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NEUMAN

File
"AID"

January 3, 1968

Mr. Robert H. Neuman
Department of State
Washington, D. C.

Dear Mr. Neuman:

Thank you very much for your letter of January 2, in which you discuss the program of assistance to less-developed countries. I appreciate hearing your thoughts on this very important matter.

Thank you also for your congratulations on my appointment and for sharing your views.

Sincerely,

Henry A. Kissinger



DEPARTMENT OF STATE
WASHINGTON

January 2, 1969

Dr. Henry Kissinger
Room 1232
Hotel Pierre
61st Street and Fifth Avenue
New York, New York 10021

Dear Dr. Kissinger:

We met on several occasions in Cambridge during the Fifties, when I was a tutee of Prof. Elliott at Harvard, but I am sure you would not remember me. At present I am Assistant Legal Adviser at State. In that capacity, and during my previous experience in the private practice of law, I have had the opportunity of observing the operation of our foreign aid program in action (or inaction) in various parts of the world, particularly in Africa and South Asia.

Last Spring I set down some observations on the AID program which I gave to the Agency's policy people; I received in response an expression of the Agency's gratitude, but I believe that my ideas did not reach the top level of the Agency's administration. Subsequently, I tried to rethink the whole concept of foreign assistance, with a view toward reshaping our ideas of both the means and the goals of the program. I have written a brief memorandum outlining some of these thoughts. This paper is enclosed for your examination in the hope that it may provide some assistance in the current reassessment of foreign aid. I did not wish to go into great detail, and thus the ideas presented in the paper may appear too brief or radical. Nevertheless, I believe something along the lines suggested therein would be more effective, less costly, and more politically acceptable than our present approach.

I was very pleased to hear of your appointment, and I congratulate both you and the President-elect on it. Should you wish at any time to discuss the matters raised in the enclosed paper, I am of course available at your convenience.

Yours sincerely,

Robert H. Neuman
Assistant Legal Adviser

Enclosure

PROPOSAL FOR A TACTICAL AID PROGRAM

Objectives

The defects in the USG's program of economic and technical assistance to less-developed countries have long been apparent, and have become more serious with bureaucratic expansion and budgetary limitations. The program has not by and large fulfilled either its humanitarian goals or significantly enhanced the prestige of the United States in recipient countries. At best, our aid program has given us some leverage in certain countries, but these have largely been countries which would in any case be well disposed towards the United States. Too often the program has led to disappointment among recipient governments. This is due partly to administrative delay, to overly cautious scrutinization of implementation procedures, and to insensitivity on the part of Washington decision-makers in selecting and approving projects. At its worst, the aid program has been a source of resentment and embarrassment in donee countries.

The proposal outlined below is intended to reorient our assistance thinking and to reactivate the spirit in which foreign assistance was originally conceived. It reflects an attempt to bring together the best elements of the aid program and the Peace Corps, while encouraging local participation on a sub-central level in recipient countries. It is intended to create an atmosphere of "getting something done", producing a visible result at minimum cost with the active participation of both private and public elements in the donee country. It is also intended to eliminate the permanent establishment of large AID missions abroad, thus reducing foreign currency expenditures and overall administrative costs.

A Tactical Aid Program

It is suggested that the present Agency for International Development be abolished entirely along with its permanent missions abroad. In its place, a new and much smaller agency would be created which would function as something in the nature of a "clearing house". The new

/agency

agency would be largely administrative in function. It would establish rosters of technical personnel across the country who would be available on call for specific projects abroad. In addition, the agency might maintain a small directorial staff of technical personnel in such fields as engineering, geology, banking, forestry, land use, legal services, agronomy and other disciplines. The agency would, when and as required, assemble teams composed of diverse professional elements to travel to the recipient country, either together or in phases, to accomplish a specific goal.

The economic sections of our embassies abroad would both stimulate and receive requests for assistance projects. For this purpose, the economic sections might be augmented to a limited degree. The emphasis in selecting projects for implementation would be on a local (province, region) approach rather than centered in the capital. Provincial governors, town councils and, wherever possible, local citizen groups would be encouraged to articulate their needs and express preferences and priorities. These ideas would be discussed with central government authorities and would be subject to their final approval.

