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PLANS FOR THE REORGANIZATION
OF FOREIGN ASSISTANCE

March 4, 1961

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PLANS FOR THE REORGANIZATION OF FOREIGN ASSISTANCE

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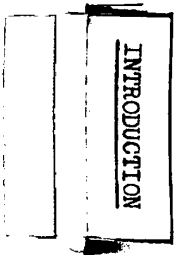
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PLANS FOR THE REORGANIZATION OF FOREIGN ASSISTANCE

Scope and Objective of Proposal

This memorandum outlines a proposal for a completely fresh approach to one of the major problems facing the Western World -- how to assist the less-developed countries to achieve the economic, social and political strength they need to grow and develop in freedom.

It is appropriate that this fresh approach be undertaken at the beginning of the decade of the sixties--a period that may properly be known as "the Decade of Development".

In this decade, the industrialized nations of the free world can, by their assistance, enable many of the less-developed countries in Asia, Africa, and Latin America, including India, Pakistan, Turkey, Brazil, and Taiwan, to achieve self-sustained growth. This is a realizable goal if the United States, Western Europe, and Japan together provide increased resources for development and extend such aid on the basis of criteria essential to the effective achievement of development. This is a decade of opportunity -- opportunity to get many of the nations now in a transitional status over the hump and away from continued dependence on extraordinary external assistance.

The foreign policy advantages for the United States of such a result are apparent. The existence of an enlarged community of self-reliant, free, and well-developed nations will significantly improve the free world security outlook and reduce international tensions.

This objective cannot be achieved unless we can command both the will and the resources. If we are to succeed in this great endeavor the next ten years must be a time of concentrated effort. Quite obviously we must mobilize the resources of the industrialized nations of the entire free world and coordinate these multi-nation efforts for maximum effectiveness. We must be liberal in our aid programs but at the same time insist upon hard criteria.

One should not underestimate either the magnitude or the complexities of the task before us. For this task our present foreign assistance programs and operations are wholly inadequate. They are based on obsolete, poorly articulated, and often mutually inconsistent objectives. They are administered within a haphazard and irrational organizational structure. They have been authorized by Congress in bits and pieces of legislation, enacted at different times, and serving disparate purposes. Today, the entire structure of foreign aid legislation is encrusted with barnacles which impair flexibility and impede progress.

This memorandum outlines the essential elements that must enter into a complete revision of the scope, objectives, and

organization

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organization of foreign assistance. The memorandum consists of four parts:

- I - Present Foreign Aid Programs
- II - Conceptual Requirements for a Coherent Program
- III - Financial Requirements
- IV - Questions for Decision

There are, in addition, three annexes:

- A. Congressional Emphasis on State Department Control of Foreign Aid.
- B. The Organization Proposed.
- C. A Financial Plan for Speeding the Growth of the Less-Developed Areas.

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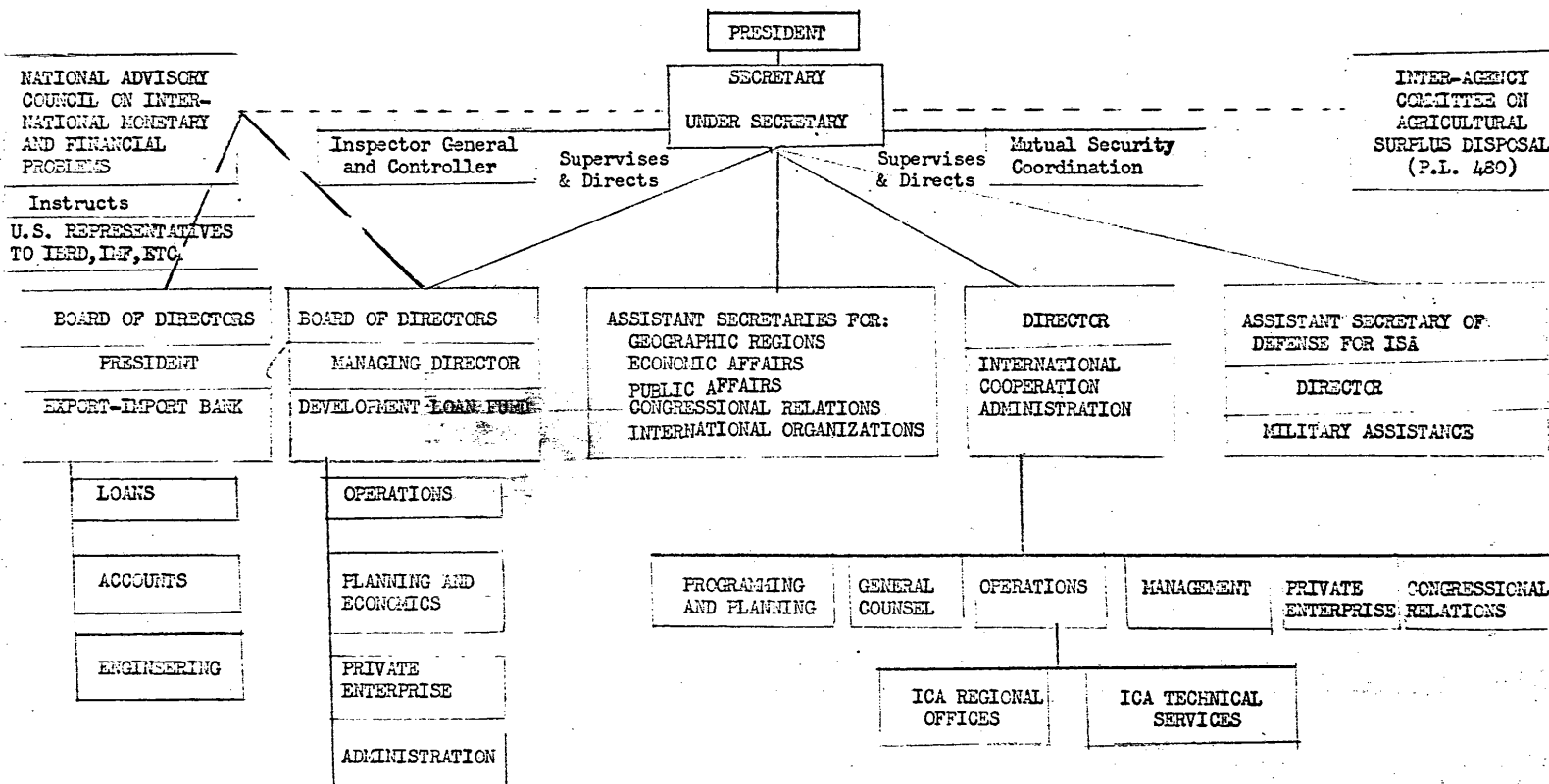
- A. Congressional Emphasis on State Department Control of Foreign Aid
- B. The Organization Proposed
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ORGANIZATION FOR FOREIGN ASSISTANCE



----- Advises

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I. THE PRESENT FOREIGN AID PROGRAM

A. Present Institutional Structure

The present organizational structure for the administration of foreign assistance is shown on the chart facing this page.

As this chart discloses, foreign assistance programs are presently being provided through a number of government agencies and departments.

1. The Export-Import Bank

The Export-Import Bank was created in 1934 as an instrument for promoting the export trade of the United States. Its loans are generally for specific purposes and offer reasonable assurance of repayment. Increasingly, in the last decade, its loans have been for specific development projects and on long (10-20 years) terms. Its loans are repayable in dollars. It is organized as a corporation and is controlled by a Board of Directors appointed by the President. It is not subject to the control of the Secretary of State other than by persuasion. Its legislation specifically provides that the Bank shall be an independent agency and that none of its functions, powers, or duties shall be transferred to any other agency of the Government unless Congress shall so provide by law.

2. The Development Loan Fund

This Fund, established by the Congress in 1957, is organized as a corporation. It is administered by a Managing Director but is subject to the control of a Board of Directors. The Board functions pursuant to the foreign policy guidance of the Secretary of State and is under the chairmanship of the Under Secretary of State for Economic Affairs. The Development Loan Fund has a small staff consisting of 155 people which processes applications for loans for development projects and administers these loans. Its loans may be repayable in dollars or the currency of the borrower. The Fund maintains no personnel overseas but relies instead on the overseas missions of the ICA. It has become the principal development lending arm of the United States Government.

3. The State Department

The Department, by virtue of delegation of authority from the President, is responsible for coordinating all aspects of the

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Mutual Security Program and assuring its compatability with foreign policy objectives. In addition, various bureaus of the State Department have jurisdiction over contributions to international aid programs subject to the approval of the Under Secretary of State for Economic Affairs. These programs include those of the United Nations, the Organization of American States, and the International Commission for European Migration.

4. The International Cooperation Administration (ICA)

The ICA was established within the State Department in 1955 pursuant to the authority of the Mutual Security Act of 1954. It has a staff of 14,400 people (this includes foreign nationals employed locally in field missions. It employs 1,900 people in Washington, and presently maintains 66 overseas field missions. Fifteen more missions are being established. It is administered by a Director and is subject to the direction and control of the Under Secretary of State for Economic Affairs. The ICA conducts programs in the following categories:

- (a) Defense support
- (b) Special assistance
- (c) Technical assistance
- (d) Aid to certain programs conducted by multilateral agencies

In addition, the ICA administers certain aspects of the Agricultural Trade and Development Assistance Act (Public Law 480). Principal responsibility for this Act, however, rests with the Department of Agriculture.

5. The Department of Defense.

This Department administers military assistance through the military services, unified commands abroad, and military assistance advisory groups (MAAGS) stationed in recipient countries. Programs of military assistance are subject to the approval of the Secretary of State through the office of the Under Secretary of State for Economic Affairs.

6. The

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6. The Department of Agriculture.

The Agriculture Department administers the disposal of agricultural commodities under Public Law 480. These commodities are made available principally for sale for local currency to underdeveloped countries and constitute an important part of our foreign assistance effort. The terms and conditions of such transactions are fixed by an inter-agency committee chaired by Agriculture. The negotiation of sales agreements, however, is conducted by the Department of State.

7. The Treasury Department.

This Department chairs the National Advisory Council on International Monetary and Financial Problems (NAC). Other members of the Council are State, Commerce, Export-Import Bank, and the Federal Reserve Board. The Council coordinates the policies and operations of all agencies of the U.S. Government which make or participate in the making of foreign loans or engage in foreign financial, exchange, or monetary transactions. Through this mechanism Treasury has direct contact with the aid program.

B. Arrangements for Coordinating Separate Aid Agencies

1. A substantial part of our foreign assistance effort - although not all - is coordinated by the Under Secretary of State for Economic Affairs who serves as the Mutual Security Coordinator. These powers are derived from the President by delegated authority through the Secretary of State.

2. As Mutual Security Coordinator, the Under Secretary exercises direction and control over the International Cooperation Administration and the Development Loan Fund, as well as the foreign assistance operations of the Department of State, and assures their coordination with programs of military assistance.

3. The Mutual Security Coordinator carries out his responsibilities through a small staff of approximately twenty-five officers. This staff assists him in performing the following functions:

(a) Determining

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- (a) Determining the overall amount of aid funds to be presented to the Bureau of the Budget each year;
- (b) Allocating appropriated resources among aid categories and functions in the light of planned requirements; reviewing and approving proposed programs;
- (c) Preparing and conducting the annual presentation to the Congress;
- (d) Coordinating the carrying out of the annual programs under the Mutual Security Program.

4. The Under Secretary of State does not have policy control over the development lending of the Export-Import Bank. He has only negative control of activities with respect to the provision of agricultural commodities under Public Law 480 administered by the Secretary of Agriculture.

5. Coordination of the financial terms and conditions attached to aid is the responsibility of the Treasury Department operating through the NAC.

C. Deficiencies of Present Arrangements

Present aid arrangements are deficient because:

1. Diffusion of responsibility

The multiplicity of aid programs and diffusion of administrative responsibility inhibit concentration on a single coherent objective.

2. Legislative patchwork

The various programs depend upon a patchwork of legislation which contains disparate and sometimes conflicting criteria.

3. Ineffective policy control

The limited extent of control and direction of foreign assistance vested in the Secretary of State makes it difficult to employ foreign assistance as a completely effective tool of foreign policy.

