission chapter, it was reached last year and only needs to be amended to reflect technical changes required by the reorganization legislation. We gave you those changes (as agreed to by the State/USAID lawyers) at our meeting last Wednesday.

At that meeting you gave us a different version of the chapter that would reopen the most fundamental elements of the agreement. We advised you then that those issues are not within the jurisdiction of the Task Force.

When Pat met with Brian the other day he asked Brian for his thoughts on USAID/State coordination under the "solid-line" arrangement. That was the paper I sent Pat yesterday. It is not intended as a substitute for the agreements reached last year on such subjects as USAID's budget authority or the functions and authorities that are to be redelegated to USAID. It is thus inappropriate to try and parse that paper into the document you gave us last week - a document that we believe has no standing. The coordination paper, on the other hand, could serve as a complement to the original Development Assistance Mission chapter.

We continue to believe that the original Development Assistance Mission chapter, as revised by the lawyers to reflect the reorganization legislation, is the document the Task Force should approve. If State wishes to reopen the most basic elements of the agreement reached last year, and which formed the basis for our negotiations with the Hill on the reorganization legislation, it should not be done in the context of this Task Force.

Sincerely,



Kelly C. Kammerer

cc: Patrick Kennedy

Tab I

REPORT TO THE CONGRESS ON REORGANIZATION
OF FOREIGN AFFAIRS AGENCIES

ENHANCING USAID-STATE COORDINATION

The Act creates USAID as an independent Agency within the Executive Branch, headed by an Administrator who reports to and is under the direct authority and foreign policy guidance of the Secretary of State. Pursuant to authority contained in the Act, most functions and authorities previously vested in the Director of the International Development Cooperation Agency (IDCA), including authority to receive apportionments of development and other economic assistance appropriations, will be redelegated by the Secretary to the Administrator. The Administrator also will be delegated authority to create policies for, and to implement, manage and administer, development and economic assistance programs, including the requisite personnel authorities.

The Act makes one important exception to the general delegation of IDCA authorities to the USAID Administrator, vesting in the Secretary authority to coordinate all United States economic assistance activities (with certain exceptions for programs administered by Treasury and Commerce). To carry out this authority the Act describes four broad areas of coordination. USAID (and State where indicated) will take the following steps to implement the Act and further enhance USAID-State coordination:

1. Approving an overall assistance and economic cooperation strategy.

Broad foreign policy coherence is best assured through a strategic planning and resource allocation process that aligns USAID resources in support of foreign policy priorities and allows the sustainable development and humanitarian missions to be carried out effectively. The following coordination processes will achieve that objective:

a. Prior to formal submission to OMB of USAID's Strategic Plan, as required under the Government Performance and Results Act (GPRA), the Plan will be approved by the Secretary of State. The USAID Strategic Plan and results measures will be incorporated as part of the overall International Affairs Strategic Plan;

b. State regional Bureaus, and the appropriate Assistant Secretaries within the Global and Economic Under Secretariats, will participate in the review of the Strategic Plans for the respective USAID Bureaus and in the annual review of resource requirements by Bureau. USAID Bureaus will likewise participate in the reviews of Strategic Plans and resource requirements of their State counterparts. USAID's annual budget request to OMB will be

submitted through the Secretary.

c. Justifications to OMB and the Congress for requests for shared resources - - Economic Support Fund, SEED and the Freedom Support Act - - will be developed in a collaborative manner between USAID and State operating Bureaus, currently coordinated by State/RPP and USAID/M; and

d. USAID's GPRA-mandated Annual Performance Report and Annual Performance Plan will be shared with appropriate senior Department officials, including the Under Secretaries for Global and Economic Affairs and their appropriate Assistant Secretaries, and the Regional Bureau Assistant Secretaries.

2. Ensuring program and policy coordination among agencies of the United States Government in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance Acts.

Under the new arrangement, USAID and State will enhance coordination mechanisms at all levels, ensuring that economic assistance programs respond to foreign policy priorities and that humanitarian and sustainable development missions are performed as effectively as possible. This will include coordination in the

field and at the Regional Bureau level with respect to specific country strategies, as well as the relationship of USAID programs to State's "global" agenda. It will also reflect the importance of coordinating budget presentations to OMB and the Congress.

Regional Bureau Coordination

A more structured system will be implemented at the senior level to enhance coordination, specifically:

- a. Appropriate senior USAID officials will attend the regularly scheduled Bureau staff meetings chaired at the Assistant Secretary level;
- b. There will be reciprocal State senior level participation in the Assistant Administrator-chaired staff meetings of the USAID Regional Bureaus;
- c. Periodic topic-specific meetings will be held with the senior staff (Assistant Secretary/Assistant Administrator and Deputy Assistant Secretaries/Deputy Assistant Administrators), to focus on critical policy concerns;

Coordination in the Field

Close coordination at the field level is at the heart of an effective partnership. To strengthen the already strong and well established field relationships, the following will be consistently implemented:

a. The Ambassador will approve USAID's multi-year country assistance strategy, and the annual assessment of program performance and request for resources (R-4), both of which will be consistent with USAID's GPRA-mandated Strategic Plan;

b. USAID will be an active participant in the Embassy's annual planning process (Mission Performance Plan), integrating the appropriate results elements of the USAID strategy into the country plan, consistent with the Department's overall International Affairs Strategic Plan.

The Ambassador and the appropriate USAID Assistant Administrator will agree on the specific work plans for all Mission Directors, and the Ambassador will have primary responsibility for the annual performance rating of the principal USAID official at Post.

3. Pursuing coordination with other countries and international organizations

Consistent with the Act, mechanisms will be developed to implement stronger interagency coordination with other countries and international organizations on economic assistance matters. In regard to development assistance, USAID already carries out highly effective donor coordination, in the field and through international organizations, and contacts with donor governments and NGOs. In this regard, the Administrator, with appropriate consultation with the relevant State Bureaus, will continue to be the principal United States Government contact with development ministers from other donor nations and represent the United States at OECD Development Assistance Committee meetings, the development activities of International Financial Institutions (e.g. Consultative Group meetings) and with the UN development agencies.

The Department (normally the Under Secretary for Global Affairs), in consultation with USAID when appropriate, will represent the United States in treaty negotiations on development-related issues and perform other traditional institutional State roles. The Under Secretary (or other appropriate State officials) will ensure that the Department's diplomatic skills and mandate are used in support of development policy to advance effectively United States foreign policy interests.

4. Resolving policy, program, and funding disputes among United States Government agencies.

The Secretary will establish effective mechanisms to resolve disputes among the United States Government agencies whose activities are covered by the Act. Such disputes most normally will arise in the process of preparing the overall Strategic Plan for International Affairs agencies and the integrated Function 150 budget. Collegial procedures already have been developed to resolve most issues. To the extent such disputes cannot be resolved at lower levels, the Secretary will be the ultimate decision-maker. In respect to USAID, the Administrator reports to and is under the direct authority of the Secretary. As such, any policy, program or funding disputes involving the Department and USAID which cannot be resolved at a lower level will ultimately be resolved between the Secretary and the Administrator. (Vesting final dispute resolution authority at lower levels would disrupt lines of accountability and delegation of authority, and undermine USAID's status as a separate and distinct Agency.)



United States Department of State

Washington, D.C. 20520

Nov 24, 1998

Kelly Kammerer
Jill Buckley

Development Chapter

Thank you for the language suggestions you sent to Pat. We have inserted them in the Development chapter in places we thought you may have intended. Please check whether we have done this correctly, and we would welcome any other suggestions you have. Thanks.

Bill

cc. Pat Kennedy
Craig Johnstone
Jim Thessin
Cameron Munter

Draft Nov 24

(Sentences in bold show USAID-proposed language, which we have inserted in places USAID may intend. We have not received specific USAID brackets of other language.)

IV. The Development Assistance Mission

What Will Happen to the U.S. Agency for International Development (USAID)

Background

Consistent with the President's decision in April 1997, the *Foreign Affairs Reform and Restructuring Act of 1998* retains USAID as a distinct agency with a separate appropriation. The USAID Administrator is to report to and be under the direct authority and foreign policy guidance of the Secretary of State. Under the direction of the President, the Secretary of State will coordinate all U.S. assistance -- defined in the *Act* as "development and other economic assistance" -- except for activities related to export promotion and to international financial institutions and certain other financial assistance. The *Act* abolishes the International Development Cooperation Agency (IDCA). It requires that USAID integrate its press office and certain administrative functions with State.

Abolition of IDCA and Delegation of Authorities

Several steps will be taken to implement the *Act* and the President's decision so as to provide the "direct authority" relationship specified in the *Act*. In essence, the "dotted" organizational line between USAID and State will be "blackened," with the Administrator having most authorities derived by redelegation from the Secretary of State. The Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State. The USAID Administrator will carry out the approved overall assistance and economic cooperation strategy.

In accordance with the *Act*, Reorganization Plan No. 2 of 1979 -- which established IDCA, with USAID as a component, to coordinate economic assistance programs of U.S. government agencies -- will cease to be effective as of April 1, 1999. The effective repeal of Reorganization Plan No. 2 and the enactment of conforming amendments contained in the *Act* returns those functions now vested in IDCA or its director back to USAID or the Secretary of State, as was the case prior to 1979.

E.O. 12163, which delegated most Foreign Assistance Act development and other economic assistance-related authorities to IDCA, will be amended to delegate assistance functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This would be the same framework that existed prior to the establishment of IDCA. The *Act* also establishes USAID as an agency of the U.S. government.