A. "Total" Approach

The idea would be to approach assistance on a more concentrated scale and at a horizontal level. Thus, after appropriate consultation and discussion on both local and central government levels, a region, province, or other local subdivision with high-need priorities and attainable goals would be selected for a project. The project would encompass a number of diverse but coordinated efforts. Thus, for example, efforts in irrigation, land reform, development of local capital, improvement of local roads, and establishment of local marketing cooperatives might be combined in a single project. The team of specialists would be assembled by the Washington agency and sent to the field to work as a unit. At the same time, the Washington agency would seek to coordinate financing among several sources, such as the IBRD, the Export-Import Bank, the Inter-American Development Bank, and private lending and investment sources in the United States. Private American groups organized to stimulate investment abroad, such as ADELA in Latin America, could be

/helpful

helpful in this respect. The Washington agency would use USA funds, where available and appropriate, as seed money. The recipient country would be encouraged and perhaps required to contribute some of its funds to the development effort. Local private sources of capital would also be encouraged to participate.

When a project was well on its way, the American assistance team would be withdrawn with the exception of certain technical personnel who might be required to remain for a longer period of time to follow up. Administrative responsibility for the completion of the local project would lie at all times within the hands of provincial and central government authorities in the recipient country. Once the project concept was approved in Washington, the details of implementation would be left largely to authorities in the host country rather than imposed from Washington.

Conclusion

It is suggested that this assistance concept reduces delay, makes more sense in terms of accomplishment, and costs less than the present aid program. It would probably be more popular domestically and politically than the present program because of its reduced cost, its emphasis on local participation, and its use of non-public sources of capital. It also has the virtue of getting American specialists in and out of a country rather than maintaining large administrative staffs abroad.

NOTE: If funds were to become available to continue development assistance grants, particularly on a regional (multi-national) basis, financing and administration could be handled by the Department of State.

OFFICE OF THE PRESIDENT-ELECT
RICHARD M. NIXON
WASHINGTON, D.C.

~~Dr. King~~
File - AID

December 2, 1968

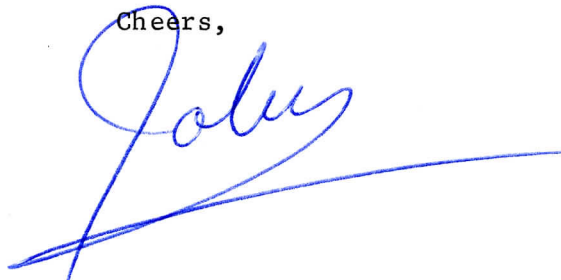
MEMORANDUM

TO: BOB HALDEMAN
FROM: JOHN WHITAKER

Please plug into RN's foreign aid task force the attached report recommending organizational changes in the Agency for International Development (A.I.D.)

This report was written by an A.I.D. man who, for protection, needs to remain anonymous for the time being. He is extremely bright and was referred to me by Bob Hampton, the Republican Civil Service Commissioner. I think the report should be closely read and considered by RN's foreign aid task force, and I will be glad to turn over the author's name should the task force people wish to talk to him in more detail.

Cheers,



JW:es

Enclosure

A New Look at Foreign Aid Organization

This paper explores the present organization of A.I.D. and suggests some alternative forms which could be considered by the new Administration.

Background

Foreign aid agencies have been organized in a variety of ways, including, (a) an operating arm of the Department of State (TCA, 1950-53; ICA, 1955-61; and, A.I.D., 1961-69), (b) a semi-autonomous corporation (The Institute for Inter-American Allies (IIAA), 1942-53 and the Development Loan Fund, 1955-61), and (c) an independent agency (Economic Cooperation Administration (ECA), 1948-51; Mutual Security Agency (MSA), 1951-53; and, Foreign Operations Administration (FOA), 1953-55).

Organization Within the Department of State

The present organization of A.I.D. within the Department of State stems from efforts many years ago to improve the coordination of foreign policy by placing as many foreign civilian programs as possible under the direct control of the Secretary of State. As a result, A.I.D., the Peace Corps and the Arms Control and Disarmament Agency (ACDA) are located within the Department of State. The control of these operating programs by the State Department has clearly been achieved. The sole exception is the Peace Corps which has enjoyed a large measure of independence due primarily to the personality of its first Director and his close relationship with the President. A.I.D. and ACDA have become relatively docile operating Bureaus which have adopted much of the Department of State organization, procedures, and attitudes. In theory, the agencies report to the Secretary of State. In fact, there are a variety of administrative mechanisms (integration in the field, joint administrative support, back-to-back arrangements and direct infusion of FSO's at the executive level) which have provided control by lower echelons of the State Department. Many A.I.D. executives find themselves working directly or indirectly for parallel units of the Department of State.