4. Short-term funding

The dependence of the programs on annual appropriations makes it impossible to assure the flow of resources over an adequate period and inhibits effective development planning. At the same

time, the

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time, the inability of the United States to provide assurances of the availability of future aid makes it difficult for us to apply, and for recipients to conform to, the tough criteria essential to serious development.

5. Administrative barnacles

The flexibility and effectiveness of the programs are impaired by complicated and time-consuming administrative practices and legal procedures developed over more than a decade.

6. Loss of public support

The complexity and lack of coherence in the organization and administration of the program, together with the staleness and pedestrianism of the present approach, have greatly diminished public support.

7. Lowered morale

The morale of those administering the programs has been eroded by inadequate leadership and lack of coherent programs in past years. Existing agencies have suffered a loss of prestige and can no longer attract competent personnel.

8. Confusion abroad

The conflicting jurisdiction of the individual agencies leads to confusion in the field missions. It results in delaying needed decisions and actions and creates a sense of frustration and futility. Because the field missions cannot be assured of adequate support from Washington they cannot exert the necessary leverage on the recipient governments.

9. Adequate concepts

Under existing legislation aid is available for categories of assistance which do not respond to present-day aid concepts. In addition, the terminology employed in the aid legislation is obsolete.

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II. CONCEPTUAL REQUIREMENTS OF A NEW PROGRAM

A. Changing Objectives for Foreign Assistance

1. The disparity in objectives between different aspects of our foreign assistance activities reflects historical responses to a shifting world scene.

2. Our approach to foreign assistance has gone through several phases:

- (a) In the immediate post-war period the United States was concerned with the rehabilitation of the major countries of Europe in order to assist them to resist Communist subversion.
- (b) With the enunciation of the Point Four Program in 1949 we undertook to provide technical assistance to under-developed countries on an expanded basis.
- (c) In the immediate post-Korean war period the United States, under Secretary Dulles, undertook the construction of an elaborate system of alliance to contain Soviet power. Foreign assistance programs were designed and employed primarily to secure and strengthen those alliances. Such programs bore a strong military emphasis

B. The Modern Objective

1. In recent years we have learned that limiting our aid programs principally to the narrow purpose of securing military alliances does not necessarily advance U.S. security and political interests. The rapid crumbling of colonial structures has presented the industrialized world with the urgent need to help newly emerging peoples. We now recognize that our security is related closely to the ability of these countries to develop and grow in freedom.

2. A new concept of foreign assistance has thus developed. We must provide assistance to aid the new nations to develop the hope and reality of economic, political and social advancement. Only in this way can we create an environment in which their energies can be devoted to constructive purposes.

3. The United States should no longer insist that the newly emerging nations become active partisans of the West. It is

enough

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enough that they attain the strength, self-respect and independence to resist being drawn helplessly into the Soviet orbit.

4. To attain these goals they must be enabled to develop their economies and institutions at a sufficiently rapid pace to provide the promise that they may ultimately become self-reliant members of the community of nations.

C. Aid Must be Tailored to Differing Stages of Development

1. Countries requiring aid differ widely not only in their present stages of development but also in their possibilities of development. Our foreign assistance tools must be sufficiently adaptable to take this into account.

2. Certain countries, for example, do not have the indigenous resources to achieve economic viability. Nevertheless, it may be necessary for the United States to continue to provide assistance to sustain such countries for strategic reasons. An example of such a situation is Jordan.

3. Other nations, such as many in Africa, are not yet ready for substantial economic development. They have not yet reached the point where they can absorb a large infusion of external resources. Their primary need at the moment is for aid in the development of human and institutional resources, particularly in education and in planning, together with resources to establish basic infrastructure facilities.

4. A third category includes nations like the Republic of China which have the potential capacity within the foreseeable future effectively to mobilize their own resources, and thus be able to use additional external developmental resources. In the interim, they will require transitional assistance to move their economies to a more advanced state.

5. The final category includes nations such as India which have the capacity to absorb a substantial resource input and which, with adequate aid effectively utilized, can move rapidly towards the development of a self-sustaining economy. Their principal requirements are for development assistance.

D. Development Requires an Assured Continuity of Aid Resources.

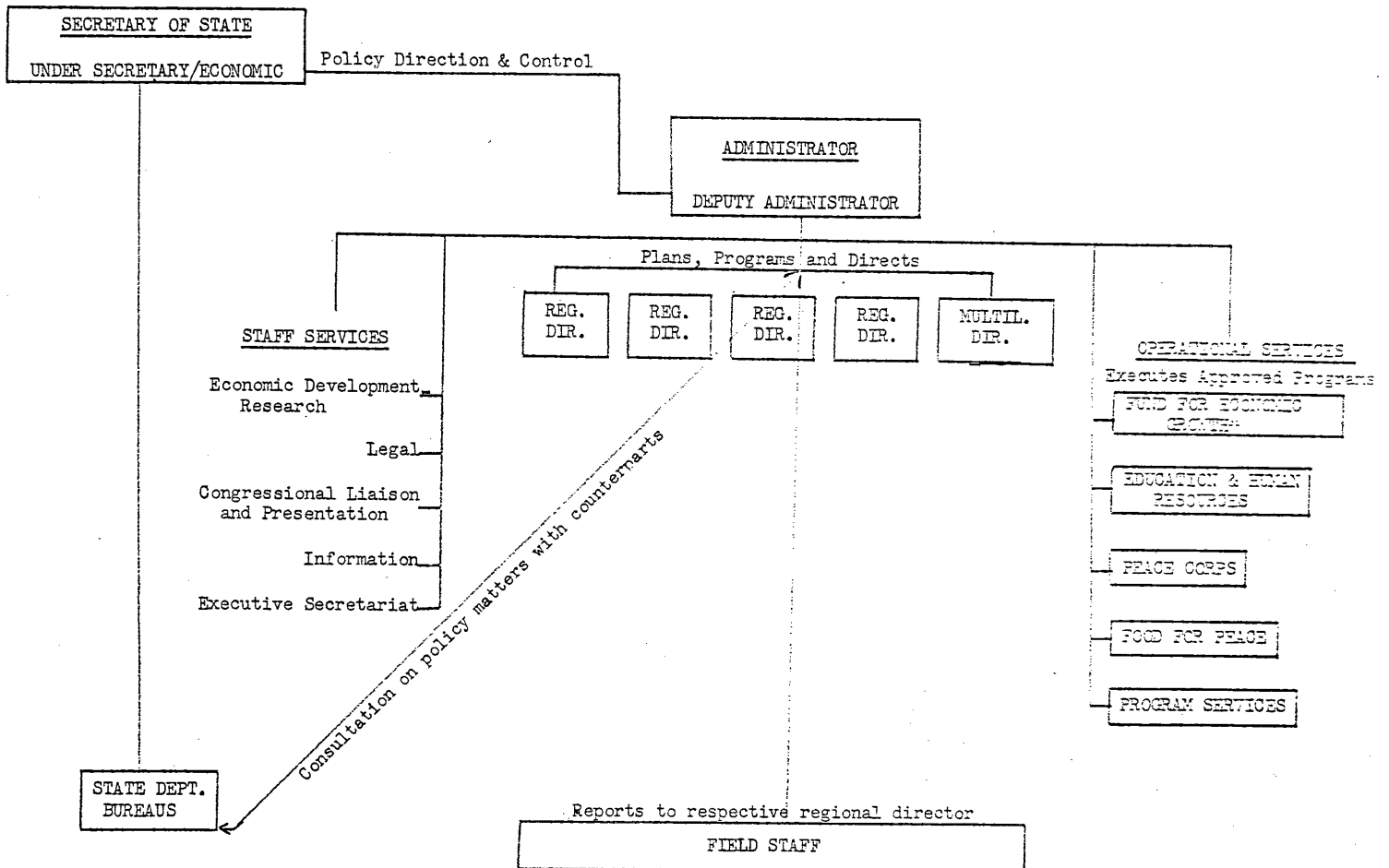
1. To be able to bring about an adequate pace of development for countries which are capable of more rapid growth, the United States must be able to provide not only adequate resources but a sustained input of resources. This is necessary for two reasons:

(a) Countries can plan development only on the basis of a predictable input of resources over a span of years.

(b) The

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Proposed Growth for Freedom Administration



* Organized as a corporation which utilizes personnel and facilities of the Fund and other staff and program services in administration of the corporate programs. Board of Directors: Administrator, Deputy Administrator, Director, Food for Peace, Director, Education & Human Resources, Managing Director, Fund for Economic Growth.

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- (b) The assurance of a substantial input of resources is also necessary to induce or enable governments of under-developed countries to impose the discipline prerequisite to economic and social development.

2. The present Mutual Security Program lacks the requisite authority and funds to provide the assurance of sustained aid input which is needed.

E. Development Planning Should Emphasize a Coordinated National Program Rather Than a Project Approach

1. Most of our present developmental assistance is provided for specific projects. In many cases these projects are not carefully considered with a view to their total effect upon economic development for the recipient nations as a whole.

2. Most recipient nations do not have either the will or the technical ability to make national plans on a systematic and scientific basis. They must be encouraged to undertake planning by the promise of future assistance. Moreover, they must be guided in this effort by competent experts in our country missions. Unfortunately, in most cases such experts are not now available. The chaotic state of our mutual security programs and the disjointed administration of those programs have made it impossible to attract such experts in sufficient numbers.

F. An Effective Aid Program Requires Central Control and Direction

1. At the moment there is no single United States agency providing foreign assistance to which representatives of under-developed countries may apply for aid. As a result, such representatives tend to be confused when seeking assistance from this country.

2. Our foreign assistance programs should be centrally controlled and administered. Effective planning and careful administration of resources are possible only if all major aspects of assistance, planning, and operations are subject to central direction.

3. This requires the creation of a single agency for foreign economic assistance. The organizational structure of the proposed single agency is shown in the chart on the facing page. In order that the purposes of this agency will be identified with the modern objectives of development, it is proposed that it be called the "Growth for Freedom Administration."

G. The "Growth

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G. The "Growth for Freedom Administration" Must be Subject to the Foreign Policy Control of the Secretary of State.

1. Our foreign assistance programs must be administered in support of the foreign policy objectives of the United States. This means that there are only two men under our constitutional system who properly have the authority to determine the uses and application of foreign assistance. They are the President and the Secretary of State.

2. Suggestions have sometimes been made that the complete control of foreign assistance should be entrusted to an administrator directly responsible to the President. Secretary Dulles was originally a strong proponent of this view. However, this position was repudiated by the Congress in 1954 when it insisted that the President abolish the Foreign Operations Administration and transfer its functions to the State Department. The conviction that the foreign aid function should be subject to the control of the Secretary of State has been repeatedly expressed by Congress ever since, as shown in Annex A.

3. Since foreign assistance is a major instrument of our foreign policy, to place its control outside of the State Department would mean that the President had two competing agencies conducting foreign policy. Since the ability to dispense resources is an important foreign policy tool the Secretary of State would be under an almost fatal disability in conducting our foreign policy effectively if he could not control the use of this tool.

4. An aid organization outside the control of the Secretary of State would mean further that all differences of opinion between him and the aid administrator would have to be appealed directly to the President, unless it were decided to establish a First Secretary in the White House superior to the Secretary of State.

5. This problem has largely been avoided under the existing arrangements. The Secretary of State through his designee, the Under Secretary for Economic Affairs, now has the power to make decisions in disputes between the regional bureaus of the State Department and the principal agencies administering aid programs. The Under Secretary, acting for the Secretary, can in this way bring foreign policy considerations to bear on the administration of aid programs while at the same time preventing the use of aid resources to serve short-term purposes at the risk of defeating longer-range political objectives.

6. On the

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6. On the basis of these considerations it is recommended that a Growth for Freedom Administration be established as follows.

- (a) Operational responsibility for the program would be entrusted to an Administrator.
- (b) The Administrator would conduct the Growth for Freedom program subject to policy direction and control of the Secretary of State who would exercise this authority through the Under Secretary for Economic Affairs.
- (c) The economic planning and programming functions presently entrusted to the Mutual Security Coordinator would be transferred to the Administrator.

The exact manner in which the organization would function is described in Annex B.