To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance. In keeping with USAID's status as a distinct agency and consistent with the USAID Administrator's being under the Secretary's direct authority and foreign policy guidance, the Secretary will approve USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance. **((USAID would substitute for the preceding clause the following: . . . prior to formal submission to OMB of USAID's Strategic Plan, as required by the Government Performance and Results Act (GPRA), the plan will be approved by the Secretary of State. USAID's annual budget request to OMB will be submitted through the Secretary. Justifications to OMB and the Congress for requests for shared resources -- Economic Support Fund, SEED, and the Freedom Support Act -- will be developed in a collaborative manner between USAID and State bureaus.))**

In this context, the Secretary of State will delegate or redelegate to USAID a broad range of functions and authorities that USAID currently exercises. These will include authorities:

- To receive apportionments for development and other economic assistance appropriations;
- To create policies for development and other economic assistance programs;
- To implement development and other economic assistance programs;
- To manage and administer assistance programs, including the requisite personnel authorities.

In carrying out its functions and authorities under the direction of the Secretary, USAID will consult as appropriate with the Department of State.

State-USAID Policy and Resource Management

The leadership of both State and USAID recognize the need for effective coordination consistent with strong accountability and a clear division of responsibility. **((USAID would add: Broad foreign policy coherence is best assured through a strategic planning and resource allocation process that aligns USAID resources in support of foreign policy priorities and allows the sustainable development and humanitarian missions to be carried out effectively.))** Under the direction of the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer assistance programs. State and USAID will establish a number of regular mechanisms for consultation and coordination. **((USAID would substitute for the preceding sentence the following: USAID and State will enhance coordination mechanisms at all levels, including coordination in the field, at the regional bureau level with respect to specific country strategies, and in the relationship of USAID programs to State's bureaus in the global area.))** These will include:

- **Coordination at the Strategic Planning Level** -- Both State and USAID develop strategic plans in the context of the Government Performance and Results Act (GPRA). State coordinates with USAID in developing the "International Affairs Strategic Plan," and

USAID's "Strategic Framework" is coordinated with the International Affairs Strategic Plan. ((USAID would substitute the following: State regional bureaus, and the appropriate Assistant Secretaries within the global and economic areas, will participate in the review of the strategic plans for the respective USAID bureaus and in their annual review of resource requirements. USAID bureaus will likewise participate in the reviews of Strategic Plans and resource requirements of their State counterparts.))

- **Performance Planning in Washington** -- Preparation of regional and functional Performance Plans at State will involve full consultation with USAID, which will also participate in the Secretary's reviews of Performance Plans and in reviews of Mission Performance Plans. ((USAID would add: USAID's GPRA-mandated Performance Plans will be shared with appropriate senior State officials, including the Under Secretaries for Global and Economic Affairs and their appropriate assistant secretaries, and the regional bureau assistant secretaries.))
- **Regional Bureau Coordination** -- ((USAID would add: A more structured system will be implemented at the senior level to enhance coordination, specifically: a) appropriate senior USAID officials will attend the regularly scheduled bureau staff meetings chaired at the Assistant Secretary level, b) there will be reciprocal State senior-level participation in the Assistant Administrator-chaired staff meetings of USAID regional bureaus, c) periodic topic-specific meetings will be held with the senior staff (Assistant Secretary/Assistant Administrator and Deputy Assistant Secretary/Deputy Assistant Administrator levels) to focus on critical policy concerns.))
- **Relationships in the Field** -- ((USAID would add: Close coordination at the field level is at the heart of an effective partnership.)) USAID budgeting and planning at overseas missions will be consistent with overall Mission Performance Plans (MPPs) prepared under the direction of Chiefs of Mission. ((USAID would substitute for the preceding sentence the following: To strengthen the already strong and well established field relationships, the following will be consistently implemented: a) the Ambassador will approve USAID's multi-year country assistance strategy, and the annual assessment of program performance and request for resources (R-4), both of which will be consistent with USAID's GPRA-mandated Strategic Plan; and b) USAID will be an active participant in the Embassy's MPP process, integrating the appropriate elements of the USAID strategy into the country plan, consistent with State's overall International Affairs Strategic Plan. The Ambassador and the appropriate USAID Assistant Administrator will agree on the specific work plans for all Mission Directors.)) The USAID Director (or USAID Representative) is a member of the Ambassador's country team. The Ambassador assesses the performance of the USAID mission director as part of the annual performance appraisal process. ((USAID would substitute for the preceding sentence the following: The Ambassador will have primary responsibility for the annual performance rating of the principal USAID official at post.))

- **Other Coordination** -- Both agencies jointly participate in a range of staff meetings, interagency groups, task forces, binational commissions, and international meetings. Much of the day-to-day exchange of information, clearance of messages, and relationship-building is informal, including frequent telephone calls and "dropping by" at the staff level, and joint participation in meetings and briefings. These professional relationships are less visible than formal arrangements, but play an essential role in identifying early on issues of importance to both institutions. Similar informal discussions are held at the State Assistant Secretary-USAID Assistant Administrator level.

Coordination of U.S. Assistance

The *Act* gives the Secretary substantial new authorities in the coordination of U.S. development and other economic assistance. Coordination activities of the Secretary of State, under the direction of the President, will include: (1) approving an overall assistance and economic cooperation strategy; (2) ensuring program and policy coordination among USG agencies in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance acts; (3) pursuing coordination with other countries and international organizations; and (4) resolving policy, program, and funding disputes among USG agencies. Coordination of activities relating to promotion of exports of U.S. goods and services, however, will continue to be primarily the responsibility of the Secretary of Commerce, and coordination of activities relating to U.S. participation in international financial institutions and relating to organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs will continue to be primarily the responsibility of the Secretary of the Treasury.

Consistent with the authorities for the Secretary of State, mechanisms are being developed to implement stronger interagency coordination of assistance. These mechanisms will build upon field coordination, including cooperative efforts of all agencies at post to prepare MPPs, and the aligning of specific plans of agencies in the field to MPP goals and strategies. In Washington, the Secretary of State will oversee coordination of assistance, supported by State-chaired mechanisms at various levels which will involve USG agencies that participate in the funding and delivery of U.S. assistance.

((USAID would substitute for the preceding paragraph the following: The Secretary will establish effective mechanisms to resolve disputes among U.S. government agencies whose activities are covered by the Act. Such disputes most normally will arise in preparation of the overall Strategic Plan for International Affairs agencies and the integrated Function 150 budget. Collegial procedures have been developed to resolve most issues. To the extent such disputes cannot be resolved at lower levels, the Secretary will be the ultimate decision-maker. Program or funding disputes involving State and USAID which cannot be resolved at a lower level will ultimately be resolved between the Secretary and the Administrator. (Vesting final dispute resolution authority at lower levels would disrupt lines of accountability and delegation of authority, and undermine USAID's status as a separate and distinct agency.))

USAID already carries out ((USAID would add: highly effective)) donor coordination in the field, through international organizations, and in contacts with donor governments and NGOs. ((USAID would add: In this regard, the Administrator, with appropriate consultation with the relevant State bureaus, will continue to be the principal United States Government contact with development ministers from other donor nations and represent the United States at OECD Development Assistance Committee meetings, the development activities of international financial institutions (e.g., Consultative Group meetings), and the United Nations development agencies. State, in consultation with USAID when appropriate, will represent the United States in treaty negotiations on development-related issues. State will use its diplomatic skills and mandate in support of development policy to advance effectively U.S. foreign policy interests.))

((Note: We have not yet received USAID suggestions for the following section.))

Integration of Press Office and Certain Administrative Functions

Not later than April 1, 1999, USAID's press office will be merged with State's Public Affairs Bureau. The eight USAID public affairs staff working in press relations will become Department of State public affairs officers. Seven of these officers will be located at the USAID offices in the Ronald Reagan Building and one will be within State's Public Affairs Bureau as the "USAID Desk Officer." The seven public affairs officers will be located at USAID in order to provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional and functional bureaus.

Reorganization will include the consolidation of certain USAID administrative functions with those of State. Three years ago, State and USAID began to consolidate overlapping administrative support functions. A memorandum of understanding between the two agencies, specifying agreements in four new areas for shared services that would provide logical, efficient, and effective operations, has been prepared. These services include:

- **Support** -- The two agencies are implementing joint agreements to have State process the retirement of USAID Foreign Service Officers and provide retirement counseling, use the same travel contract, and collocate USAID's headquarters mainframe computer operations with State's, as well as a number of other small agreements for joint headquarters services.
- **ICASS** -- State and USAID will implement the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services, using the concept of best practices and considering the cost and quality of services. Any exception to the use of ICASS as the service provider will be appealed to Washington.

- **Training** -- USAID will expand its use of State training services, e.g., foreign language training from State. State and USAID will also develop professional and technical training programs together to the maximum extent possible.
- **Storage** -- State accommodate USAID's needs for storage of employees' household goods. The two agencies already share other transportation and storage services.
- **Security** -- State and USAID (as well as ACDA and USIA) will combine their security services into one entity.
- **Housing** -- The two agencies will operate under a unified Housing Board at all overseas locations.



United States Department of State

Washington, D.C. 20520

Dec 1

For Jill Buckley & Kelly Kammerer

Jill/Kelly,

Enclosed is an updated draft of the Development Mission chapter, reflecting much of the language that Kelly offered in his separate paper as well as inputs from some additional parts of State.

I would be pleased to come to USAID to discuss this with you if you like. Your comments are very welcome. Thanks,
Bill

Draft December 1

V. The Development Assistance Mission

What Will Happen to the U.S. Agency for International Development

Consistent with the President's decision in April 1997 and the *Foreign Affairs Reform and Restructuring Act of 1998* (the *Act*), the United States Agency for International Development (USAID) will remain a distinct agency with a separate appropriation. The USAID Administrator will be under the direct authority and foreign policy guidance of the Secretary of State. Under the direction of the President, the Secretary will coordinate all U.S. development and other economic assistance except activities related to export promotion and to international financial institutions and certain other financial assistance. The *Act* abolishes the International Development Cooperation Agency (IDCA). It requires that USAID integrate its press office and certain administrative functions with State.