A significant result of this location has been the gradual disintegration of the independence and creativity of the A.I.D. agency itself. A comparison with the creative period of ECA--MSA under the Truman Administration and FOA under the Eisenhower Administration with the relatively unimaginative foreign aid operations under Department of State control since 1955, clearly demonstrates the loss of: agency identity; top caliber, imaginative leadership; and creative programming. Few new ideas emerge in a climate in which management success is measured by adjustment and adaptation to the Department of State rules and policies.

Corporate Form

Two attempts to organize foreign assistance efforts as development corporations had modest success. IIAA from 1942-53 pursued a quietly

effective Latin American program which pioneered in new program concepts, most notable was the Servicio which established the basis for subsequent successful technical assistance programs in that region. The Development Loan Fund was founded upon the concept of a business-like corporation making loans from a Washington office with no overseas staff. It was thought that this objective would be more palatable to the Congress than the traditional foreign aid approach.

The failure of the DLF to achieve significant program gains was due more to the shallowness of its essential purpose than to any inherent defects in the corporate approach. The flexibility achieved through the corporate form of organization (revolving fund, freedom from GAO restrictions, freedom from administrative appropriations) suggests that serious consideration be given to the establishment of some form of corporation as an authority for any new foreign aid effort. DLF experience suggests that it would be a mistake, however, to assume or to give the impression that foreign aid can or should be run as a profit making business. Foreign aid is an essential element of foreign policy. Economic and technical assistance rank with military and political programs, psychological and intelligence operations as key mechanisms for achieving world security and peace. The pay off from foreign aid is not in repaid loans, friendship or votes, but in the successful achievement of political and economic independence in the Free World and the maintenance of world peace.

Independent Agency Form

A foreign aid program organized as an independent agency has, by any criteria, an opportunity to develop the greatest degree of creativity, flexibility and dynamic leadership. Two names of past Directors of foreign aid programs stand out: Paul Hoffman and Harold Stassen. These men, of national stature, attracted to them outstanding creative leaders who made ECA and FOA the most important operating civilian arms of foreign policy in the entire period from 1942-69. Hoffman headed the Marshall Plan which successfully demonstrated for the first time what foreign aid could accomplish, not only in rebuilding war-ravished economies and in successful resistance to Communist threat, but also in establishing inter-European cooperation--laying the ground work for the political and economic institutions which have for 20 years formed the basis for much of the current peace and progress in western Europe.

FOA under Harold Stassen created for the first time the concept of major economic development programs in undeveloped countries, revamping small scale operations under TCA and IIAA into major successful operating programs like those in Korea, Taiwan, Turkey, Iran, Israel and Brazil. Stassen showed, through the FOA mechanism, what could be accomplished in undeveloped countries--given necessary resources, technical assistance and imaginative leadership.

Deficiencies of Foreign Assistance Programs Today

Any new look at organization should consider the status of the program at the present time. These shortcomings stand out:

- A. Lack of high level dynamic leadership, agency identity and independence, largely stemming from the organizational status of the program. One direct result is low morale and uninspired performance.
- B. Lack of definitive program goals and a sense of priority and urgency. Gone are the days when the program had such goals as restoring pre-war European production levels in 4 years, eradicating malaria from the face of the globe in 5 years, establishing a common market arrangement within 4 years, achieving X percent annual growth rate in certain countries within the next decade. Instead, A.I.D.'s congressional presentation has relied on such concepts today as: "the smallest and tightest foreign aid program ever," "full repayment on loans with interest," "94% of foreign aid funds spent in the U. S. for American products," and "rapid elimination of country programs and reduction of technical assistance staff levels."

While these are good business-like statements they are hardly significant justifications for a foreign assistance program nor can they be used to establish a sense of program goals and priorities to generate the enthusiasm of agency staff, foreign governments, the Congress or the American public. Yet, the world problems which require American foreign aid are real and urgent and cry out for solution. In many areas, U. S. security and world peace is threatened and foreign assistance is one of the most important techniques available to solve these problems. The agency must become goal-oriented. This lethargy has conveyed itself to the Congress and the general public.

- C. Congressional relations of A.I.D. are among the worst in Washington. The absence of clear-cut goals is partially responsible. A comparison of the congressional programs in DOD, Agriculture and NASA with those of the 13 man Congressional Liaison Staff in A.I.D. clearly show the low priority assigned to this function in this agency. The results of this low priority speak for themselves.
- D. Neglect of the private enterprise community. A.I.D. programs benefit both foreign and U. S. enterprise but such benefits are bi-products of economic and technical assistance rather than a principle objective. This should be changed.
- E. Lack of a domestic constituency. Unlike other international programs such as the Peace Corps, United Nations, Red Cross, etc. A.I.D. has not mobilized the tremendous resources of the American

public in support of its overseas policies and operations. There are in the business community, universities, foundations, and the general public, literally millions of Americans who are concerned with some aspect of foreign aid and who would willingly support it and lobby for it if they are given a opportunity actively to participate in policy discussions and operations.