H. Military Assistance Should be Kept Distinct from Economic Assistance

1. The authority for military assistance is contained in the Mutual Security Act. In order to demonstrate clearly the peaceful purposes of economic assistance, it is recommended that military assistance hereafter be covered in separate legislation providing for permanent authorization and inclusion in the Defense budget.

2. At the same time programs for military assistance should continue to be subject to foreign policy control and approval by the Secretary of State even though administered by the Department of Defense. Military assistance programs supply us with a major instrument of foreign policy.

3. The policies underlying military assistance should be subjected to critical review and reappraisal looking toward more realistic levels of military forces in recipient nations. We should avoid building up excessive military establishments. The training and utilization of military forces to contribute to the civic and economic welfare and growth of the nation should be emphasized.

The establishment of a State-Defense task force for the purpose of such review is already underway.

I. Aid Must Continue to be Available for Other National Objectives

1. Economic assistance is required for other than development purposes. Such aid may be needed to enable the recipient nation to support defense forces as in Korea. In other cases the United States may employ the offer of economic aid as an inducement for the

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enjoyment

the enjoyment of strategic facilities or privileges as in Libya. In still other cases it may be necessary to prevent political or economic consequences inimical to our national interests as in Bolivia.

2. While recognizing the necessity of employing aid for such strategic purposes, emphasis should be placed on the limiting of such aid as severely as possible.

J. To the Extent Possible Our Aid Program Should be Coordinated With the Programs of Other Industrialized Countries.

1. The coming into being of the OECD should make possible a much greater degree of coordination between the major supplying nations in assisting the development of under-developed countries.

2. The extent to which increased aid efforts can be enlisted from other industrialized countries depends to a large extent upon the establishment of our foreign assistance programs on a continuing basis and upon our willingness to increase our own aid efforts.

K. The Proposal for Legislation - The Growth for Freedom Act

The legislation would cover the following major provisions:

1. A declaration of purposes.
2. Establishment of Growth for Freedom Administration
3. Development planning
 - a. Economic Development Office
 - b. Development Research program
4. Fund for Economic Growth
5. Education and Human Resources Development Fund
6. Food for Peace
7. Surpluses for Development
8. Transitional, Sustaining, and Emergency Aid
9. Contributions to Multilateral Organization
10. Personnel
 - a. Development Career Service
 - b. Peace Corps

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The Growth for Freedom Act would contain the following major provisions:

1. Purposes

(i) To join with other developed countries in using our common economic strength to further the growth of human and material resources of less developed countries under free institutions. — }

(ii) To cooperate in developing and financing workable long-term programs for achieving such growth along lines that are responsive to the vital long-term economic, political and social concerns of the peoples of the less developed countries.

(iii) To maintain and promote the political and economic stability of friendly countries.

2. Administration

(i) To establish a new Growth for Freedom Administration, subject to the foreign policy direction and control of the Secretary of State, to administer all U.S. assistance intended to further the above purposes.

(ii) To authorize the administrative expenses of the agency.

3. Development Planning

(i) To authorize the establishment of an Economic Development Office designed to assist less-developed countries in establishing well-conceived programs for the economic, educational and social growth of the country. The office would be authorized to furnish such assistance to foreign countries either directly or through private or multilateral institutions.

(ii) To authorize the establishment of a research and development program. It would be authorized to undertake, in cooperation with private and international institutions, research programs on ways and means of fostering more effectively the growth of free and independent societies in the less-developed areas.

4. Fund for Economic Growth

a. Single Development Lending Agency

This Fund is intended to meet the needs for loans to promote growth in less-developed countries which have little or no capacity to service loans from normal lending institutions.

It would be

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It would be the principal development lending organization of the U.S. Government. The Export-Import Bank would continue as an independent lending agency stressing the promotion of U.S. exports. It would, subject to foreign policy guidance, make development loans particularly in those countries capable of servicing dollar loans on normal terms and conditions.

b. Use of Public Debt Authority

The Fund would be financed primarily through public debt authority, but such authority would not be used to finance loans repayable in local currency. A relatively small annual appropriation will be required to finance those loans that are to continue to be issued on a local currency repayment basis.

c. Currency of Loan Repayment

For the most part, it is believed that more effective multilateral action in development lending will result if all nations accent loans repayable in their own currencies, although the terms of the loans may otherwise be as generous as circumstances warrant. Moreover, local currency payment will, if continued at current levels, give rise to accumulations in U.S. hands of such large quantities of local currencies from repayments of development loans and from PL 480 sales as to give rise to serious political and economic problems.

d. Legislation on Lending

The Act would thus require the following provisions:

✓ (i) To authorize dollar repayment loans on terms as hard as circumstances of the recipient country will permit, to finance programs for the development of the physical resources of less developed countries. Such loans could be used to finance either specific projects or programs for importing commodities essential for implementing such development.

(ii) To authorize borrowing from the Treasury up to \$8 billion, an amount deemed adequate to cover requirements over a four-year period.

(iii) To authorize annual appropriations (\$500 million in four years) for lending repayable in local currencies.

(iv) To authorize guaranty of extraordinary risks of private investment by U.S. citizens in less-developed countries.

5. EducationCONFIDENTIAL

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5. Education and Human Resources Fund

(i) To authorize the provision of technicians, demonstration equipment and related supplies; to help construct, organize and support public and private institutions in the fields of education, agriculture, government administration and health, et al., to support and stimulate policies and programs designed to encourage and promote the establishment of more progressive political, economic and social practices and institutions.

(ii) To authorize commitments and appropriations of \$525 million, an amount deemed adequate to meet the requirements for such commitments over the next two years.

6. Food-for-Peace

(i) To provide authority for furnishing U.S. surplus agricultural commodities to friendly nations through sales for local currency and grants for famine relief voluntary agency programs, and other grants of such commodities in support of the general purposes of the Act.

(ii) To provide authorization without limit for reimbursing the Commodity Credit Corporation for commodities to be supplied for this purpose over a four-year period.

(iii) To provide appropriation for \$1.5 billion required for such reimbursement in FY 1962.

7. Surpluses for Development

To authorize the utilization of non-agricultural commodities or equipment (military equipment and stockpile holdings) owned by U.S. Government entities which are surplus to their requirements but which would contribute to the programs and purposes of the Growth for Freedom Act. Such surpluses would be contributed to recipient countries on a grant, local currency sales, or dollar repayable loan basis. The Act would authorize annual appropriation to reimburse the U.S. Government entities owning such surpluses.

8. Transitional, Sustaining and Emergency Aid Assistance

Aid in these categories is envisaged as being primarily on a grant basis, annually authorized and appropriated.

a. Transitional

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a. Transitional Assistance

Would be provided as required to assure political and economic stability of friendly nations not yet able to qualify for development lending in adequate dimension to satisfy their basic needs, but which can achieve such ability in the foreseeable future. Concept envisages progressive reduction and eventual elimination this category of aid. Appropriations for FY 1962 would be about \$213 million.

b. Sustaining Assistance

Would be provided to those countries to which such assistance is essential for the maintenance of political and economic stability and lacking prospects for early development, and to those nations requiring continued help to provide forces or facilities of importance to U.S. security. Appropriations for FY 1962 would be about \$487 million.

c. Emergency Aid

Would be available as at present through Contingency Funds to meet emergency situations for which other resources are inadequate. Appropriation for FY 1962 would be \$250 million.

9. Contributions to Multilateral Organizations

To authorize grants to international organizations whose activities promote the purposes of the Growth for Freedom Act. Such grants would be financed through annual authorization and appropriation. For FY 1962 appropriations of \$175 million would be needed.

10. Personnela. Development Career Service

(i) To authorize an officer complement adequate to staff both field and Washington requirements for administering programs authorized under the Act.

(ii) To authorize a reserve complement adequate to meet the requirements of the Act for technicians and specialists.

This Career Service should either be within, or closely allied to, the regular Foreign Service of the United States. However, its establishment would not preclude the employment on other bases of specialized personnel.

b. Peace CorpsCONFIDENTIAL

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b. Peace Corps

To authorize the establishment of a Peace Corps to facilitate the utilization of American citizens who wish to participate directly in contributing to the growth of less developed societies. To authorize provision of funds to finance the expenses of such volunteers.

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TAB
III

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III. FINANCIAL REQUIREMENTS

A. Current Levels of Economic Assistance.

1. The United States and other nations of the free world are currently providing economic assistance to less-developed nations in an amount aggregating about \$5.5 million per year.

2. Of the \$2.2 billion of appropriations sought in the last Eisenhower budget for economic assistance under the Mutual Security Program, between \$1.5 billion and \$1.75 billion was to be used to secure national objectives, such as base rights, the maintenance of military forces, or the avoidance of political or economic instability. Thus, promotion of economic growth engendered by these resource transfers was an incidental effect.

3. In the case of the other developed countries, their assistance has been overwhelmingly directed toward maintaining stability in their colonies, cushioning their transition from colonial status, promoting export markets or paying reparations.

4. This dimension of assistance is seriously inadequate to meet the needs of the less-developed countries. The result is to encourage competition for larger allocations by recipient countries through dramatizing short-term political problems and avoiding the task of long-term planning.

B. The Dimension of Economic Assistance Required for Speeding Economic Growth.

1. It is proposed that the industrialized countries of the free world cooperating through the OECD commit approximately \$30 billion during the four years beginning July 1961 in the form of economic assistance to the less-developed areas.

2. This should represent an increase in commitments of \$8 billion over the four-year period above the rate of current commitments for economic assistance. It is proposed that this increase be shared equally between the United States and its associates.

3. This proposal reflects a conviction that a significantly enhanced availability of resources over a period of years is

essential.

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essential. Aid must be directed primarily toward attaining constructive and realistic objectives, toward ameliorating the basic problems of less-developed societies and toward establishing a sense of economic and social progress. Less-developed countries need well-defined and realistic development goals adapted to their individual situations and capacities. To achieve these purposes requires an environment in which more generous access to resources is accorded those who demonstrate an ability to employ them toward constructive ends.

4. The prerequisites of an effective redirection of aid to promote development are the following:

- (a) An increased dimension of resources.
- (b) An ability to make long-term commitments to higher levels of assistance.
- ✓ (c) An emphasis on declining availabilities of assistance for purposes other than long-term growth.
- (d) An initiative by aid-giving countries in undertaking the formulation, organization and execution of long-term programs in partnership with lesser-developed countries.

C. Bases for Estimates of Requirements for U.S. Economic Assistance.

1. The estimates shown in the tables in Annex C are rough approximations designed to provide the basis for a Presidential decision regarding the order of magnitude of foreign economic assistance. They are based in part on an elaborate review last fall of estimates prepared by field missions last summer.

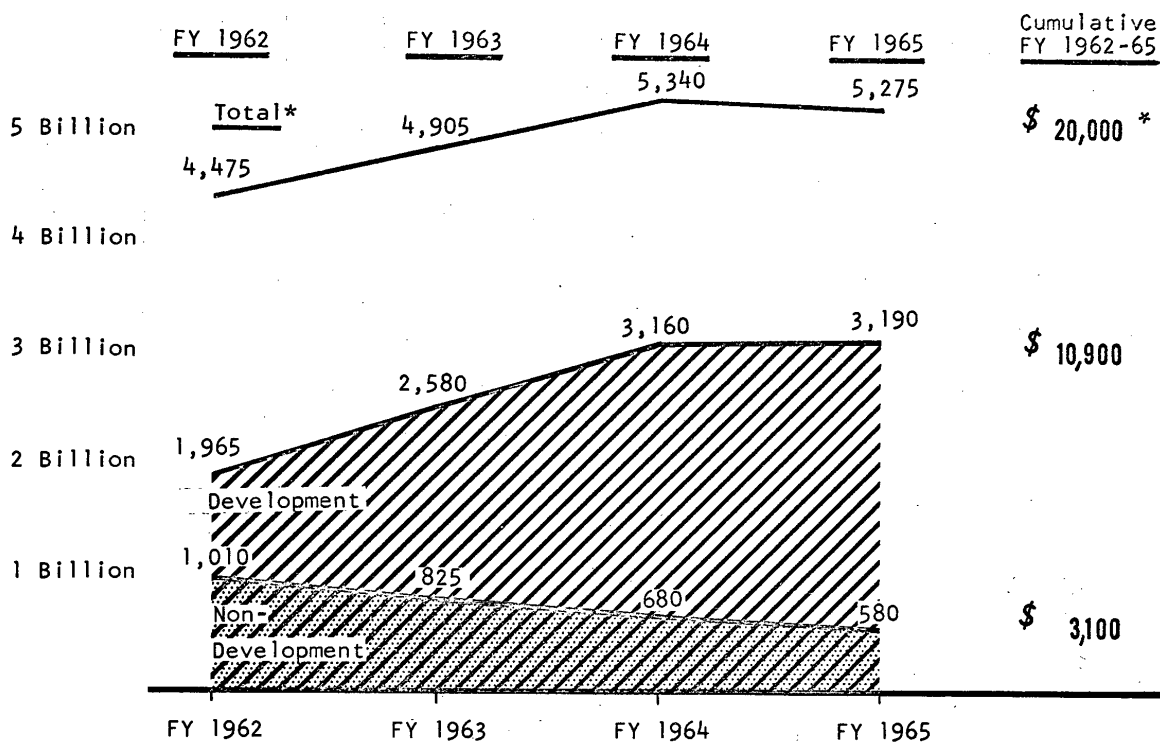
2. If these estimates are accepted as orders of magnitude, they must be subjected to a critical analysis and review before the details can be presented or defended before the Congress.