Abolition of IDCA and Delegation of Authorities

Several steps will be taken to implement the *Act* and the President's decision so as to provide for the "direct authority" relationship. In essence, the "dotted" organizational line between USAID and State will be "blackened," with the Administrator having most authorities derived by redelegation from the Secretary of State. Under the direct authority and foreign policy guidance of the Secretary of State, the USAID Administrator will carry out the approved overall assistance and economic cooperation strategy.

In accordance with the *Act*, Reorganization Plan No. 2 of 1979 -- which established IDCA, with USAID as a component, to coordinate ((development and other??)) economic assistance programs of USG agencies -- will cease to be effective as of April 1, 1999. The effective repeal of Reorganization Plan No. 2 and the enactment of conforming amendments contained in the *Act* returns those functions now vested in IDCA or its director back to USAID or the Secretary of State, as was the case prior to 1979.

E.O. 12163, which delegated most Foreign Assistance Act development and other economic assistance-related authorities to IDCA, will be amended to delegate assistance functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This will be the same framework that existed prior to the establishment of IDCA. The *Act* also establishes USAID as a U.S. government agency.

To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance. In keeping with USAID's status as a distinct agency and consistent with the USAID Administrator's being under the Secretary's direct authority and foreign policy guidance, the Secretary will approve USAID's strategic plan and

annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance.

In this context, the Secretary of State will delegate or redelegate to USAID a broad range of functions and authorities that USAID currently exercises. These include authorities:

- To receive apportionments for development and other economic assistance appropriations;
- To create policies for development and other economic assistance programs;
- To implement development and other economic assistance programs; and
- To manage and administer assistance programs, including the requisite personnel authorities.

In carrying out its functions and authorities under the direction of the Secretary, USAID will consult as appropriate with State.

State-USAID Policy and Resource Management

The leadership of both State and USAID recognize the need for effective coordination consistent with strong accountability and a clear division of responsibility. Broad foreign policy coherence is best assured through strategic planning and resource allocation processes that align USAID resources in support of foreign policy priorities and allow the sustainable development and humanitarian missions to be carried out effectively. Under the direction of the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer these programs. State and USAID will establish a number of regular mechanisms to enhance consultation and coordination at all levels, including in the field, in Washington at the bureau level, and in the relationship of USAID and State activities on global issues. These mechanisms will include:

- **Coordination in Strategic Planning** -- Both State and USAID develop strategic plans in the context of the Government Performance and Results Act (GPRA). State coordinates with USAID in developing the "International Affairs Strategic Plan," and USAID's "Strategic Framework" is coordinated with this Plan.
- **Coordination in Washington** -- Preparation of bureau Performance Plans at State will involve full consultation with USAID, which will participate in the Secretary's reviews of such Plans and in reviews of Mission Performance Plans (MPPs). Under the direction of the Secretary, other specific coordination mechanisms will be established, including a more structured system for coordination among State and USAID bureaus.
- **Coordination in the Field** -- Close coordination in the field is at the heart of an effective State-USAID relationship. USAID overseas missions will participate actively in the MPP process, and their budgeting and planning will be consistent with MPPs. Chiefs of Mission will approve USAID missions' multi-year country assistance strategies and annual assessments of program performance and requests for resources (R-4), both of which will be consistent with USAID's GPRA-mandated Strategic Plan. The principal USAID official at post is a member of the country team. The Chief of Mission or Deputy will have primary responsibility for the annual performance rating of this official, and Chief of Missions and appropriate USAID Assistant Administrators will agree on specific work plans for the official.

- **Informal and Other Coordination** -- Both agencies' officials will participate in a range of staff meetings, interagency groups, task forces, binational commissions, and other international meetings where they will coordinate their activities. Day-to-day exchanges of information and clearance of messages will constitute an important form of coordination. Informal coordination, including frequent telephone calls and "dropping by," will be valuable. These relationships are less visible than formal arrangements, but they play an essential role in identifying early on issues of importance to both institutions.

Coordination of U.S. Assistance

Consistent with the *Act*, the Secretary of State will exercise new authorities in the coordination of U.S. development and other economic assistance. Coordination activities of the Secretary, under the direction of the President, will include: (1) approving an overall assistance and economic cooperation strategy; (2) ensuring program and policy coordination among USG agencies in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance acts; (3) pursuing coordination with other countries and international organizations; and (4) resolving policy, program, and funding disputes among U.S. government agencies. Coordination of activities relating to promotion of exports of U.S. goods and services, however, will continue to be primarily the responsibility of the Secretary of Commerce, and coordination of activities relating to U.S. participation in international financial institutions and organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs will continue to be primarily the responsibility of the Secretary of the Treasury.

The Secretary of State will establish effective mechanisms to resolve disputes among U.S. government agencies whose activities are covered by the *Act*. These mechanisms will build on field coordination, including cooperative efforts of all agencies at post to prepare MPPs and align plans of agencies in the field to MPP goals and strategies. In Washington, the Secretary will oversee the coordination of assistance, supported by State-chaired mechanisms at various levels which will involve U.S. government agencies that fund and deliver U.S. assistance. To the extent that disputes cannot be resolved at lower levels, the Secretary will make the ultimate decision.

Due to the need for high-profile interagency coordination at the startup of assistance to Central and Eastern Europe and the New Independent States of the former Soviet Union, the Congress mandated establishment of special Coordinators at State to oversee all development and other economic assistance to these areas. There are close professional relationships and interactions between USAID offices and the offices of the Coordinators. The activities of the State offices have led to better coordination of assistance efforts between all U.S. government agencies and improved links between policy and assistance programs. This mechanism has proven to be indispensable in these regions, where U.S. assistance is a critical part of U.S. foreign policy.

USAID already carries out highly effective donor coordination in the field, through international organizations and in contacts with donor governments and NGOs. State, in consultation with USAID, will continue to represent the United States in treaty negotiations on development-

related issues. The Administrator, in appropriate coordination with the relevant State bureaus, will continue to be the principal U.S. government contact with development ministers from other donor nations and represent the United States at OECD Development Assistance Committee meetings, development activities of international financial institutions (e.g., World Bank Consultative Group meetings), and United Nations development agencies. State will use its diplomatic mandate in support of development policy to advance U.S. foreign policy interests.

Integration of Press Office and Certain Administrative Functions

By April 1, 1999, USAID's press office will be merged with State's Bureau of Public Affairs. The eight USAID press relations officers will become State public affairs officers. Two will remain at USAID headquarters to serve as liaisons between State and USAID on press matters, two will be located at the Washington Foreign Press Center, and four will be located at State. The eight officers will provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional and functional bureaus.

Reorganization will include the consolidation of certain USAID administrative functions with those of State. Three years ago, State and USAID began to consolidate overlapping administrative support functions. A memorandum of understanding between the two agencies specifies four areas for shared services that provide logical, efficient, and effective operations. These services include:

- **Support** -- State will process the retirement of USAID Foreign Service Officers and provide retirement counseling. USAID will use the same travel contract as State, and collocate its headquarters mainframe computer operations with State's. The two agencies will implement a number of other small agreements for joint headquarters services.
- **ICASS** -- State and USAID will implement the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services, using the concept of best practices and considering the cost and quality of services. Requests for exceptions to the use of ICASS as the service provider must be referred to Washington.
- **Training** -- USAID will expand its use of State training services, e.g., foreign language training. State and USAID will also develop professional and technical training programs together to the maximum extent possible.
- **Storage** -- State will accommodate USAID's needs for storage of employees' household goods. The two agencies already share other transportation and storage services.

Additionally:

- **Housing** -- At all overseas locations the two agencies will operate under a unified Housing Board and utilize a single housing pool for leased units.
- **Security** -- State and USAID will combine their security services into one entity. (See chapter on Security.)

USAID



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 2, 1998

MEMORANDUM

To: Patrick F. Kennedy
Assistant Secretary
Bureau of Administration and Director
of Task Force on Reorganization
Department of State

From: Kelly C. Kammerer *KCK*
Counselor
U.S. Agency for International Development

Subject: Revisions to the Development Assistance Mission
Chapter of the Reorganization Report

Discussion:

This responds to the December 1 State Department draft of the Development Assistance Mission Chapter of the Reorganization Report. For the reasons raised by USAID representatives at the last meeting of the Task Force Subcommittee, and in two subsequent memoranda from me to Bill Courtney, USAID continues to object to the proposed revisions.

The changes proposed to the previously agreed text are objectionable for a variety of reasons, but, because they are so important, we want to focus on two issues we believe are fundamentally inconsistent with the President's decision that USAID remain a distinct agency with a separate appropriation:

1) Delegation of functions and authorities. Agreement was reached that the Administrator would "report to and be under the direct authority of the Secretary" only with the clear understanding that the functions and authorities delegated to USAID under IDCA would be redelegated to USAID once IDCA was abolished. This agreement was the fundamental reason we were able to resolve USAID's status in the context of the reorganization discussions with the Secretary and the White House.

This is reflected in the following sentence from the Executive Summary of the August 1997 Reorganization Report: "USAID will be established in law as an agency of the U.S. government, and all IDCA authorities will be redelegated to it by the Secretary of State". (emphasis added).

This wording was modified slightly in the Development Assistance Mission Chapter, but we were assured that this change was stylistic only, and would not affect the fact that the Secretary would redelegate the IDCA functions to USAID once IDCA was abolished (see memo to the files from Bob Lester, provided to Bill earlier).

The proposed revisions you sent us yesterday state that the Secretary would redelegate only "a broad range of functions and authorities that USAID currently exercises". We cannot concur with a report to the Congress that contains such vague and ambiguous language. In fact, we assume the Congress will immediately ask for a description of the functions and authorities to be delegated. At a minimum, we need to know which of the functions and authorities (if any) that USAID currently exercises that you propose to reserve to the Secretary.

2) Budget Authority. One of the principal functions USAID exercises under IDCA is to prepare and submit to OMB an annual budget for development assistance and related accounts. Consistent with this authority, USAID also allocates assistance to individual countries after the enactment of appropriations and submits reprogramming requests to the Congress as necessary. Under the proposed revised text you sent to us yesterday, these functions would henceforth be exercised by State (i.e. "the Secretary will approve USAID's ...annual budget submission and appeals, and allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance").