- F. Triumph of staff units over line management. Without meaningful goals and priorities, staff units whose concerns are budgets, ceilings, procedures, systems and central controls have gained dominance over line offices concerned with programs and projects.

Proposed Organization

The question of how a foreign aid program is to be organized in the new Administration turns on the purpose for which the new President wishes to use this vehicle. If the prime objective of the Nixon Administration is to strengthen the Secretary of State in his role as coordinator of foreign policy and to insure that the U. S. speaks with one voice on foreign policy matters, then the locus of foreign aid should be within and subservient to the Department of State. If, on the other hand, foreign aid is to have a dynamic role as a tool of foreign policy it must be organized so as to attract top-level executives from business, industry, academic communities and foundations as well as from the Federal government. It must have a free creative opportunity to develop its own procedures and policies, without the need to live within an old-line bureaucracy. This suggests the creation of an independent agency reporting directly to the President.

The assumption in this paper is that President Nixon will opt for an independent program headed by a leader of national stature who will be personally subordinate to the Secretary of State in policy guidance, but will retain organizational independence in procedures and operations. It is useful to explore how such a change would effect the operations of the agency and what the differences would be from current operations.

Field Organization

ECA and FOA Missions were independent operating units which attracted major figures as Mission directors. Forceful, on the whole, and dynamic-- they often disagreed with Ambassadors. They produced hundreds of new ideas and approaches, many of them unpopular with Department of State authorities in Washington and abroad. Yet, they represented the only strong creative period in foreign aid history. Since 1955, the stature and influence of the Mission Director has been gradually whittled away. One by one Missions have been integrated with the embassy, had their administrative staffs stripped from them as economy moves, or been integrated at the top through joint diplomatic titles for the senior executives. As a result, the A.I.D. Mission has often become the responsibility of

officers several steps away from the Ambassador, rather than the concern of the top men. With a few exceptions, it has been increasingly difficult to obtain men of stature for the top jobs.

A new revitalized foreign aid effort suggests a new approach to field organization: namely, in each country where there is to be a foreign aid mission that mission should be headed by a strong executive, responsible only to the foreign aid agency (subject to coordination by the Ambassador, of course). To get and keep such men, the Missions should be self-contained--with their own separate planning, operating and administrative staffs--rather than sharing their functions with embassy units, which today usually have preference in priorities.

The small additional costs of this administrative independence will be more than offset by the gains in dynamic leadership and agency esprit and effectiveness.

Washington Organization

The same principles apply in Washington. For twelve years the A.I.D. agency had its headquarters in the Miatico Building on Connecticut Avenue. Its transfer to the Department of State Building in 1960 was marked by a significant decline in Agency identity. As second class citizens in the State Department Building, A.I.D. units are geographically dispersed to be near State units. Directories of senior executives in the corridors list State executives but do not list A.I.D. executives of comparable or higher rank.

If the agency is to be independent, therefore, a physical move from the New State building is imperative. The agency should be regrouped in some location where it could all be together. Rosslyn Plaza or Crystal City are two areas with sufficient office space available to house the entire foreign aid effort in contiguous space.

Regional Organization

During their history, foreign assistance agencies have alternated between geographic and functional approaches to organization. The current regional set up was developed in 1961 by the Gant Task Force. The self-contained region is probably the most important organizational "plus" to emerge in foreign aid history. The regions have worked well. They have provided a measure of priority to individual country programs. Regional Administrators have at their command self-contained resources of personnel, commodities, contracts and funds sufficient to enable them to make decisions and get things done directly without going "cap in hand" to central functional sources.

In the last two years, A.I.D. has diluted the regional approach by creating a fifth region (Vietnam), gradually stripping the authority from existing regions, and by creating back-to-back arrangements with regions of the Department of State. This last arrangement, in the case

of Latin America, gave it some independence from central A.I.D. authority, but in the process, weakened the A.I.D. structure considerably at the same time.

A new strengthened foreign aid agency would suggest that a return be made to strong line regions with decentralized authority. The number of regions should be cut to 3 which will provide not only an economical use of resources but more effective management. The Regional Director could then be held responsible for success or failure in a major region of the world.