3. The estimates do not contain any provision for anticipating Congressional cuts. ICA and DLF officers believe them dangerously low.

4. The estimates

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 Commitments, FY 1962-65
 (millions of dollars)



* Total includes estimated \$1.5 billion per year of agricultural surpluses under the Food-for-Peace Program which may be used for both development and non-development. Cumulative totals are rounded.

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4. The estimates for other DAG members are based on their official expenditures in 1959. They should be expected to undertake commitments at a rate \$1 billion higher than the current rate.

5. The estimates assume (probably incorrectly) that the \$500 million Latin American supplemental appropriation for FY 1961 will meet social development needs in Latin America for the 4 year period.

D. The Estimates.Commitments Required.

1. The proposal calls for the commitment of resources by the United States over the next four years in an amount totalling \$20 billion, of which \$6 billion would be used to reimburse the Commodity Credit Corporation for agricultural commodities.

2. Commitments of resources required by these proposals are:

	<u>TOTALS</u>
F.Y. 1962	\$4.475 billion
F.Y. 1963	4.905
F.Y. 1964	5.340
F.Y. 1965	5.275

Commitments under the Eisenhower budget would have totalled \$4.202 in FY 1962. Thus, an increase of commitments in FY 1962 of approximately \$275 million is proposed.

Authorizations Required.

1. In order to meet the need for an increased availability of resources and the capacity to make long-term commitments the burden of authorization requirement would vary sharply from the commitment pattern.

2. Authorizations required by these proposals are:

F.Y. 1962

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FY 1962	\$10.255 billion (\$8.0 billion in public debt authority)
FY 1963	1.130 billion
FY 1964	1.690 billion
FY 1965	<u>.925</u> billion
	\$14.000 billion

3. In addition, authority would be sought in the legislation for the Commodity Credit Corporation to acquire agricultural products for sale abroad to be reimbursed out of subsequent annual appropriations at world market prices. No limit in this authority would be proposed. This proposal assumes a utilization of that authority in the amount of \$6 billion over the four-year period.

4. Of the \$10.255 billion of new authorization to be sought for Fiscal Year 1962, \$8 billion would be in the form of authority to borrow funds from the Treasury to finance long-term dollar repayable loans. If it were necessary to restrict the use of this authority in order to satisfy Congress, the limitation should permit the use of at least \$2 billion by the end of Fiscal Year 1962, an additional \$2.5 billion by the end of Fiscal Year 1963, and an additional \$2 billion by the end of Fiscal Year 1964.

Appropriations.

1. The pattern of appropriations requested to meet the commitments proposed would be different from both the pattern of commitment and the pattern of authorization.

2. Assuming that \$8 billion is made available through the use of Public Debt Authority, the total of appropriations required for the four-year period would total \$12 billion.

3. The appropriations required by these proposals are:

FY 1962	\$ 3.755 billion
FY 1963	2.630 billion
FY 1964	3.190 billion
FY 1965	<u>2.425</u> billion
	\$12.000 billion

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Of this

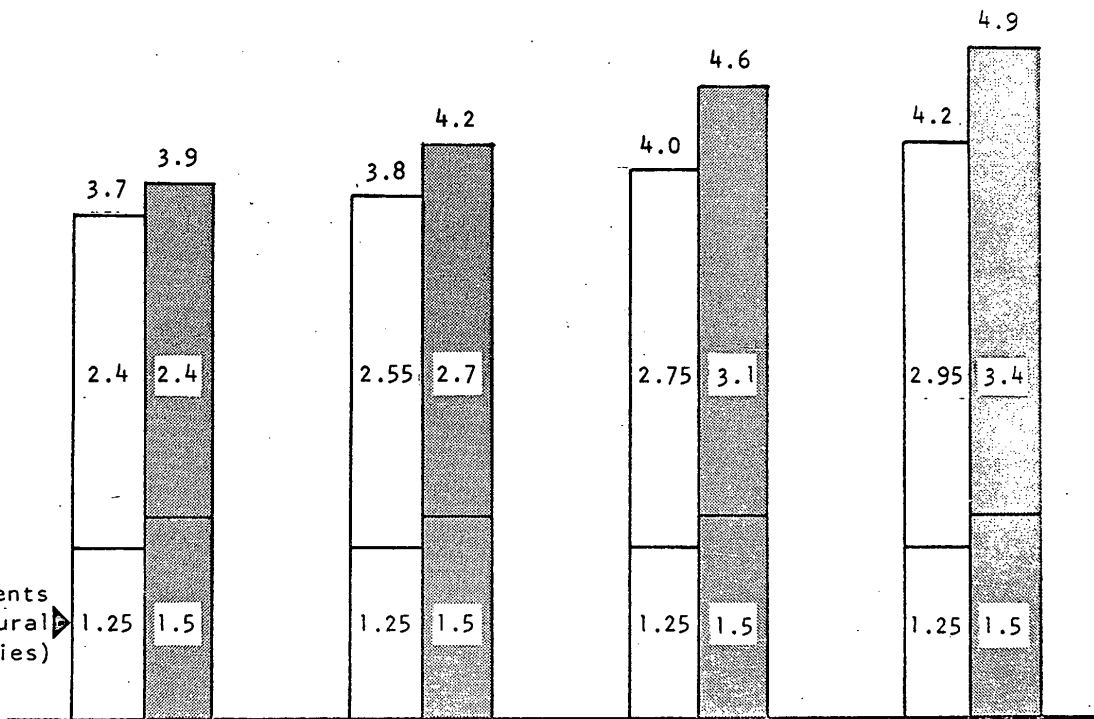
GROWTH-FOR-FREEDOM PROGRAM
 BUDGETARY IMPACT (Expenditures)
 (in billions of dollars)

FY 1962 FY 1963 FY 1964 FY 1965

Cumulative
 FY 1962-65

\$17.6 billion

\$15.6 billion



█ Proposed Growth-for-Freedom Program

◻ Eisenhower budget (Expenditures projected on the assumption of annual appropriations and commitments at the FY 1962)

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Of this \$12.0 billion, half or \$6.0 billion would be used to reimburse the Commodity Credit Corporation.

Expenditures.

1. The pattern of expenditures required for the program would similarly be different from the patterns of commitment, authorization, and appropriations. Expenditures over the four-year period would total approximately \$17.6 billion. This compares with a total expenditure of some \$15.6 billion which would result from an extrapolation of the Eisenhower budget.

2. The expenditures required by this proposal are:

F.Y. 1962	\$3.900 billion
F.Y. 1963	4.200
F.Y. 1964	4.600
F.Y. 1965	<u>4.900</u>

\$ 17.600 billion

3. For Fiscal Year 1962, expenditures under this proposal would total about \$3.9 billion as compared with \$3.6 billion in the Eisenhower budget.

Budgetary Impact

1. The impact of the program on the Federal Budget is measured by expenditures. The modest increase in expenditures proposed by this program should not represent more than a small proportion of the increase in government revenues which may be expected with a resumption of an adequate rate of economic growth in this country. The amount of increased expenditures involved over the four-year period is estimated at \$2 billion. Half of this amount would consist of expenditures for agricultural commodities and represent reimbursements of the Commodity Credit Corporation.

E. Component

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E. Component Elements

1. Development Planning and Research.

A four-year \$100 million program is proposed to be used for three purposes:

- a. Research in the problems of economic and social growth.
- b. Assistance to less-developed countries in preparing long-range programs appropriate to their stage of development and capacity for execution.
- c. Financing engineering and economic feasibility studies of specific projects that are required before financing of such projects can be finalized.

2. Fund for Economic Growth

A four-year \$8.5 billion program is proposed to finance, through both project and program loans, long-range development objectives that meet strict criteria with respect to both recipient country self-help efforts and the feasibility and economic merit of the particular project or program to be financed.

\$500 million of this program would be in the form of an appropriation to be used for lending against local currency repayments in situations where dollar repayment is not practicable.

3. Education and Human Resources Development

A four-year program of \$1.2 billion is envisaged. It is recommended that an appropriation of \$525 million be requested to cover the needs of the first two years. Only \$250 million would need to be made available for obligation during Fiscal Year 1962. These figures do not provide for the Social Development Program in Latin America, for which separate appropriations are currently being sought.

4. Contribution to Multilateral Institutions

A four-year program of \$900 million is envisaged with annual authorization and appropriations. \$175 million would be requested for appropriation for Fiscal Year 1962.

5. Transitional

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5. Transitional, Sustaining and Contingency Aid.

The plan envisages a requirement for annual authorization and appropriations totalling \$2.8 billion over the four year period. Of this amount, \$945 million would be required for Fiscal Year 1962, and progressively smaller amounts in each of the next three years.

6. Food for Peace.

The estimate here is for a program of \$6 billion over the four-year period, evenly divided in each of the four years.

7. Peace Corps.

\$200 million is assumed as the four-year cost of the Peace Corps although these figures lack firm foundation.

8. Administration.

Administrative costs of \$300 million over the four year period are envisaged with an estimated \$65 million requested for Fiscal Year 1962. These estimates also lack adequate foundation but appear reasonable orders of magnitude.

Annex C discusses the financial plan in greater detail.

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TAB
IV

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CONFIDENTIALIV. QUESTIONS FOR DECISIONA. Borrowing Authority

The proposed legislation set forth earlier in this paper would seek to finance the Fund for Economic Growth through public debt authority. Opposition to this proposal exists both on grounds of principle and of practicality. It is argued that public debt authority should not be used for loans on the generous terms proposed since there is doubt as to the dependability of repayment. In addition, there would be a cost to the government to the extent that deferral or waiver of interest payments was involved. It is also contended that the Executive should not attempt to delay the appropriations process in the Congress.

There are set forth below the considerations which warrant seeking long-term commitment authority. Some alternatives to the use of Public Debt Authority are also indicated. The question is clearly one for Presidential decision.

1. Need for Long-Term Authority

The need for long-term commitment authority is based on two quite different sets of considerations.

a. Achievement of Development Emphasis

The first relates to achieving a turn-around in the attitudes of less-developed countries toward their economic development problems and toward foreign assistance. Our objective is to focus their attention increasingly on establishing long-term development objectives. More particularly, they need to adopt the politically difficult domestic decisions necessary to provide better assurance of efficient use of both domestic resources and foreign aid. To achieve this, the total dimension of available aid will have to be increased significantly if aid recipient governments are to believe that more generous treatment will, in fact, be accorded to those who orient themselves toward long-term objectives. Once substantial commitments are made to countries preparing such plans and showing evidence of determination and capacity to carry them, an effective example will be set for others.

b. Relation to Burden Sharing

The second set of considerations relates to the need to have an orderly sharing of the burden of foreign assistance with other developed countries. The Government of the United States must be prepared to offer more than its willingness to ask the Congress for increased appropriations if the Governments of Western Europe and Japan are to be induced to make available to the less-developed countries a larger dimension of resources over a period of years. The expectations of our partners must be that our Congress will provide less than the Administration seeks, and perhaps substantially less.

c. AlternativeCONFIDENTIAL

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c. Alternative Arrangements

Public debt authority, which avoids the need for the Executive Branch to seek further Congressional action, would certainly demonstrate to other aid donors our interest in increased development. Contract authorization, which would bind the Congress to appropriate at a subsequent session the funds needed to meet payments required by use of the contract authorization, would be equally satisfactory if the contract authority is large enough.