The President's decision to maintain USAID as a distinct agency, with a separate appropriation and the management tools necessary to operate and be held accountable to the Congress and the American people, was based on three important principles: (1) long-term development funds should not be inappropriately diverted to meet the needs of short-term diplomacy; (2) the tools necessary to effectively manage USAID's complex financial management and procurement systems must be maintained; and (3) the long-term development mission of the U.S. should not be downgraded.

1. The inevitable consequence of transferring authority to approve the uses of development funds from USAID to the Department of State will be that the pressure of meeting the immediate crisis will likely divert resources from long-term development to short-term diplomacy, through a stronger focus on only the immediate need. A focus on short-term problems would significantly undermine U.S. ability to address long-term development issues that could cause irreparable harm to future American generations, including environmental degradation; unsustainable population growth; lost markets to foreign competitors; and growth of emerging and reemerging diseases (e.g. tuberculosis, HIV/AIDS). Strategic allocations of development funds grounded in results based budgeting would become secondary to political expediency.

2. Putting the Department of State in charge of USAID's budget would change USAID from an operational agency, responsible for not only setting development policy but also administering development programs, into a staff arm of non-operational State Department coordinators. It would violate all good management principles by holding USAID accountable for effective use of funds, but vesting no real authority in USAID managers. By taking away authority for budgeting, USAID could not possibly be held accountable by the Congress for the use of funds.

3. By moving responsibility for budget to the State Department we would eclipse the development perspective in decision making, and damage the ability of the U.S. to play a leadership role with other bilateral and multilateral donors.

The President's decision of April 18, 1997 was designed to allow USAID to remain as a distinct agency with a distinct mission, while fully ensuring that its activities are coordinated with the Department of State to ensure maximum compatibility with foreign policy objectives. The proposed revised language in the Reorganization Report would totally undo the President's carefully crafted decision to combine budget authority with accountability within USAID under the direct authority and foreign policy guidance of the Secretary of State.

- Such a structure of Department of State "supervision" over USAID budget decisions is inconsistent with the independent nature of USAID as approved by the President.

- It creates a layer of bureaucracy that will slow down and confuse the provision of assistance.

- It vests a coordination role in individuals with little or no development experience who will now be expected to supervise (or coordinate) development assistance programs by management standards not used in State.

- It ignores the already considerable foreign policy role played by Ambassadors and Assistant Secretaries in the foreign assistance process, as well as the key role played by OMB and other executive branch agencies in coordinating overseas assistance activities.

- It downgrades the development mission within the U.S. government.

While these are the two most serious issues we have with the revisions to the Development Assistance Mission Chapter, they are by no means the only problematic changes. For example, we do not agree that the "shared administrative services" section should be expanded to include items not in our negotiated memorandum of understanding (e.g. because of statutory provisions relating to USAID's Security Office we are unable to agree that State and USAID will combine their Security Services -- although we would be willing to accept language that we are discussing this issue and would have to consult with Congress before taking action).

In addition, the revised text on integration of the press office is unacceptable and inconsistent with every discussion of this issue over the past year and a half. We also believe the section on NIS and SEED coordinators unrealistically exaggerates the utility of the coordinator function and ignores the substantial management redundancies they have created. We don't suggest that these problems need to be aired in a report to Congress, but neither should we act as if problems do not exist:

In Bill's cover note transmitting the latest State revisions, he indicated he would be pleased to meet with Jill and me to discuss these issues. We appreciate that offer and would be happy to meet, assuming we would be able to discuss alternatives for the language we have identified as problematic. If such a meeting is merely to convey what senior policy officials at State want in the Development Assistance Mission Chapter, we do not believe there would be further utility in meeting at this level. In any event, we would hope that if such a meeting can be arranged, that either you, Jim Thessin or someone else familiar with the prior history of these negotiations could also participate from the State side.

cc: Ambassador Wendy Sherman
Ambassador William Courtney
Jim Thessin



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Administrator

December 3, 1998

MEMORANDUM
S/S

UNCLASSIFIED

TO: The Deputy Secretary
FROM: J. Brian Atwood *BA*
SUBJECT: The Reorganization Report

Attached is USAID's latest response to efforts by the State Task Force to revise the Development Assistance Mission Chapter of the Reorganization Report to be submitted to Congress. As a fellow member of the so-called "Corporate Board" I am writing to object strenuously to the effort by the State Task Force to reopen issues that were decided last August and which formed the basis for the President's decision on reorganization and the subsequent discussions with the Congress on the meaning of the legislation eventually enacted.

It would appear that the State Task Force believes that the negotiating process is now open-ended and that previous agreements, meticulously worked over word for word, can be amended to incorporate the wish list of any State Department unit that comes into contact with USAID. It is our view that the agreements reached in the August 1997 Reorganization Report were negotiated and arrived at in good faith. They were confirmed by the Secretary and by the OMB Director, the Vice President and the President. Indeed, they formed the basis of the Administration's "statement of position" presented to Congress with respect to the reorganization legislation. Any suggestion that the enacted legislation was based on anything other than a full understanding of the Administration's position, particularly with respect to the Secretary's intent to delegate "...all IDCA authorities" that currently govern AID's activities and mission, is false.

UNCLASSIFIED

-2-

We are prepared to discuss suggestions that will update our agreement and to provide details to make it more meaningful, but we will not agree to reopen the fundamentals without the full participation of OMB and the Vice President's office. As those parties were intimately involved in these negotiations last year, we feel that they must participate if any change to the basic agreement is contemplated.

We very much want the new relationship with State to work well. Our ultimate shared goal is to serve the Secretary and U.S. foreign policy. That can best be achieved by establishing trust at all levels below the Secretary and the Administrator. In this instance, trust must be based on a good faith acceptance of agreements previously reached.

Attachment: A/S

cc: Frank Loy
Wendy Sherman
Pat Kennedy
Jim Thessin
Bill Courtney

Tab M



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

U.S. Agency for International Development
Office of the Counselor
1300 Pennsylvania Ave., NW, Room 6.8-C
Washington, D.C. 20523

Date: December 7, 1993

From: Kelly Kammerer

Phone: 202-712-5090

Fax: 202-216-3427

To: Bill Courtney

Fax: 647-6501

Phone: 736-7840

MESSAGE: Bill- Per my discussion with Pat and Jim,

I've discussed with Brian the proposal to change the

report language from "approval" to "review. USAID

agrees with that compromise.

KELLY

Total pages (including this cover sheet): 1



United States Department of State

Washington, D.C. 20520

Dec 4

For Jill Buckley
Kelly KammererDevelopment ChapterPlease convey by 2pm
any final changes you recommend.

Thanks,

Bill

x 736-7840

Bill: we are working (phones!) with Jim to reach agreement on the last 2-3 issues. We will back to you as soon as possible, but probably beyond 2pm.

Kelly

V. The Development Assistance Mission

What Will Happen to the U.S. Agency for International Development (USAID)

Consistent with the President's decision in April 1997 and the *Foreign Affairs Reform and Restructuring Act of 1998* (the Act), USAID will remain a distinct agency with a separate appropriation. The USAID Administrator will be under the direct authority and foreign policy guidance of the Secretary of State. Under the direction of the President, the Secretary will coordinate all U.S. development and other economic assistance except activities related to export promotion and to international financial institutions and certain other financial assistance. The Act abolishes the International Development Cooperation Agency (IDCA). It requires that USAID integrate its press office and certain administrative functions with State.

Abolition of IDCA and Delegation of Authorities

Several steps will be taken to implement the Act and the President's decision so as to provide for the "direct authority" relationship. In essence, the "dotted" organizational line between USAID and State will be "blackened," with the Administrator having most authorities derived by redelegation from the Secretary of State. Under the direct authority and foreign policy guidance of the Secretary, ~~of State~~, the USAID Administrator will carry out the approved overall assistance and economic cooperation strategy.

In accordance with the Act, Reorganization Plan No. 2 of 1979 -- which established IDCA, with USAID as a component, to coordinate ((development and other??)) economic assistance programs of USG agencies -- will cease to be effective as of April 1, 1999. The effective repeal of Reorganization Plan No. 2 and the enactment of conforming amendments contained in the Act returns those functions now vested in IDCA or its director back to USAID or the Secretary of State, as was the case prior to 1979.

E.O. 12163, which delegated most Foreign Assistance Act development and other economic assistance-related authorities to IDCA, will be amended to delegate assistance functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This will be the same framework that existed prior to the establishment of IDCA. The Act also establishes USAID as a U.S. government agency.

To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance. In keeping with USAID's status as a distinct agency and recognizing that the USAID Administrator's is under the Secretary's direct authority and foreign policy guidance, the Secretary will review USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance.

In this context, the Secretary of State will delegate or redelegate to USAID the functions and authorities needed to carry out its mission. These include authorities:

- To receive apportionments for development and other economic assistance appropriations;
- To create policies for development and other economic assistance programs;
- To implement development and other economic assistance programs; and
- To manage and administer assistance programs, including the requisite personnel authorities.

In carrying out its functions and authorities under the direction of the Secretary, USAID will consult as appropriate with State.