Regional organization should be accompanied by a new emphasis on development of regional institutions among nations abroad. A key reason for the success of the Marshall Plan in Europe was the creation of a score of regional institutions (coal-steel community, OEEC, the inter-European clearing house, the common market and many NATO units--to mention a few) which have flourished during and since the Marshall Plan period and resulted in achieving not only developmental goals but also in furthering cooperation and world peace. The new independent foreign aid agency should be pushing hard to foster similar efforts in Latin America, Asia, Pacific, Near East and Africa.

Personnel System

Critics have deplored the lack of a career service for the foreign aid program. A comparison of that with the Department of State or USIA is unflattering to A.I.D. There is a serious question, however, whether the dynamic goals of the foreign aid program could be accomplished by a stable career group such as that which operates the diplomatic service. Successful economic and technical assistance requires a constant input of ideas and skills from universities, the American business community, local government and other sources. This could not come from a strictly career service. For this reason, the current flexible A.I.D. personnel legislation seems better suited to the program demands of foreign aid than the system of the Department of State. This is not to say that some improvement in foreign aid Foreign Service personnel authorities are not clearly required. The program needs:

- A. Authority to appoint Foreign Service personnel for initial service in Washington without limitation.
- B. Full conversion between Foreign Service and GS at all levels, without restriction.
- C. A more liberal retirement program, similar to that of Foreign Service officers.

What Should Be Done

During the last few months, the foreign aid effort has sunk to its lowest point in twenty years: out of favor with the Congress, its

appropriation cut to an all time low, and the morale of its personnel severely strained by reduction-in-force and downgradings in Washington and program and staff cuts abroad. With the sole exception of the Vietnam program, A.I.D. has failed to attract new leadership or new ideas for the last 4 or 5 years for a program which could and should be a vital part of U. S. foreign policy. A.I.D. appears to be on its last leg.

A fresh approach to foreign aid under the Nixon Administration with a new independent agency headed by a leader of national stature should include the following concepts:

1. A major effort to improve relations with the Congress through a new Congressional Liaison Staff prepared to provide congressional service equal to the best in any agency in Washington.
2. The development of quantitative program goals and a sense of urgency. Urgent world problems cry out for solution: in India, Vietnam, Indonesia and Brazil massive problems of population, hunger, land reform, education and health, which cannot be solved by the efforts of the indigenous people alone, menace world peace and U. S. security. The U. S. has not only a world responsibility but a selfish interest in acting speedily and effectively to strengthen these countries before it is too late. Foreign aid must be planned and programmed as if the sands of time were running out, because they are. A forceful program with definite goals would appeal to the Congress and the American public much more than the present uninspired effort.
3. A new approach to the building of public support for U. S. foreign assistance programs through a strong people-to-people program which would include mobilization of voluntary and non-profit groups, exchange programs, participant training, establishment of bridges of understanding between local, county and state governments and similar groups in the U. S. allied nations abroad. Funds should be made available for exchange programs for secondary schools and universities, to provide health services, and public administration assistance. We must get the American public involved in foreign aid.
4. A fresh approach to the problems of building free enterprise abroad. Already the differences between free enterprise economies such as Taiwan, Korea, Iran and Turkey and socialist states such as India, Pakistan, Indonesia and Burma have clearly demonstrated the value to the underdeveloped world of tempering state planning with a freer rein for private creativity. The U. S. should not stand aloof from this issue. Time is running out.
5. A strengthening of "line" leadership over "staff" by decentralizing operating authority to three strong regional directors. These regions could be Latin America, Near East, Africa, Asia and

Pacific. These regional directors would have complete control over their programs, Foreign Service and GS personnel, procurement, contracting and training; program and funding approval. At the same time, there should be a professionalization of administrative support units such as financial, personnel, management and program services by staffing them with experienced personnel who have made their disciplines a career rather than with Foreign Service officers who consider such assignments as temporary interruptions to career progress in a Foreign Service career.

The regional approach in A.I.D. organization should be supported abroad by the attempt to strengthen and utilize regional organization of recipient countries such as ASPAC and the OAS.

6. Reduction in Washington staff. There are today, almost as many personnel in Washington as are stationed abroad. With the new agency a vigorous effort must be made to reduce numbers to at least 2,700 in Washington.

Implementing Mechanism

A new agency could be established within sixty days in the new Administration by issuance by the President of a new reorganization plan, and the appointment of a leader of national stature to head it.