Annual appropriations might well make as large a dimension of resources available, but it would lack the dramatic impact on the expectations of the less-developed countries. It would not produce the dramatic change in past attitudes toward long-range development planning and towards United States assistance.

d. Need to Lead

We cannot expect a drastic turn-around in the attitudes and actions of other governments unless we ourselves are prepared to give the lead by dramatizing the change in authority available to the Executive Branch of the United States Government.

B. Export-Import Bank

1. Transfer of Authority

It has been suggested that perhaps half of the unused borrowing authority presently possessed by the Export-Import Bank and the portfolio of development loans issued in the past, together with the borrowing authority used to finance them, be transferred to the proposed Fund for Economic Growth. Under these proposals, this would provide the Fund with a capability to lend perhaps a billion dollars plus the capacity to use repayments of several hundred million a year.

The general conclusion has been that this would be unwise since it would ensure opposition from many members of the Congress, would not satisfy the need for commitment authority required by the Fund for Economic Growth, and would run an unnecessary risk of losing an existing asset.

2. Future Export-Import Bank Role

The proposal in the draft legislation envisages concentrating development lending in the new aid agency. The Export-Import Bank would continue as an independent agency. While

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its essential function would be its historic one of providing credits for U.S. exports, it also would continue to provide development loans in those countries, such as Mexico and Japan, which have the capacity to service dollar loans on normal terms and conditions. Its development lending would, to assure compatibility with the activities of the new agency, be subject to foreign policy guidance.

Some may feel that the Export-Import Bank may conflict with the lending activities of the new agency and present the prospect of two competing U.S. lending organizations. This possibility can be avoided by the careful coordination, through foreign policy guidance, envisaged above. This, it is believed, would not be inconsistent with the Bank's legislative mandate.

However, there is considerable opinion to the effect that to obtain public debt authority for the Fund for Economic Growth will require confining all development lending to that organization. The President, in considering the arrangements suggested above, should take into account their impact on the chances of obtaining borrowing authority.

C. P.L. 4801. P.L. 480--in or out of aid legislation

The question of a replacement of Public Law 480 by a provision in the new aid legislation involves primarily questions of Congressional reaction. It is believed, however, that improvements in existing arrangements for administration could be effected by Executive action. Thus, the question becomes one of whether the proposal would strengthen or weaken the case for the new foreign aid bill.

2. Role of Department of Agriculture

It is presumed that under any arrangements, the Secretary of Agriculture would retain responsibility for determining the commodities and the quantities thereof which would be available for transfer to foreign recipients.

3. Case for Inclusion

The value of the proposal is the fact that it would enable this important foreign aid resource to be administered under the same policies and administrative arrangements as other resources provided for foreign assistance. This would clearly simplify administration. The direct control of this major resource instrument would significantly aid the Administration to encourage or induce adequate self-help measures. It would not only save time in administration but would permit better planned and coordinated programs in support of foreign policy objectives.

4. Farm Support

The proposal might also engender the support of the farm loc who would welcome attribution of the cost of surplus production to foreign aid rather than agricultural programs.

CONFIDENTIAL5. Case

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5. Case Against Inclusion

In opposition to the proposition, it is contended that the Agricultural Committees of the Congress would object to passing jurisdiction over this legislation to the Foreign Affairs and Foreign Relations Committees. It is also contended that incorporating PL 480 and foreign aid legislation would have the effect of substantially reducing total resources available for foreign aid. There might be a tendency to reduce dollar appropriations for non-agricultural commodities on the theory that surplus agricultural commodities could substitute therefor. It would also result in making foreign aid look much more expensive to the Congress and to the public, and increase pressure for reduction.

This would seem to be a matter requiring careful check of Congressional attitudes. Certainly, if there was agreement on their part, and if in their opinion the aggregate resources available for foreign aid would not be adversely affected, then there is every reason to support the proposal.

ANNEXES

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ANNEX A

CONGRESSIONAL EMPHASIS ON
STATE DEPARTMENT CONTROL OF FOREIGN AID

For at least the last eight years the Foreign Relations Committee and, to a somewhat lesser degree, the Foreign Affairs Committee have repeatedly emphasized their belief that the State Department should exercise direct control over the foreign economic aid programs and policy guidance over the military assistance program. A brief summary of developments and statements by the two committees follows:

1953

In 1953 the new Eisenhower Administration issued Reorganization Plan 7 which removed the Technical Cooperation Administration from the Department of State and consolidated it with the old independent Mutual Security Administration to create the Foreign Operations Administration (FOA). Senator Mansfield said at that time: (CR July 31, 1953, p. 10899 and 10900)

"If Reorganization Plan No. 7 went one step further, if it placed the new Foreign Operations Administration actually in the Department of State under a Deputy Secretary or the equivalent, then, I believe, the President might reach the objectives he seeks."

* * *

"It seems to me that this whole problem could be eliminated by the simple act of giving the State Department real, not theoretical, control of the foreign aid programs, by the simple act of moving Mr. Stassen's household, so to speak, into Mr. Dulles' household."

1954

In 1954 as part of the major revision of the Mutual Security Act in that year, the House Foreign Affairs Committee removed from FOA the authority for continuous supervision and general direction of the military assistance program. The Senate directed that in one more year the military and economic programs should come to an end so far as their basis for the continuation of an independent agency was concerned. If they were to be continued thereafter, they must be presented to the Congress by the regular agencies of the Government. The Foreign Relations Committee said: (Report No. 1799, July 13, 1954, p. 83)

"... It believed also that as a general rule it is unwise for foreign economic programs and the coordination of foreign military assistance programs to be undertaken outside the immediate purview of the Department of State."
[The Committee] "also had in mind that foreign-aid programs,

if they

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if they are to be continued, must be put on a basis requiring presentation by permanent agencies of this Government, the Departments of State and Defense, and not an independent agency."

The House-Senate Conference on the two differing bills agreed that FOA should end in a year, saying: (Conf. Rept. No. 2637, Aug. 5, 1954, p. 45)

"It is not desirable to maintain a special agency devoted to developing and administering assistance programs throughout the world. Under the circumstances such programs tend to become an end in themselves. Instead, the regular departments of Government responsible for foreign policy and for defense should exercise the legislative authority which this bill provides to make available necessary aid when an emergency justifies such action. There should be no incentive, however, for those responsible for such action to perpetuate these aid programs.

"For these reasons the committee of conference agreed to a provision specifically terminating the Foreign Operations Administration on June 30, 1955, and providing for the transfer of its remaining functions to appropriate departments of the executive branch."

1955

Pursuant to this direction, the President abolished FOA and transferred its economic functions and its coordinating functions into the Department of State in a semi-autonomous agency, the International Cooperation Administration. The Foreign Relations Committee commended this action. It quoted the above statement from the 1954 Conference Report and said: (Rept. No. 383, May 27, 1955, p. 36)

"The time has come for the foreign aid organization to reflect the fact that this program is an essential and important part of American foreign policy. The committee expressed in its report last year its desire 'to make it clear that such programs as may be necessary in the future should be presented to the Congress by the regular agencies of the Government and should not serve as the basis for the continuation of an independent agency of Government.***'

"The Committee still holds this view and is gratified that the non-military programs are to be shifted to the State Department. Under the umbrella of a permanent department, the organization for foreign aid should find more stability and continuity - which have been impaired by successive reorganizations."

1957

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1957

The Foreign Relations Committee recommended repeal of the first sentence of Sec. 525 which placed in the Director of ICA certain coordinating powers once vested in the former director of FOA. The committee further modified the Act "In order that the Department of State should have clear and unquestioned responsibility for coordinating military and other aid programs with foreign policy." The Report said: (No. 417, June 7, 1957, p. 24)

"The Committee believes the Secretary of State should assume greater responsibility in carrying out the coordination functions discussed above. To this end the committee bill would clearly place such responsibilities in him, under the direction of the President."

This was the year the Development Loan Fund was created and the Conference Committee said (Report No. 1042, August 8, 1957, p. 5):

"In accepting the provisions for administering the Development Loan Fund contained in the House bill the view was expressed among the conferees that authority and responsibility for the economic aspect of the program should be integrated more closely within the State Department."

The Conference Report pointed out that the Manager of the DLF was to be in the ICA as a deputy to the ICA Director and would be guided by a loan committee. "In carrying out its functions the loan committee would operate under foreign policy guidance laid down by the Secretary of State..."

1958

In this year the office of Under Secretary of State for Economic Affairs was reestablished, upgrading the existing Deputy Under Secretary for Economic Affairs. The Foreign Relations Committee said (Report No. 1627, May 26, 1958, p. 29):

"... This upgrading is desirable, in the committee's view, in order to assert further the authority of the Department of State over the activities of the International Cooperation Administration. This action is in line with the long-established policy of the Congress, reflected in many provisions of existing law, that the mutual security program is an integral part of the foreign policy of the United States and, as such, should be directed and controlled by the Department of State."

The Conference

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The Conference Committee said of this change (Report No. 2038, June 26, 1958, p. 21-22):

"... The new position will give further emphasis to congressional insistence that the mutual security program is an integral part of United States foreign policy and, as such, is under the immediate direction of the Department of State."

1959

In preceding years, the Foreign Relations Committee had consolidated the coordination of all the economic and military aid programs in the Secretary of State. It now went beyond this. It repeated the statutory language concerning coordination and substituted the following:

"Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance programs authorized by this act, including but not limited to determining whether there shall be a military assistance program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby."

The Committee said of its change (Report No. 412, June 22, 1959, p. 36):

"The language speaks for itself. It emphasizes the committee's view that the mutual security program, in its separate parts and in its totality, is a tool of American foreign policy and its use should be directed by the officials responsible for American foreign policy - namely, the President and the Secretary of State."

The Conference Report approving this amendment noted that it was "to make the Secretary of State responsible for the continuous supervision and general direction of the mutual security program". (Report No. 695, July 21, 1959, p. 31).

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B

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CONFIDENTIALANNEX BTHE ORGANIZATION PROPOSEDA. Foreign Policy Control and Coordination

The administrative proposals envisage a retention by the Under Secretary of State for Economic Affairs of authority, delegated from the President and the Secretary of State, to coordinate all foreign assistance, even though the legislative proposals envisage separate legislative enactments with regard to military and non-military activities. Thus, the Under Secretary of State for Economic Affairs would serve to give policy guidance and direction to the operating agencies in the foreign assistance field and to reconcile political, military, economic and other differences of opinion arising with respect to the composition and conduct of foreign assistance.

His responsibility with respect to the military assistance program would necessarily be shared with the Secretary of Defense who would be responsible for the administration of approved programs. The relationship envisaged is one which would assure and strengthen the capacity of the Secretary of State, or his delegatee, to require that programs of military assistance be responsive to foreign policy guidance, control and direction, and harmonious with other foreign assistance programs.

The Under Secretary of State for Economic Affairs would continue to exercise authority over the political and functional bureaus of the Department of State in so far as their interests relate to matters of economic policy or foreign assistance.

He would have available to him such staff assistance as he determined to be necessary but such staff would not be interposed in the chain of command between him and the operating agencies or the various bureaus of the Department of State.

B. The Growth for Freedom AdministrationA Single Agency

This administration would be established within the Department of State and have full operational responsibility for the planning, programming and administration of all foreign economic aid authorized by the new legislation. It would also participate in the development of U.S. policy and instructions to U.S. representatives

in multilateral

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in multilateral institutions and agencies engaged in lending or other activities related to the achievement of the purposes of the legislation.