State-USAID Policy and Resource Management

The leadership of both State and USAID recognize the need for effective coordination consistent with strong accountability and a clear division of responsibility. Broad foreign policy coherence is best assured through strategic planning and resource allocation processes that align USAID resources in support of foreign policy

priorities and allow the sustainable development and humanitarian missions to be carried out effectively. Under the direction of the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer these programs. State and USAID will establish a number of regular mechanisms to enhance consultation and coordination at all levels, including in the field, in Washington at the bureau level, and in the relationship of USAID and State activities on global issues. These mechanisms will include:

- **Coordination in Strategic Planning** -- Both State and USAID develop strategic plans in the context of the Government Performance and Results Act (GPRA). State coordinates with USAID in developing the "International Affairs Strategic Plan," and USAID's "Strategic Framework" is coordinated with this Plan.
- **Coordination in Washington** -- Preparation of bureau Performance Plans at State will involve full consultation with USAID, which will participate in the Secretary's reviews of such Plans and in reviews of Mission Performance Plans (MPPs). Under the direction of the Secretary, other specific coordination mechanisms will be established, including a more structured system for coordination among State and USAID bureaus.
- **Coordination in the Field** -- Close coordination in the field is at the heart of an effective State-USAID relationship. USAID overseas missions will participate actively in the MPP process, and their budgeting and planning will be consistent with MPPs. Chiefs of Mission will approve USAID missions' multi-year country assistance strategies and annual assessments of program performance and requests for resources (R-4), both of which will be consistent with USAID's GPRA-mandated Strategic Plan. The principal USAID official at post is a member of the country team. The Chief of Mission or Deputy will have primary responsibility for the annual performance rating of this official, and Chief of Missions and appropriate USAID Assistant Administrators will agree on specific work plans for the official.
- **Informal and Other Coordination** -- Both agencies' officials will participate in a range of staff meetings, interagency groups, task forces, binational commissions, and other international meetings where they will coordinate their activities. Day-to-day exchanges of information and clearance of messages will constitute an

important form of coordination. Informal coordination, including frequent telephone calls and "dropping by," will be valuable. These relationships are less visible than formal arrangements, but they play an essential role in identifying early on issues of importance to both institutions.

Coordination of U.S. Assistance

Consistent with the Act, the Secretary of State will exercise new authorities in the coordination of U.S. development and other economic assistance. Coordination activities of the Secretary, under the direction of the President, will include: (1) approving an overall assistance and economic cooperation strategy; (2) ensuring program and policy coordination among USG agencies in carrying out the policies set forth in the Foreign Assistance Act of 1961, the Arms Export Control Act, and other relevant assistance acts; (3) pursuing coordination with other countries and international organizations; and (4) resolving policy, program, and funding disputes among U.S. government agencies. Coordination of activities relating to promotion of exports of U.S. goods and services, however, will continue to be primarily the responsibility of the Secretary of Commerce, and coordination of activities relating to U.S. participation in international financial institutions and organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive economic reform programs will continue to be primarily the responsibility of the Secretary of the Treasury.

The Secretary of State will establish effective mechanisms to resolve disputes among U.S. government agencies whose activities are covered by the Act. These mechanisms will build on field coordination, including cooperative efforts of all agencies at post to prepare MPPs and align plans of agencies in the field to MPP goals and strategies. In Washington, the Secretary will oversee the coordination of assistance, supported by State-chaired mechanisms at various levels which will involve U.S. government agencies that fund and deliver U.S. assistance. To the extent that disputes among agencies cannot be resolved at lower levels, the Secretary will make the ultimate decision.

Due to the need for high-profile interagency coordination at the startup of assistance to Central and Eastern Europe and the New Independent States of the former Soviet Union, the Congress mandated establishment of special Coordinators at State to oversee all development and other economic

assistance to these areas. There are close professional relationships and interactions between USAID offices and the offices of the Coordinators. This process has proven to be valuable in ^{these} regions, where U.S. assistance is a critical part of U.S. foreign policy.

USAID already carries out highly effective donor coordination in the field, through international organizations and in contacts with donor governments and NGOs. State, in consultation with USAID, will continue to represent the United States in treaty negotiations on development-related issues. The Administrator, in appropriate coordination with the relevant State bureaus, will continue to be the principal U.S. government contact with development ministers from other donor nations and represent the United States at OECD Development Assistance Committee meetings, development activities of international financial institutions (e.g., World Bank Consultative Group meetings), and United Nations development agencies. State will use its diplomatic mandate in support of development policy to advance U.S. foreign policy interests.

Integration of Press Office and Certain Administrative Functions

By April 1, 1999, USAID's press office will be merged with State's Bureau of Public Affairs. The eight USAID press relations officers will become State public affairs officers. Two will remain at USAID headquarters to serve as liaisons between State and USAID on press matters, two will be located at the Washington Foreign Press Center, and four will be located at State. The eight officers will provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional and functional bureaus.

Reorganization will include the consolidation of certain USAID administrative functions with those of State. Three years ago, State and USAID began to consolidate overlapping administrative support functions. A memorandum of understanding between the two agencies specifies four areas for shared services that provide logical, efficient, and effective operations. These services include:

- **Support** -- State will process the retirement of USAID Foreign Service Officers and provide retirement counseling. USAID will use the same travel contract as State, and collocate its headquarters mainframe computer operations with State's. The two agencies

will implement a number of other small agreements for joint headquarters services.

- **ICASS** -- State and USAID will implement the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services, using the concept of best practices and considering the cost and quality of services. Requests for exceptions to the use of ICASS as the service provider must be referred to Washington.
- **Training** -- USAID will expand its use of State training services, e.g., ~~foreign~~ language training. State and USAID will also develop professional and technical training programs together to the maximum extent possible.
- **Storage** -- State will accommodate USAID's needs for storage of employees' household goods. The two agencies already share other transportation and storage services.

Additionally:

- **Housing** -- At all overseas locations the two agencies will operate under a unified Housing Board and utilize a single housing pool for leased units.
- **Security** -- State and USAID will review their security services to determine what further coordination can be achieved.
- **Other Functions** -- State and USAID will continue to explore other efficient ways to coordinate or consolidate as many administrative functions as possible.

Tab N



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

December 17, 1998

*Counselor
to the Agency*

Mr. Robert Kyle
Associate Director for National Security
and International Affairs
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503-0001

Dear Bob:

This responds to your request for comments, pursuant to OMB Circular A-19, on the Plan for the Implementation of Section 1601 of Public Law 105-277, the Omnibus Appropriation Act for Fiscal Year 1999, and the accompanying Report to the Congress on the Reorganization of the Foreign Affairs Agencies.

The Plan and the Report reflect cooperative efforts among USAID and the other affected foreign affairs agencies to implement the President's decision of April 18, 1997, to reorganize the foreign affairs agencies. As such, they are informed by the documents on which the President's April 1997 decision was based, the draft report of the Reorganization Task Force dated August 1997, as well as Public Law 105-277. Insofar as the Plan and Report relate to USAID, we believe there is nothing in Public Law 105-277 that is inconsistent with the President's April 1997 decision.

We have worked collegially with the Department of State to prepare the USAID-related portions of both the Plan and the Report. Therefore, except for a few minor wording changes intended to achieve greater clarity or to remove internal inconsistencies (line-in, line-out revisions enclosed), our comments are intended to explain USAID's understanding of how the two organizations will operate under the new arrangement. We expect the President and the Congress will want to know these details, and it is therefore important that we have a clear understanding before these documents are transmitted to the Congress on what the Plan and Report mean for USAID's day-to-day operations after April 1, 1999.

THE PLAN

The functions to be transferred from USAID to the Department by April 1, 1999 are those specifically enumerated in section 2(c) of the Plan. Similarly, the property, facilities, contracts and other assets and liabilities of USAID that will be transferred to the Department of State are those specifically related to the functions enumerated in section 2(c). USAID and State have agreed that we will explore other efficient ways to coordinate or consolidate as many administrative functions as possible. We have no other comments on the Plan.

THE REPORT

In general, the Report accurately reflects the President's decision that USAID will remain a distinct agency headed by an Administrator who reports to and is under the direct authority and foreign policy guidance of the Secretary of State. It is also consistent with the President's decision that USAID's unique long-term development mission be preserved, and that sustainable development funding not be perceived as a short-term tactical resource as opposed to a long-term strategic tool of foreign policy. In keeping with the President's decision that USAID continue to operate with a separate appropriation, the Report also recognizes that among the functions and authorities the Secretary will delegate to the Administrator are the authorities necessary to manage USAID's budget and to receive apportionments for development and other economic assistance appropriations directly from OMB.

In this context, we anticipate the President and the Congress will ask that we explain in greater detail than is contained in the Report the specific functions and authorities to be redelegated from the Secretary to the Administrator, and how the Administrator will manage USAID's budget. Both issues are alluded to in the Report, and we have an agreed understanding with the Department of State of how this will work in practice.

1. Delegation of Authority. As the Report explains, on the effective date that IDCA is abolished, Executive Order 12163 will be amended to transfer economic assistance functions vested in the President to the Secretary; and, as was the case before 1979, the Secretary will simultaneously redelegate to the Administrator "the functions and authorities needed to carry out (USAID's) mission". The Report summarizes the most important categories of functions and authorities to be redelegated, and both State and USAID have agreed that every effort will be made to identify any authorities that should be reserved to the Secretary before the Plan and the Report are transmitted to the Congress.

Our respective legal staffs are fully engaged in this process. As far as USAID is aware, the only USAID-related functions that have been identified for reservation are several provisions in the Foreign Assistance Act relating to the coordination of assistance programs, IDCA-like functions that have been transferred to the Secretary by Public Law 105-277. To anticipate inevitable questions from the Congress, however, the Administration needs to give careful consideration to the draft revisions to E.O. 12163, and the Delegation of Authority from the Secretary to the Administrator, to assure consistency with the President's decision.

In addition, to create an appropriate record of this reorganization for future Administrations, we also suggest that in amending E.O. 12163, specific reference be made to the effect that functions and authorities delegated to or otherwise vested in the Secretary relating to economic assistance are to be redelegated by the Secretary (other than coordination functions) to the Administrator of USAID. As noted, this is not necessary for this Administration, because State and USAID have a clear understanding of what functions and authorities need to be redelegated to preserve USAID's distinct mission, but out of concern that future Administrations may not hold the same views about the need for preserving the long-term development mission.

2. Budget Authority. In keeping with the President's April 1997 decision, Public Law 105-277 provides that the USAID Administrator will report to and be under the direct authority and foreign policy guidance of the Secretary of State. The Department and USAID agree this does not imply micro management or day-to-day operational control or direction by the Secretary or the Department of USAID activities or budget. But there are certain key actions, primarily relating to the formulation of budgets and country allocations (including significant reprogrammings), that need to be coordinated with the Secretary to ensure she can exercise her statutory responsibilities.

The standard we have agreed on for the Report is that the Administrator will submit for the Secretary's review, before they are transmitted to OMB or the Congress, the GPRA-mandated strategic plan and annual performance plan, the annual budget and appeals, allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance. Similarly, pursuant to section 531 of the Foreign Assistance Act of 1961, the Secretary will continue to exercise her responsibility for allocating Economic Support Funds in cooperation with the Administrator.

This budget review issue goes to the crux of the new relationship, and it is very important how we describe this process to the Congress. We have agreed on the verb "review" because it recognizes the Secretary's overall responsibility for

foreign policy and USAID's status as a distinct agency with a distinct mission. The process we have agreed to with State is that the Administrator will transmit the relevant information to the Secretary for review and the Secretary will advise the Administrator whether it is consistent with foreign policy before it is transmitted to OMB or the Congress. The word "review" assumes a collaborative approach. In reaching agreement on this standard, we have deliberately avoided verbs like "approve", "concur" or "clear" in describing the Secretary's role. We believe this is an important distinction to maintain as we discuss the Plan and the Report with the Congress in order to protect the President's decision that USAID's long-term development mission be preserved and that USAID continue to operate as a distinct agency with its budget, policy, management, and implementation authorities intact.

Further in this regard, we recommend two minor changes in wording to ensure there is no ambiguity regarding the appropriate roles of the Secretary and the Administrator relating to the above described budget authorities. Once again, this clarification is suggested not for this Administration, which has a clear understanding of the roles of both the Secretary and the Administrator, but for future Administrations which will look to this report for guidance.

The President's decision (which was adopted verbatim by the Congress in P.L. 105-277) is that the Administrator will "report to and be under the direct authority and foreign policy guidance of the Secretary of State". In most instances, this wording is used in the Report, but in at least two cases (and we assume this was done for purposes of convenience rather than a change in meaning) instead of saying the Administrator is "under the direct authority" of the Secretary, it says the Administrator is under the "direction" of the Secretary. In the context of where this wording is used (page 6 under the paragraph titled "International Development", page 34 after the four bullets, and page 35 in the first full paragraph) this could be interpreted by future Administrations or the Congress to imply the kind of day-to-day operational control over USAID activities we have agreed is inconsistent with the Secretary's intentions or the President's decision. In each case we recommend deleting "direction" and inserting in lieu thereof "under the authority delegated to him by the Secretary".

3. **Coordination.** The Report contains extensive language on coordination between State and USAID, reflecting the President's decision that there be greater policy coherence and effectiveness in our foreign assistance programs. However, in some instances, the Report references the Secretary's coordination responsibilities under P.L. 105-277 in a way that implies its coordination provisions apply exclusively to USAID. Thus, on

page 34, in the context of the State/USAID relationship, it states that "... the Secretary of State will coordinate development and other economic assistance". In fact, the law gives the Secretary the authority to ensure program and policy coordination "among agencies of the United States Government carrying out policies" under relevant foreign assistance legislation.

Accordingly, for purposes of accuracy, we recommend rewording the first two clauses of the third sentence of the second full paragraph on page 6 and the first sentence of the second full paragraph on page 34 as follows: "To maximize consistency with overall international affairs priorities, the Secretary will ensure coordination among agencies of the United States Government in carrying out the policies contained in relevant foreign assistance legislation." To leave the language as drafted could create the impression that the Secretary intended to manage the day-to-day activities of USAID, a position clearly inconsistent with our understanding with the Secretary, and the President's decision that USAID remain a distinct agency, with the delegated authorities necessary to carry out economic assistance programs. USAID is a strong supporter of closer coordination with State, consistent with maintaining the fiscal and program accountability and clear division of responsibility that allows USAID to effectively manage implementation of development assistance activities.

4. **Press Office.** At the time the President made his original decision, and in all negotiations with State up until last week, we had agreed that the eight USAID press officers would be transferred to State, and that seven of these officers would be detailed back to the Ronald Reagan building to work on USAID's complex and demanding day-to-day press operations. The remaining press officer was to have been stationed at Main State to act as a liaison with USAID. We continue to believe this formulation is essential to protect and promote the Administration's foreign assistance and foreign policy goals.

An example of the demands on USAID's press and public affairs office occurred this week when USAID organized a conference on hurricane Mitch that drew 600 representatives from the private sector and seven Cabinet or agency heads plus Mrs. Gore. We could not carry out this kind of operation if the press officers assigned to support USAID are located outside of USAID's headquarters.

More importantly, USAID receives hundreds of press inquiries each month requesting detailed information on projects, contracts, grants and other USAID activities and policies. These inquiries are typically focused on activities esoteric to State -- sterilization programs in Peru, environmental advocacy programs by USAID-funded NGOs in Indonesia, contract disputes involving

USAID-financed turbines in Egypt -- that require immediate proximity by press officers to USAID operational units to respond quickly and to avoid potential embarrassments to any Administration. It is absolutely essential that press officers assigned to serve USAID be in close physical proximity to USAID operating units (i.e., in the Ronald Reagan building).

5. **ICASS.** USAID has been and remains a strong proponent of shared administrative services overseas as a mechanism to assure high quality services at the lowest cost. We support the use of ICASS in all appropriate situations and believe the intent of ICASS participation could be better reflected by a modification of the sentence at the end of the partial paragraph at the top of page 13. The sentence now reads:

"State and USAID will utilize the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services."

We proposed it be rewritten as follows:

"State and USAID will utilize the International Cooperative Administrative Support Service (ICASS) system to maximize the quality and cost-effectiveness of administrative services overseas."

State and USAID agree that requests for exceptions to the use of ICASS as the service provider will be referred to Washington for resolution; agreement by both agencies will be required to deny such requests.

6. **Miscellaneous Conforming Edits.**

a. **Coordination** (page 34) - change the heading from "State - USAID Policy and Resource Management" to "State - USAID Coordination". This more accurately reflects the content of this chapter. In addition, add the following sentence at the end of the first sentence of the chapter: "Within the context of foreign policy guidance from the Secretary, the promotion of the sustainable development mission will remain a priority objective of the closer State - USAID relationship at all levels."

b. **Press office** (page 37) - at the end of the second full paragraph, after "regional and functional bureaus", add "at the Ronald Reagan building".

c. **Press office** (page 57) - in the top paragraph, delete "augmented by positions transferred from USAID's Office of Press Relations".

d. **Housing** (page 78) - delete the third paragraph and insert the same language on housing regulations from page 38.

e. Security (page 85) - in the last paragraph, delete "three" and insert "two" agencies will be integrated into Diplomatic Security (see page 38).

With the above modifications and understandings, we believe the Report would accurately reflect the President's April 1997 decision, and the provisions of P.L. 105-277.

Sincerely,


Kelly C. Kammerer

Enclosure: a/s



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

USAID

Line-in Line-out Revisions

To Draft Plan for the Implementation of Section 1601
of Public Law 105-277, Omnibus Appropriations Fiscal
Year 1999, and Report on the Reorganization of the
Foreign Affairs Agencies.

U.S. Agency for International Development
December 16, 1998

Secretary of State, who will have a seat on the BGC replacing the USIA Director. The Secretary and the Board will, however, respect the professional independence and integrity of the BGC's International Broadcasting Bureau (IBB) and its Voice of America, surrogate broadcasting services, and grantees. In cooperation with USIA and the BGC and IBB, State is developing mechanisms to transfer to the BGC and IBB those funds, resources and personnel commensurate with administrative and other support they now receive from USIA.

International Development

insert
(A) → IDCA will be abolished by April 1, 1999. USAID will be a separate agency, and its Administrator will be under the direct authority and foreign policy guidance of the Secretary of State. ~~To maximize consistency with overall U.S. international affairs priorities, the Secretary will coordinate development and other economic assistance, and review USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant reprogrammings of development and other economic assistance.~~ In this context, the Secretary will delegate or redelegate to USAID the functions and authorities that USAID needs to carry out its mission. Under the ~~direction of~~ ^{authority delegated to him by} the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer assistance programs. State and USAID will establish more mechanisms for consultation and coordination. The International Cooperative Administrative Support Services (ICASS) system will be the basis for shared administrative services for USAID missions overseas.

Policy Support and Management Functions

- Legal Affairs -- ACDA's and much of USIA's legal staffs will join State's Legal Adviser's Office. The Legal Adviser will be assisted by a new Associate Legal Adviser, whose portfolio will be devoted primarily to arms control and nonproliferation issues, and an Assistant Legal Advisor for Public Diplomacy.
- Congressional Liaison -- Units of ACDA and USIA will join State's Bureau of Legislative Affairs, providing new senior policy advisers.
- Press and Public Affairs -- Press relations staffs from all four agencies will be drawn together under the Bureau of Public Affairs, which will be responsible for issuing

Insert A

"To maximize consistency with overall international affairs priorities, the Secretary will ensure coordination among agencies of the United States Government in carrying out the policies contained in relevant foreign assistance legislation." ~~To leave the language as drafted~~

country assistance strategy and assessment of program performance and request for resources. [State and USAID will utilize the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services.]

People - Our Greatest Asset

State will offer more career opportunities to both the Civil Service and the Foreign Service. Civil Service employees will be able to compete for positions among a wider field of career possibilities, the breadth of which will particularly benefit former ACDA and USIA employees. In keeping with the changing requirements of international affairs in the 21st century, State will offer more opportunities for retraining and upgrading skills.