Caliber of Staff

The Administrator and his senior staff at home and abroad should be men of recognized stature and ability, able to attract and to lead the ablest of our citizens to effective service in this program. Their salaries, emoluments and status in the bureaucratic hierarchy should clearly reflect Executive Branch trust and confidence and engender respect and confidence both in the United States (Congress and the public) and abroad. There are few more difficult tasks than those involved in this program. Men and women of the highest caliber are essential.

Field Staff

The administration must create and develop strong and competent field staff. The field staff must be responsible to the Ambassador of the United States in the country and the Ambassador must be made cognizant of his responsibility to guide and to support the field staff. The field staff should be headed by men skilled in the problems of development and in the employment of U.S. resources as an inducement to progress. It is the field staff which is in the most favorable location for effective analysis of country problems and potentials, for the formulation of plans of aid action, for effective encouragement of country efforts and for administering U.S. operations. These are the focal points for the application of our capacities to achieve progress toward our goals.

Organizational Requirement

There must be a clear line of command and communication running between the Administrator and the field staff. The Administrator must be able to issue policy guidance and direction to the field staff; he must approve or disapprove the program proposals of the field staff; he must assure the field staff that approved plans and programs will get rapid and effective implementation at the U.S. end of the line; he must be apprised by the field staff of progress or failures. For these purposes the Administrator must have a Washington staff which is organized to deal effectively with policies plans programs and operations in both functional contexts and in their application to country situations. The organization must also possess competence to formulate and process

legislative

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legislative and appropriation proposals, to keep the Congress and the public informed and satisfied, to manage public funds prudently, and to administer not only a substantial staff in Washington but staffs in hundreds of locations in scores of countries around the globe. There is no simple or single organizational pattern which can do this job; no organizational pattern can work unless there is recognition of the need for unusual competence in all parts of it and of the need for a continuous interplay between all parts in a flexible way to permit a variety of differing and changing situations and needs to be met in consistent but not identical fashion. Thus the geographically oriented staff member must recognize, appreciate and utilize the particular skill and competence of functionally-minded staff members and vice-versa. With these rather obvious but none-the-less valid observations, the organization for Washington envisaged is described as follows.

Fund for Economic Growth

There would be established within the Administration a corporation known as the Fund for Economic Growth. Its Board of Directors would include the Administrator as Chairman, the Deputy Administrator, the Director, Food-for-Peace, the Director, Education and Human Resources, and the Managing Director of the Fund. It would establish policies and review major lending proposals.

Deputy Administrator

The Administrator of the Agency would have a principal Deputy in charge of planning and programming of aid operations. This Deputy would have an immediately supporting small staff with two principal functions: (1) the development and promulgation of general policy guidance for the program as a whole, and (2) the comparative evaluation of proposed plans and programs for consistency with such guidance and to assist the Deputy in determining or recommending the allocation of resources among a variety of competing needs.

Regional Directors

Reporting to the Deputy Administrator would be several Regional Directors to whom countries would be assigned on a combined regional-workload basis. These regional officers, with supporting staffs, would be responsible (1) for such additional guidance for planning and programming by the field staffs as the requirements of the particular region or country warranted; (2) for eliciting planning and programming recommendations from field staffs; and, utilizing

for this

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for this purpose its own skills and competence, that of other members of the organization having a contribution to make and that of interested other agencies (including political bureaus of the State Department) evolving by exchanges with field staff, plans and programs for review by the Deputy Administrator; (3) for assigning to operational units programs and projects for execution; (4) for monitoring and expediting the implementation of the programs; and (5) for periodic, but no less often than annually, reappraising and revising country plans and programs.

Director - Multilateral Programs

Also reporting to the Deputy Administrator would be a Director who would be principally concerned with formulating programs for U.S. participation in multilateral activities related to growth for freedom. These would include participation in the development of instructions to U.S. representatives in such bodies, stimulating and catalyzing general and specific consortia for aid, the provision of U.S. contributions to UN agencies and the like. In these functions, he and his staff would work in close cooperation with the Regional officers and other interested persons inside and outside the administration.

Economic Development - Research Staff

Attached to the office of the Administrator as a separate unit would be a small Economic Development Staff. The functions of this staff would be to work in close collaboration with the academic and intellectual community at home and abroad and with the domestic and field staffs of the administration to stimulate and foster research in the field of development and to assist other governments and foreign groups in formulating and establishing development goals and plans for resource management to achieve such goals. The use of this Staff would be directed towards selective high priority targets where the opportunity to use such help effectively exists and would best promote U.S. interests.

For the execution of approved programs issuing from the Administrator or Deputy Administrator (based on regional proposals) there would be several operating organizations.

Food-for-Peace Director

Where the approved program called for the provision of Agricultural commodities from U.S. sources, it would become the task of the Food-for-Peace Director to assure the conclusion of all necessary arrangements to effect the delivery of these commodities. This office would work in close conjunction with the Department of

Agriculture

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Agriculture which would continue to handle the physical movement of the goods. The Food-for-Peace Director would also have responsibility for general coordination with the Department of Agriculture to assure that U.S. agricultural policy decisions accurately and adequately took into account the needs of the Growth for Freedom program for agricultural products. He would also seek to develop opportunities for more effective use of our produce to achieve our goal and would work in close conjunction with field staffs and regional officers to this end. He would also be responsible for the Title 3 programs and for coordinating them with field staffs and regional officers to assure they were not inconsistent with but served U.S. interests.

Assistant Administrator - Program Services

Where the approved program called for the funding of commodity imports, or for the provision of cash grants, responsibility would rest with the Office of Program Services headed by an Assistant Administrator. This officer would not only be responsible for these implementing services, but would also have other officers who serviced the entire administration in the fields of personnel, fiscal, housekeeping and contractual matters. Essentially this office would provide general management services. Unless and until experience indicated a need for special arrangements, this office would also execute programs calling for use of non-agricultural U.S. surpluses.

Director - Peace Corps

Where the approved program called for the provision of operative personnel to do specific tasks abroad, the responsibility for assuring that the program requirement is met would rest with the Director of the Peace Corps. As in the case of the Food-for-Peace Director, he would have a positive function not only to execute approved programs but in conjunction with field staff and regional officers to explore and develop opportunities for use of this resource to promote U.S. policy objectives. He would also be responsible for the administration of the Peace Corps. The precise relationship between the Peace Corps, its Director, and the regular services of the Administration and the Assistant Director for Management would be evolved depending on decisions yet to be made regarding this new concept.

Managing Director - Fund for Economic Growth

Where the approved program called for development lending to finance a capital project or a program loan (or for a capital project funded from grant funds) responsibility for effecting the

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loan would be assigned to the Managing Director, Fund for Economic Growth. This officer would not only be responsible for executing approved programs, but would also participate in the process of program development in conjunction with the field staffs and regional officers. He would be responsible for negotiating loan agreements and working out with field staffs acceptable project terms and conditions. He would identify and report projects which failed to meet lending standards and suggest or develop others which more effectively served our goals. He would also be responsible for handling the guarantee program and for developing joint private and public investment proposals. These proposals would require concurrence and approval of field and regional officers.

Director - Education and Human Resource
Development

Where the approved program called for grant or loan assistance in the provision of technical assistance for the development of human or institutional resources, responsibility for execution would be vested in a Director for Education and Human Resource Development. As in the case of the Managing Director, Fund for Economic Growth, this officer and his staff would participate in the formulation of programs. He would identify and report projects which were impractical or ineffective, and suggest or develop others which would more effectively secure our objectives. He would work in close conjunction not only with field staffs and regional officers, but with the Director of the Peace Corps for matters of related interest; and with the Managing Director, Fund for Economic Growth, where capital projects related to human resource and institutional development projects were being undertaken. He would provide field missions with technical advice and support with regard to specialized fields of human or institutional development. His staff would include such technical staff groups as were necessary.

Staff Services

Servicing the entire Administration but administratively attached to the office of the Director would be an Executive Secretariat, a Legal Staff, and Information Staff and a Congressional Relations/Presentation Staff. The relationship of these units to similar State Department officers would have to be evolved.

The concept envisages the creation of a new agency not the retitling of old ones. While it is assumed that all of the

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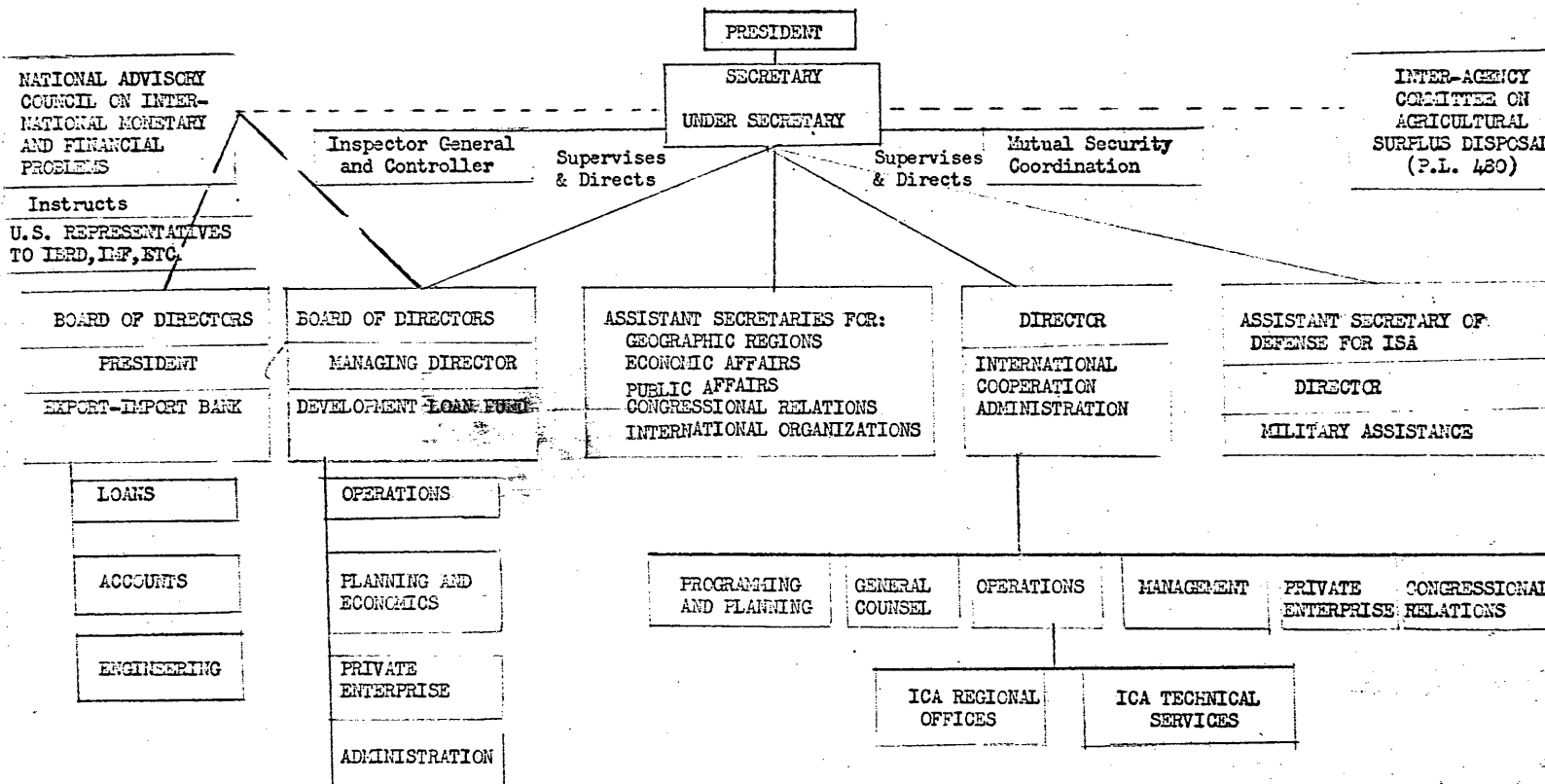
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competent present staff will have opportunity for posts in the new organization, a fresh start and freedom in selection of staff is proposed. This paper does not deal with the problems of legislation and administration involved in effecting this purpose.

Charts are attached showing the present organizational structures and the proposed new organization for economic aid.