USIA brings to State an innovative system for career development and training for Civil Service employees. For State to reach its potential, greater personnel flexibility and opportunities for overseas tours for Civil Service employees will be essential. State Foreign Service personnel will benefit from the opportunity to bid on and serve in positions in arms control, nonproliferation, and public diplomacy -- acquiring needed new skills in these fields, which are so essential to modern diplomacy. The merger of USIA into State will bring about a fifth Foreign Service career cone - public diplomacy. Public diplomacy officers will be able to bid on Washington assignments which include public diplomacy and public affairs positions in the regional and functional bureaus, as well as assignments in other cones. USIA executive officers will become administrative officers in State and be able to bid on all administrative assignments as well as on assignments in other cones. New access to multi-functional assignments will give these officers opportunities for advancement to a wider range of senior positions, and give officers in other cones more exposure to public diplomacy and communications skills needed in the age of information.

Collectively, all State elements must focus more on training our foreign national colleagues, who make such important contributions to our overall efforts abroad.

Reorganization and Reinvention

Reorganization will streamline administrative and management operations and lead to greater efficiencies while building on the diverse strengths of the merging organizations and their employees. Prior to ICASS, independent agencies

"State and USAID will utilize the International Cooperative Administrative Support Service (ICASS) system to maximize the quality and cost-effectiveness of administrative services overseas."

Insert (C)
"To maximize consistency with overall international affairs priorities, the Secretary will ensure coordination among agencies of the United States Government in carrying out the policies contained in relevant foreign assistance legislation."

E.O. 12163, which delegated most Foreign Assistance Act development and other economic assistance-related authorities to IDCA, will be amended to delegate assistance functions vested by law in the President to the Secretary of State, except for those reserved to the President or specifically delegated to another agency. This will be the same framework that existed prior to the establishment of IDCA. The Act also establishes USAID as a U.S. government agency.

Insert (C)
[To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance.] In keeping with USAID's status as a distinct agency and recognizing that the USAID Administrator is under the Secretary's direct authority and foreign policy guidance, the Secretary will review USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance.

In this context, the Secretary of State will delegate or redelegate to USAID the functions and authorities needed to carry out its mission. These include authorities to:

- Receive apportionments for development and other economic assistance appropriations;
- Create policies for development and other economic assistance programs;
- Implement development and other economic assistance programs; and
- Manage and administer assistance programs, including the requisite personnel authorities.

In carrying out its functions and authorities *delegated to him by* ~~under the direction of~~ the Secretary, USAID will consult as appropriate with State.

Coordination
State-USAID Policy and Resource Management

The leadership of both State and USAID recognize the need for effective coordination consistent with strong accountability and a clear division of responsibility. Broad foreign policy coherence is best assured through strategic planning and resource allocation processes as described in this chapter, which align USAID resources in *Insert (D)*

foreign policy guidance from the Secretary, the promotion of the sustainable development mission will remain a priority objective of the closer State - USAID relationship at all levels." *Insert (D)* pg. 34

support of foreign policy priorities and allow the sustainable development mission to be carried out effectively. Under the [direction of] ^{authority delegated to him by} the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer these programs. State and USAID will establish a number of regular mechanisms to enhance consultation and coordination, including in the field, in Washington at the bureau level, and in the relationship of USAID and State activities on global issues. These mechanisms will include:

- **Coordination in Strategic Planning** -- Both State and USAID develop strategic plans in the context of the Government Performance and Results Act (GPRA). State coordinates with USAID in developing the "International Affairs Strategic Plan," and USAID's "Strategic Framework" is coordinated with this Plan.
- **Coordination in Washington** -- Preparation of Bureau Performance Plans at State will involve full consultation with USAID, which will participate in the Secretary's reviews of such Plans and in reviews of Mission Performance Plans (MPPs). Under the direction of the Secretary, other specific coordination mechanisms will be established, including a more structured system for coordination among State and USAID bureaus.
- **Coordination in the Field** -- Close coordination in the field is at the heart of an effective State-USAID relationship. USAID overseas missions will participate actively in the MPP process, and their budgeting and planning will be consistent with MPPs. Chiefs of Mission will approve USAID missions' multi-year country assistance strategies and annual assessments of program performance and requests for resources (R-4), both of which will be consistent with USAID's GPRA-mandated Strategic Plan. The principal USAID official at post is a member of the country team. Unless otherwise provided, the Chief of Mission will have primary responsibility for the annual performance rating of this official, and Chief of Missions and appropriate USAID Assistant Administrators will agree on a specific work plan for the official.
- **Informal and Other Coordination** -- Both agencies' officials will participate in a range of staff meetings, interagency groups, task forces, binational commissions, and other international meetings where they will

Congress mandated establishment of special Coordinators at State to oversee all development and other economic assistance to these areas. There are close professional relationships and interactions between USAID offices and the offices of the Coordinators. This process has contributed to achieving our objectives in these regions, where U.S. assistance is a critical part of U.S. foreign policy.

USAID already carries out highly effective donor coordination in the field, through international organizations and in contacts with donor governments and NGOs. State, in consultation with USAID, will continue to represent the United States in treaty negotiations on development-related issues. The Administrator, in appropriate coordination with the relevant State bureaus, will continue to be the principal U.S. government contact with development ministers from other donor nations and represent the United States at OECD Development Assistance Committee meetings, development activities of international financial institutions (e.g., World Bank Consultative Group meetings), and United Nations development agencies. State will use its diplomatic mandate in support of development policy to advance U.S. foreign policy interests.

Integration of Press Office and Certain Administrative Functions

By April 1, 1999, USAID's press office will be merged with State's Bureau of Public Affairs, which will be responsible for issuing all USAID press statements and press releases. The eight USAID full time permanent press relations officers will become State public affairs officers. They will provide full, coordinated media support services to USAID's Administrator, Deputy Administrator, Assistant Administrators, and regional and functional bureaus *at the Ronald Reagan Building.*

Reorganization will include the consolidation of certain USAID administrative functions with those of State. Three years ago, State and USAID began to consolidate overlapping administrative support functions. A memorandum of understanding between the two agencies specifies four areas for shared services that provide logical, efficient, and effective operations. These services are:

- Support -- State will process the retirement of USAID Foreign Service Officers and provide retirement counseling. USAID now uses the same travel contract as State and has collocated its headquarters mainframe computer operations with State's. The two agencies

foreign media on major foreign policy matters, and for supporting media and public affairs events involving the Secretary or her deputies in the U.S. and overseas. This office will be staffed with personnel presently in the Press Office, [augmented by positions transferred from USAID's Office of Press Relations] and two transferred from USIA's Office of Public Liaison.

The Foreign Press Centers Office will be responsible for day-to-day relations with U.S.-based and visiting foreign-based media whose areas of inquiry fall outside those already described above. The Centers' efforts will continue to focus on briefings, programs, and direct contact by press officers and other specialists with foreign journalists.

The Centers in Washington, New York, and Los Angeles will remain where they are to serve their clientele, but will coordinate and integrate their daily operations with other offices of PA, under the daily direction of the Principal Deputy Assistant Secretary/Deputy Spokesman. The Foreign Press Centers' staff will remain nearly identical to their current set-up (24 full time permanent positions). Eight full time permanent positions in BBG's Foreign Broadcast Support Unit will also shift. Expertise from USAID's press relations office will also be available to address assistance issues.

The Media Outreach Office will continue to be responsible for providing policy information to national and major regional media in a proactive fashion, and for reaching out to specialty, local, ethnic and other niche media organizations, all with the objective of better fulfilling our obligation to explain U.S. foreign policy and the US role in world affairs to the broadest possible audiences including those that have not traditionally been engaged by State and other foreign affairs agencies. The office will also be responsible, in concert with other bureaus as appropriate, for handling of media interviews of State principals other than the Secretary. Staff will consist of the present personnel, augmented by two full time permanent positions from USIA's Office of Public Liaison and expertise from USAID's Office of Press Relations.

Press Functions at USIA, USAID and ACDA

USIA's Office of Public Liaison will have its units transferred to corresponding parts of State's Bureau of Public Affairs. Those employees presently supporting "speaker programs" (four full time permanent positions) will be transferred to PA's Office of Public and

- **Integrating Systems**

Because of cost, there will not be an immediate standardization of common domestic security systems. Separate systems will continue for at least 12-18 months beyond the effective date of integration. Systems in the former USIA building will gradually be converted to the State system.

- **USAID Security Office**

Because of recent Congressionally mandated changes to the structure of USAID's security function, State and AID will review their operations to determine what further coordination can be achieved.

Proposed Integration into State

There will be complete integration of the personnel and material resources of the ACDA and USIA security units into DS. All currently conduct operations in accord with the same or similar executive orders, statutes, and regulations. Individual customer demands and requirements are also similar in each agency. Personnel from each agency possess the same qualifications, experience, and security clearances.

From ACDA, four full time permanent positions and one reimbursable one will transfer to DS, one full time permanent position will transfer to the Bureau of Intelligence and Research, and one full time permanent position will transfer to the Bureau of Political-Military Affairs.

From USIA, 32 full time permanent positions will transfer to DS, two to the Bureau of Administration, one to the Bureau of Information Resource Management, and 13 to the BBG.

Positive Outcomes

two Reorganization will integrate the security responsibilities of the [three] agencies into DS, making it better able to promote efficiency, ensure uniformity of standards, and provide better service. After integration is complete, DS will be able to further streamline its operations and eliminate overlapping overseas coverage.

making assignments for PAOs arriving from the summer of 1999 onward.

Proposed Integration

ACDA's and USIA's existing functions will be incorporated into FBO, building on FBO's broad mission, experience, and scope of operations, and the extensive property management services FBO already provides to both ACDA and USIA. Support activities to continue without interruption.

USIA staff, including designers, architects, physical security personnel, safety officer, and facilities security personnel will join FBO. Personnel transferred from USIA to FBO are expected to assume duties closely related to their current activities. Because ACDA does not dedicate full-time resources to property management, no personnel will be transferred.