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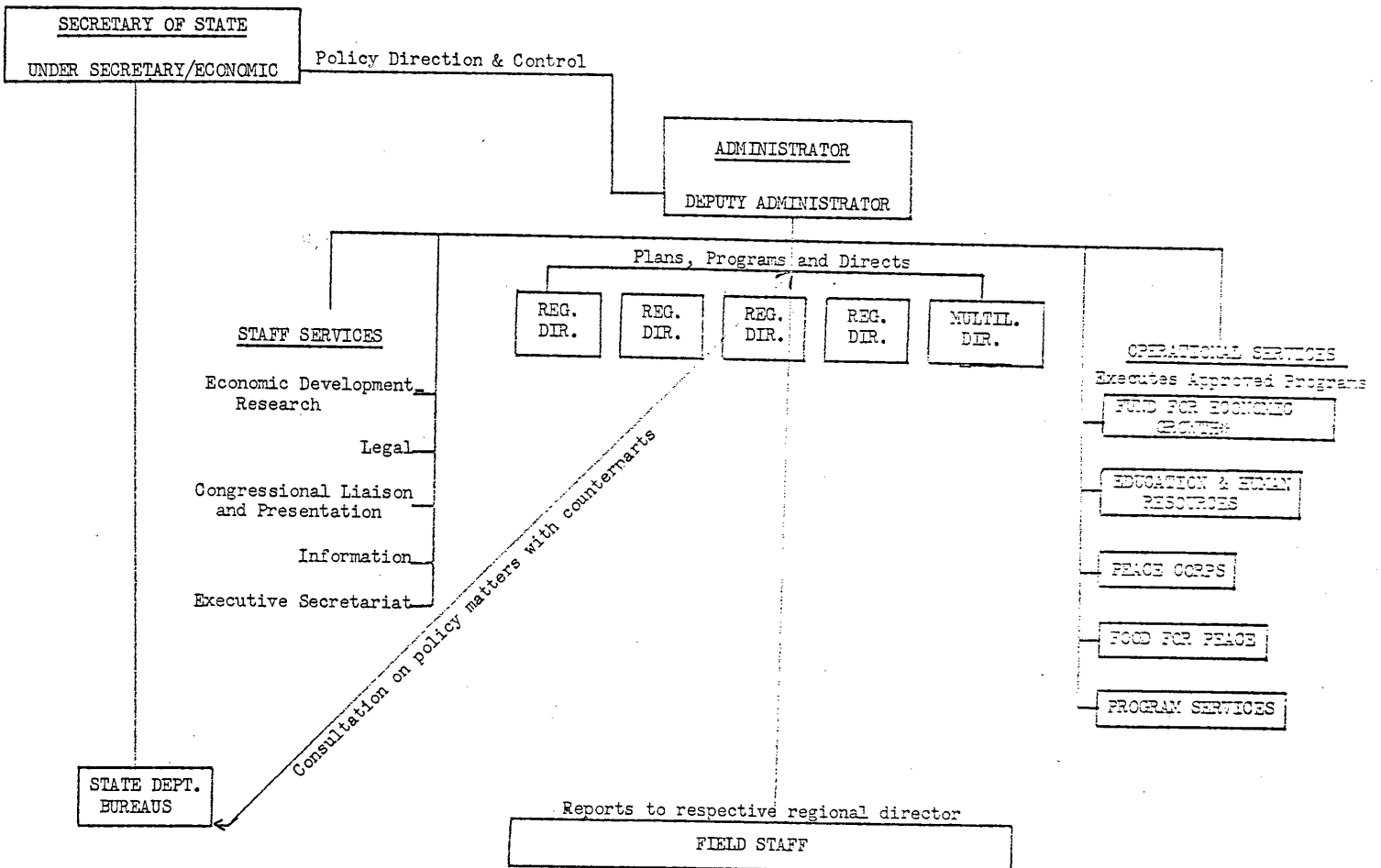
ORGANIZATION FOR FOREIGN ASSISTANCE



----- Advises

- - - - - Serves as member

Declassified and Approved For Release 2013/10/29 : CIA-RDP86T00268R000700090001-7
 Proposed Growth for Freedom Administration



* Organized as a corporation which utilizes personnel and facilities of the Fund and other staff and program services in administration of the corporate programs. Board of Directors: Administrator, Deputy Administrator, Director, Food for Peace, Director, Education & Human Resources, Managing Director, Fund for Economic Growth.

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A FINANCIAL PLAN FOR SPEEDING
THE GROWTH OF THE LESS-DEVELOPED AREAS

The Proposal

The proposal is for an undertaking by the more prosperous countries of the free world, working together under the OECD, to commit approximately \$30 billion during the four years beginning July 1961 in the form of economic assistance to the less-developed areas. This sum would represent an increase of some \$8 billion over the four-year period above the rate at which such assistance is currently being committed (about five and one-half billion per year). The increase would be shared equally (\$4 billion each) between the United States and its associates, (see Table I). The budgetary burden on the United States over the same four years would be about \$2 billion larger than if the programs were continued at the same level proposed in the last Eisenhower budget. About half of this \$2 billion would be in the form of agricultural products and should reduce correspondingly amounts that need to be budgeted for domestic agricultural price supports.

The proposal should inaugurate a transformation in the relationship of the less-developed countries to the more prosperous free societies. Effective use of such a dimension of resources would seriously test the capacities of the governments of the less developed countries; if they were to employ it fruitfully, their talents for organization and leadership in their countries would be seriously strained. Yet a commitment of this magnitude would make both tenable and credible the insistence of donors on applying strict criteria with respect to the use of their assistance. The bulk of the resources would be made available on the basis of loans, with the duration and terms of repayment as generous and flexible as the debt service of the recipient country requires. A joint effort to develop constructive programs would be required of donors and recipients. Such programs, were they to be meaningful, would require concrete long-range goals, adapted to the particular problems and capabilities of each recipient country.

The donor countries would, perhaps for the first time, be called upon to contribute to a common constructive effort, in which the share of each would possess a defined and significant relationship both to the contributions of others and to the problems, programs and policies of the less-developed areas.

CONFIDENTIALThe Turn-Around

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The Turn-Around

The keystone to the success of the program must be a sharp turn-around in the orientation of both donor and recipient countries to the economic assistance relationship. Of the \$2.2 billion sought in the last Eisenhower budget in appropriations for economic assistance under the Mutual Security Program, between one and one-half and one and three-fourths was to be used in connection with some limited national security objective -- to assure military base rights, to support military forces, to avoid political or economic instability. Much of the resources thus provided would undoubtedly promote economic growth, but such a result would be incidental to the primary purpose for which it was given. As for the other developed countries, their assistance is overwhelmingly directed toward maintaining stability in their colonies, easing the transition from colonial status, promoting export markets or paying reparations. The total volume of assistance thus provided aggregates a large sum - about \$5.5 billion in recent years. However, the needs and problems of the less-developed areas are such that this dimension is seriously inadequate - and each is led to compete for a larger allocation by dramatizing its short-term political problems and its own instability. The immediate problems inevitably command prior attention.

What is needed is for aid to be directed primarily toward attaining constructive and realistic objectives, toward ameliorating the basic problems of the less-developed societies, toward establishing a sense of economic and social progress, toward making credible the assertion that such progress can be attained within the framework of Western society. The less-developed countries need well-defined realistic charts for their progress, adapted to their individual problems and capacities; foreign assistance should be directed toward helping translate such charts into reality.

However, such an approach to foreign assistance requires an environment in which more generous access to resources is accorded those who can demonstrate an ability to employ them toward constructive ends. With a substantial increase in the dimension of available resources, it should be possible to confine the increase strictly to those who demonstrate such an ability and to wean the others progressively toward the new approach.

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Thus an essential prerequisite for the "turn-around" is a significantly enhanced availability of resources over a period of years in the hands of the administrators of foreign assistance. An increased availability must be held up as the prize for those who demonstrate a capacity to meet strict criteria for access to assistance.

The turn-around can hardly be rapid or abrupt. The preparation of realistic long-range programs will take time and will require help. Meanwhile, the short-term problems, toward which assistance is now primarily directed, continue and may even be exacerbated. The national interests of the donor countries can be jeopardized today and tomorrow, just as yesterday, were assistance to be denied in such situations.

Achieving the Turn-Around

The turn-around will thus require the following:

- (a) an increased dimension of aid resources
- (b) a long-term commitment to a higher level of assistance on the part of the donors
- (c) a presentation of the long-term program which emphasizes declining availabilities for purposes other than long-term growth
- (d) assumption of joint responsibility by the donors for helping formulate, organize, and execute long-term programs in partnership with the less-developed countries.

Financial Responsibility of the United States

The leadership for such a turn-around can only come from the United States. It must take the initiative, and itself be forthcoming, with respect to each of the preceding prerequisites if success is to be achieved.

Yet the very circumstance that the new Growth for Freedom program requires a "turn-around" in the programming of U.S. foreign
economic

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economic assistance means that no significant additional financial burden would be placed on the United States in its first phase. The requirement is for a substantially enlarged Congressional authorization to commit funds over a period of years; neither the physical resources to be delivered to the less-developed countries nor the cash expenditures of the United States Government will be augmented significantly above previous intentions during the next year or so.

The estimates that follow are rough approximations designed to provide the basis for a Presidential decision concerning the gross magnitude of foreign economic assistance to be provided less developed areas. They are based on an elaborate review last fall of estimates prepared by field missions last summer. The estimates have been adjusted and roughly adapted to the new proposals, but have not been subjected to detailed review by country political and economic experts, whether in Washington or the field. If these estimates are acceptable as orders of magnitude, they must be subjected to a more elaborate review process before the details can be presented and defended before the Congress. Moreover, the estimates are manifestly minimal, aggregating substantially less for fiscal year 1962 than the Coordinator's November request to the Bureau of the Budget. If Congressional cuts must be anticipated, consideration should be given to increasing the estimates prior to Congressional presentation.

The plan herein proposed would involve an increase in U.S. commitments of resources over the next four years, totalling about \$4 billion more than the rate foreseen for the current fiscal year in the January 16 budget. The Eisenhower budget for fiscal year 1962 envisioned an increase of some \$200 million over the current year. The present proposal is unlikely to involve an increase of as much as \$300 million above the January 16 budget, virtually all in the form of agricultural commodities.

Because commitments have been rising in recent years, the Eisenhower budget provided for an increase of more than \$400 million in expenditures in fiscal year 1962 above the level of the past three years, (see Table II). Expenditures would have continued to increase even if future commitments were kept at the \$4.2 billion level proposed in the fiscal year 1962 budget of January 16. At that level, total expenditures over the next four years may be estimated at \$15.6 billion.

Because

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Because of both the time required for the "turn-around" and the long lead-time between programming, translation into fully engineered projects and delivery of finished goods, expenditures out of the increased commitments are unlikely to exceed \$2 billion during the same four years. Moreover, half of the increase would consist of expenditures for agricultural commodities. Since such commodities would probably have had to be financed by the government under the price support program, it is doubtful if an increase in their use for foreign assistance involves any meaningful increase in the total budgetary expenditures of the U.S. Government.

Assuming a reasonably rapid recovery of the United States economy and the maintenance of a high rate of economic growth over the four-year period, expenditures of this magnitude should not pre-empt more than a small proportion of the expected increase in government revenues. Expenditures would, of course, continue to rise after fiscal year 1965 as unexpended balances were disbursed.

It is the expenditure figures that measure the impact of the program on the federal budget - and indeed that control its impact on our balance of payments.

The requirement for Congressional action at its current session appears more onerous than the real budgetary burden, for the program cannot really begin until the Congress has, by legislation, endorsed Administration preparedness to enter into commitments of the magnitude indicated.

The authorization bill to be introduced before the present session would ask for up to \$10,250 million of authority, \$8,000 million in the form of authority to borrow funds from the Treasury to finance long-term, dollar repayable loans. It would be preferable to have this authority with the same freedom from that limitation as to use now possessed by the Export-Import Bank. However, some restriction may be necessary to provide the Congress with assurance that the Administration will not exhaust the authority in two or three years and return for more funds. In that event, the \$8 billion of public debt authority might be limited as follows: No more than \$2.0 billion by the end of FY 1962; no more than \$4.5 billion by the end of FY 1963; no more than \$6.5 billion by the end of FY 1964.