→ *Insert* (E)

[This integration plan will allow USAID currently operates a separate leased housing program at a number of posts. All leased housing will be pooled in the future and operate under a single Housing Board.]

Positive Outcomes

More comprehensive services and programs will be available for all personnel in the areas of safety, security, and in-house construction and design expertise.

Longer-term implementation of integrated facilities management overseas will result in more efficient utilization of space, reduced service costs, and fewer personnel necessary for space management.

Insert
(E)

~~Housing~~ ^{RP} At all overseas locations ~~the two~~ ^{all} agencies will operate under a unified Housing Board, ~~and~~ Joint State/USAID regulations will be issued on utilizing a single housing pool for leased units.



United States Department of State

*Assistant Secretary of State
for Administration*

Washington, D.C. 20520

December 19, 1998

BK
Dear Mr. Kyle:

We have reviewed the proposed language your staff forwarded from USAID, entitled:

USAID
Line-in Line-out Revisions
To Draft Plan for the Implementation of Section 1601
Of Public Law 105-277, Omnibus Appropriations Fiscal
Year 1999, and Report on the Reorganization of the
Foreign Affairs Agencies.

We have added most of the language proposed. The final text is outlined on the enclosed sheets.

Additionally, your staff also forwarded a copy of a letter from USAID's Counselor to you. We will meet with USAID in the near future to correct a number of opinions laid out, to reaffirm the direct authority and foreign policy guidance role of the Secretary, and to work with USAID to outline implementation procedures.

Thank you and your staff very much for your assistance.

Sincerely,

PK
Patrick F. Kennedy
Coordinator for Reorganization
Of The Foreign Affairs Agencies

Enclosures:
As stated.

The Honorable
Robert D. Kyle,
Associate Director for National Security
And International Affairs,
Office of Management and Budget.

Page 6

Change #1

We accept "Insert A" as a new sentence between the existing second and third sentences in the **International Development** section. This will conform the text in the Executive Summary with the text in the Development Assistance chapter.

The text now reads as follows:

USAID will be a separate agency, and its Administrator will be under the direct authority and foreign policy guidance of the Secretary of State. To maximize consistency with overall international affairs priorities, the Secretary will ensure coordination among agencies of the United States Government in carrying out the policies contained in relevant foreign assistance legislation. The Secretary will coordinate development and other economic assistance, and review USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy and money) reprogrammings of development and other economic assistance.

Change #2

We agree to USAID's proposal to change "direction of". We have revised the text to recite the statute.

The text now reads as follows:

Under the direct authority and foreign policy guidance of the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer assistance programs.

DEC 19 1966

USAID's editorial change is accepted with one amendment to reflect ICASS's basic charter.

The text now reads as follows:

State and USAID will utilize the International Cooperative Administrative Support Service (ICASS) system to maximize shared administrative services consistent with its goals of quality and cost-effectiveness.

Change #1

USAID's insert has been accepted. The text now parallels that in the **Executive Summary**.

The text now reads as follows:

To maximize consistency with overall U.S. international affairs priorities, the Secretary of State will coordinate development and other economic assistance. The Secretary will ensure coordination among agencies of the United States Government in carrying out the policies contained in relevant foreign assistance legislation. In keeping with USAID's status as a distinct agency and recognizing that the USAID Administrator is under the Secretary's direct authority and foreign policy guidance, the Secretary will review USAID's strategic plan and annual performance plan, annual budget submission and appeals, and allocations and significant (in terms of policy and money) reprogrammings of development and other economic assistance.

Change #2

We agree to USAID's proposal to change "direction of". We have revised the text to recite the statute. This parallels the change made on Page 6.

The text now reads as follows:

In carrying out its functions and authorities under the direct authority and foreign policy guidance of the Secretary, USAID will consult as appropriate with State.

Change #3

We accept USAID's suggestion that a clarification is needed in the sectional title.

The heading now reads as follows:

State-USAID Policy and Resource Coordination

Change #4

We accept, with one editorial change, USAID's suggestion that the sustainable development mission be specifically referred to.

The text now reads as follows:

The leadership of both State and USAID recognize the need for effective coordination consistent with strong accountability and a clear division of responsibility. The promotion of the sustainable development mission will remain a priority objective of the closer State-USAID relationship at all levels. Broad foreign policy coherence is best assured through strategic planning and resource allocation processes as described in this chapter, which align USAID resources in . . .

Page 35

We agree to USAID's proposal to change "direction of". We have revised the text to parallel the statute.

The text now reads as follows:

Under the direct authority and foreign policy guidance of the Secretary, the Administrator will create development policy, implement development and other economic assistance programs, and manage and administer assistance programs.

Page 37

Following discussions with USAID earlier, all references to the work locations for press officers had been deleted, to be resolved during the implementation period. Thus it would be inappropriate to add it back in one particular place.

Page 57

We agree that the clause should be deleted as USAID suggests.

Page 78

We accept USAID's suggested change, with only minor editing.

The text now reads as follows:

At overseas locations all agencies will operate under a unified Housing Board. Joint State/USAID regulations will be issued on utilizing a single housing pool for short-term leased units.

Page 85

We agree that "three" should be changed to "two".

100-100000



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

*Counselor
to the Agency*

December 21, 1998

Mr. Robert Kyle
Associate Director for National Security
and International Affairs
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503-0001

Dear Bob:

You have requested our response to State's comments on our suggested revisions to the Report on the Reorganization of the Foreign Affairs Agencies, and on our position regarding a common understanding of some of the key provisions of the Report. We are pleased that most of the line in line out changes we proposed have been accepted, and with this and the understandings discussed below, the Report is acceptable to USAID.

In his December 19, 1998 letter to you, Assistant Secretary Kennedy indicated that State and USAID would meet in the near future to correct certain positions laid out in our December 18, 1998 letter to OMB. I have had the opportunity to discuss this with Mr. Kennedy and he has confirmed that in regard to several key provisions of our letter we are in agreement, specifically, the basis for delegations of authority from the Secretary to the Administrator once IDCA is abolished, and the review by the Secretary of certain USAID functions under the new arrangement.

In regard to the issue of delegations of authority, on the basis of discussions between our respective legal staffs, we have a common understanding of the legal framework. We agree that the Reform and Restructuring Act (P.L. 105-277) does not require the Secretary to delegate specific functions. We did not intend to suggest otherwise in our letter.

On the other hand, the report states that the Secretary will delegate or redelegate to USAID the functions and authorities needed to carry out its mission. This will effect the President's April 18, 1997 decision, subsequently confirmed in P.L. 105-277, designating USAID as an independent establishment within the

Executive Branch. As we noted in our letter, our review with State to date has identified several IDCA-like coordination functions in the Foreign Assistance Act that logically should be reserved to the Secretary.

In our letter we also noted that in regard to certain USAID budget functions, the standard we have agreed on for the report is that the Administrator will submit for the Secretary's review, before they are transmitted to OMB or the Congress, the GPRA-mandated strategic plan and annual performance plan, the annual budget and appeals, allocations and significant (in terms of policy or money) reprogrammings of development and other economic assistance. In this process the Administrator will fully inform the Secretary concerning these proposed functions and the Secretary will inform the Administrator whether they are consistent with the Administration's foreign policy and other objectives. There is no disagreement between USAID and State on this point.

We look forward to resolving, during the implementation period, any other issues that may arise.

Sincerely,



Kelly C. Kammerer

Tab Q

December 22, 1998

Brian
Hattie

From Kelly 

Memo for the Files:

Per your request, I followed up on Hattie's conversation with Jim Babbit. He explained that he had been asked by Leon to make sure the VP's interest in maintaining USAID's independent status was being protected in the Report. Before it goes to the Congress, he wanted to make sure we were satisfied with the "review" standard. I told him we are based on Kennedy's clearance of our letter of 12/21 (which says the review process means "the Administrator will fully inform the Secretary concerning these proposed functions and the Secretary will inform the Administrator whether they are consistent with the Administration's foreign policy and other objectives").

Babbit told me that when Leon raised this issue yesterday with Stobe, Babbit got a call from Kennedy within twenty minutes saying he was in the process of agreeing to the distinction between "approve" and "review" in a letter USAID was sending to OMB.

I told Babbit that while we had reached agreement on this issue with State, the only record of what "review" means is contained in our 12/18 and 12/21 letters to OMB. I explained that it's possible Senator Helms may have his own interpretation of what "under the direct authority of" means, and it would be helpful to have a more extensive Administration record of what the President meant when he first used that term in April 1997. I suggested he might weigh in with OMB or NSC to make sure the wording of our 12/21 letter is incorporated in some official document. Jim explained that Leon doesn't get directly involved in making such suggestions to OMB or NSC, but that Will Wechsler at NSC was preparing the cover memo for Sandy Berger transmitting the Report to the President, and that Wechsler might be able to include an appropriate reference to our 12/21 letter.

I called Wechsler and explained to him the need for a contemporaneous record of our agreement with State. He assured me it is already in the memo - expressed in terms of the VP's concern, reflected by his conversations with Brian, that USAID's independent status be recognized in the Report. He said that the cover memo from Berger explains how we worked out the "review" standard with State, and that it is different than "approve". I faxed Will a copy of the 12/21 letter to OMB and asked him to include it in the file. (I also sent a copy to Jim Babbit - noting what Will had said about the Berger memo). It's not always easy to get copies of internal NSC memos, but at least this one

is part of the record (OMB should have a copy too).

cc Bob

Tab R

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

December 30, 1998

MEMORANDUM FOR KELLY KAMMERER

FROM: ERIC SCHWARTZ SB *h*

SUBJECT: State-AID Relations in the Context of
Reorganization

This is to confirm the NSC's understanding that AID and State have concurred on the contents of your letter of December 21 to Bob Kyle on State-AID relations in the context of reorganization. I have discussed this with Patrick Kennedy, who reaffirmed that fact, which was also reflected in materials we submitted to the President.

Concurrence by: Will Wechsler SB *h*

cc: Patrick Kennedy/STATE