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[Should it be desired to transfer that part of the Export-Import Bank's public debt authority that has hitherto been used to finance development projects and emergency trade loans, the total would be reduced by \$1.5 to \$2 billion.] A further \$6,000 million would be implicit in the proposed request for unlimited authority for the Commodity Credit Corporation to acquire agricultural products to be reimbursed out of subsequent annual appropriations.

The 1961 appropriations bill would total some \$3,750 million; a proviso should be incorporated that \$275 million for the Education and Human Resources Development program would not be available for obligation before the beginning of fiscal year 1963. In view of the \$500 million appropriation to be sought for social development in Latin America under the Latin American Assistance Act of 1960, no provision for Latin America is made under the Education and Human Resources title. It may be necessary to supplement this appropriation before the end of Fiscal Year 1965.

Succeeding authorization and appropriation bills would be considerably smaller (see Table III). Of the eight and one-quarter billion dollars in appropriations estimated to be required during the succeeding three years, four and one-half billion would be used to reimburse the Commodity Credit Corporation.

Development Planning and Research

The first step in accelerating the growth of the less-developed areas must be better and longer-range planning for the use of resources, whether foreign or domestic. The plans will necessarily vary considerably from country to country, as respects direction and emphasis. Programming resources use in Dahomey will for some time be quite different from the task in India. A four-year \$100 million program is proposed, to be used for three purposes:

- (a) Research in the problems of economic and social growth
- (b) Assistance to less-developed countries in preparing long-range programs appropriate to their stage of development and capacity for execution
- (c) Financing

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- (c) Financing engineering and economic feasibility studies of specific projects that are required before financing of such projects can be finalized.

Fund for Economic Growth

The Fund for Economic Growth would finance, through both project and program loans, long-range development objectives that meet strict criteria with respect to both recipient country self-help efforts and the feasibility and economic merit of the particular project or program to be financed. The resources of the Fund could be used to provide assurance of support to long-term development programs. Some financing of individual projects which do not fall within the framework of an acceptable development program will undoubtedly be required, particularly in countries where the primary emphasis of growth programs must, for the present, be on education and human resources development.

The Eisenhower budget provided for some \$1450 million in comparable lending commitments in FY 1962 through the Export-Import Bank and the Development Loan Fund. Moreover, perhaps \$300 million of the assistance envisioned as grants under the Defense Support or Special Assistance programs might be regarded as suitable for financing through this Fund.

The application of strict criteria and the inauguration of an increased effort by other DAC countries is likely to make for a lower rate of commitment of U.S. resources from this Fund in FY 1962 than might otherwise have taken place. Table IV suggests an illustrative average annual commitment by country over the four-year period, though actual commitments would have to be geared to the rate at which country programs can be developed, the nature of such programs and the assistance offered from other sources. Certainly, the principal potential users of significant sums out of this Fund should be identified at an early stage, personnel capable of inducing the introduction of acceptable programs assigned to Missions to these countries as rapidly as possible, and planning assistance provided them on a priority basis where appropriate. A large part of the commitments in Fiscal Year 1962 would probably be directed to India, and Pakistan, but other countries might well establish their eligibility for substantial help before the end of the fiscal year (e.g., Brazil, Argentina, Taiwan, Nigeria, Tunisia, Iran, Turkey).

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The \$500 million appropriation should be reserved for lending against local currency repayment in situations where difficulties emerge in getting programs hitherto reimbursable in local currencies transferred to a dollar repayment basis.

Education and Human Resources Development

The Education and Human Resources Development Fund will finance activities for which over \$200 million was provided in FY 1961 and again in the last Eisenhower budget. It is assumed that activities in the American Republics falling within the scope of this Fund will be financed out of the current Latin American Assistance Act appropriation bill. Should it be necessary to supplement this appropriation before the end of FY 1965, such supplementation might well be included in a Growth for Freedom appropriation bill.

It is proposed that resources provided out of this fund should also be programmed on a longer-term basis and stricter criteria applied before they are committed to recipient countries. A turn-around will be particularly difficult because current projects can not readily be terminated without incurring continuing expenses through the next fiscal year. It seems likely that \$180 million in continuing costs will be incurred plus some unspecified amount for continuation of the existing Special Program for Tropical Africa.

It is therefore proposed that an appropriation of \$525 million be sought in the new Act, only \$250 million of which would be available for obligation before the beginning of FY 1963. Funds would be carried over to the succeeding year if not obligated.

A major overhaul of the existing programs would be inaugurated. New commitments would be restricted to the field of basic education, technological training to complement economic development programs, and the financing of projects aimed at modernizing social institutions - land tenure, self-help housing, etc. Such commitments would be geared to long-range plans for education and use of human resources in economic development; isolated projects would be terminated as rapidly as possible. Acceptable programs would not be limited as to the proportion of total cost available for construction, demonstration materials, etc.

Contributions

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Contributions to Multilateral Institutions

The multilateral institutions title is intended to fund those multilateral programs now being financed under the Mutual Security Act - essentially limited to voluntary rather than assessed contributions to the programs of multilateral institutions. Some of these programs might logically be financed outside the Act; other multilateral programs now funded under other legislation might be incorporated. The existing lines of demarcation are arbitrary, but it is not proposed to disturb them at this time.

These programs would be funded through annual authorization and appropriations. The proposed level for FY 1962 is essentially unchanged from the provisions of the Eisenhower budget. A rising level is provided on the assumption that the responsibilities of multilateral institutions - particularly in the education and human resource development field - should be increased as rapidly as their capacity to organize and operate such programs can be built up.

Transitional, Sustaining and Contingencies

Programs classified as "transitional" are those which have been financed out of defense support or special assistance funds but which are directed toward countries or programs that can reasonably be phased out. Such countries would, of course, be eligible for loan assistance from the Fund for Economic Growth and the Education and Human Resources Fund if they meet the criteria, and they would have access to the Food for Peace program. \$213 million in transitional assistance is proposed for FY 1962, over one-third less than was programmed for these countries in the January 16 budget. These programs should be amenable to termination in one to three years time.

The "sustaining" assistance category covers former defense support or special assistance programs which do not now seem to be terminable during the next four years. The FY 1962 requirements included in the Eisenhower budget must all be met, though some can be financed through the delivery of foodstuffs. Moreover, an additional requirement of \$50 million for Tropical Africa is included to finance requirements for commodity imports that must be met for political reasons, though no strict criteria can reasonably be

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applied to the countries in question. Nevertheless, it should be possible to halve the level of the sustaining assistance program by FY 1965.

An annual fund of \$250 million would be provided for contingencies.

Food for Peace

The Food for Peace estimate is based on the task force proposal of a \$2 billion program at CCC cost. For both burden-sharing purposes and more accurate accounting, the foreign aid bill should not bear the difference between world market prices and CCC cost. All U.S. foodstuffs provided to less-developed countries within the Program would be funded under this title. An unlimited authorization is suggested so that the administrators of the Program would have every incentive to increase the utilization of foodstuffs. The foodstuffs could be supplied on a local currency sale or counterpart basis; in either event, the local currencies that can be used for U.S. uses should be reserved and the remainder returned to the recipient country as a grant for financing agreed local currency requirements of their programs. The building up of U.S.-owned local currency would be avoided, beyond reasonable amounts for which future use can be foreseen.

Peace Corps

The Peace Corps estimates are "plugged" figures; they will need to be reviewed as the conception of the function of the Corps is clarified and as experience develops concerning the use of funds by the Corps.

Administration

The administrative expense provision is somewhat larger than the Eisenhower budget provided for the administration of the various segments of the old program. It is manifestly impossible to develop a valid administrative budget estimate in the absence of detailed organizational charts, experience with the manpower, consultants,

travel,

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travel, etc. requirements of the "turnaround" and the requirements of new approach to both recipient and other donor governments. The difficulties in getting the new organization underway speedily will be formidable; it does not seem sensible to handicap it by inadequate provision of administrative funds. The discretion of the new Administrator should be relied upon to assure economical administration. On the basis of the first year's experience, the FY 1963 administrative budget should be more firmly founded.

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Table I. GROWTH FOR FREEDOM PROGRAMFinancial Plan FY 1962 - 1965

	<u>FY 1962</u>	<u>FY 1963</u>	<u>FY 1964</u>	<u>FY 1965</u>	<u>Total</u> <u>FY 1962-65</u> <u>(\$ billions)</u>
(\$ millions)					
A. <u>U.S. Commitments</u>					
Development Planning and Research	20	30	25	25	.1
Fund for Economic Growth	1500	2000	2500	2500	8.5
Education and Human Resource	250	275	325	350	1.2
Contributions to Multilateral Institutions	175	225	250	250	.9
Transitional, Sustaining and Contingency Aid	945	750	600	500	2.8
Food for Peace	1500	1500	1500	1500	6.0
Peace Corps	20	50	60	70	.2
Administration	65	75	80	80	.3
TOTAL	<u>4475</u>	<u>4905</u>	<u>5340</u>	<u>5275</u>	<u>20.0</u>
(Eisenhower Budget)	(4202)				
B. <u>U.S. Expenditures</u>					
With above Commitments	3900	4200	4600	4900	17.6
At Eisenhower Budget level	3663	3800	4000	4200	15.6
C. <u>Other OECD/DAG Members</u>					
Commitments (\$ billions)	1.8 ^{a/}	2.5	2.9	2.8	10.0
D. <u>Total Commitments (U.S. and Other OECD/DAG Members)</u> (\$ billions)	6.3	7.4	8.2	8.1	30.0

a/ Assuming commitments of \$1.5 billion in FY 1961. If FY 1961 commitments planned for in DAG member budgets are larger, the difference should be added to the plan for these countries in every year beginning in FY 1962.

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Table II. U. S. FOREIGN ECONOMIC ASSISTANCE ^{a/}
Obligations and Expenditures, FY 1959-62
(In millions of dollars)

	<u>FY 1959 Actual</u>	<u>FY 1960 Actual</u>	<u>FY 1961 Estimated</u>	<u>FY 1962</u>	
				<u>November Proposals to BOB</u>	<u>Eisenhower Budget</u>
				1. <u>Obligations</u>	
Mutual Security Program - economic	1933	1895	2131	3055	2200
Export-Import Bank - development and emergency	805	406	757	752	752
Public Law 480	1000	1200	1100	1250	1250
TOTAL	3738	3501	3988	5057	4202
				2. <u>Expenditures</u>	
Mutual Security Program - economic	1524	1613	1655	2065	1875
Export-Import Bank - development and emergency	652	371	475	538	538*
Public Law 480	1000	1200	1100	1250	1250
TOTAL	3176	3184	3230	3853	3663

^{a/} Assistance to be financed henceforth through the Growth for Freedom Program.

* Does not take into account receipts from previous lending.

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Table III. GROWTH FOR FREEDOM PROGRAM
Legislative Action on Financial Plan FY 1962 - 1965

(millions of dollars)

	<u>1962</u>		<u>1963</u>		<u>1964</u>		<u>1965</u>		<u>FY 1962 - 1965</u>	
	<u>Auth.</u>	<u>Appr.</u>	<u>Auth.</u>	<u>Appr.</u>	<u>Auth.</u>	<u>Appr.</u>	<u>Auth.</u>	<u>Appr.</u>	<u>Auth.</u>	<u>Appr.</u>
Development Planning and Research	20	20	30	30	25	25	25	25	100	100
Fund for Economic Growth	8500 a/	500	--	--	--	--	--	--	8500	500
Education and Human Resource	525	525	--	--	675	675	--	--	1200	1200
Contributions to Multi-lateral Organizations	175	175	225	225	250	250	250	250	900	900
Transitional, Sustaining and Contingency Aid	950	950	750	750	600	600	500	500	2800	2800
Food for Peace	-- b/	1500	--	1500	--	1500	--	1500	-- b/	6000
Peace Corps	20	20	50	50	60	60	70	70	200	200
Administration	65	65	75	75	80	80	80	80	300	300
TOTAL	10255	3755	1130	2630	1690	3190	925	2425	14000 b/	12000

a/ Consisting of:
 \$8000 million in public debt authority against dollar repayable loans and
 \$ 500 million in appropriations to make local currency loans.

b/ To reimburse CCC at world market prices for deliveries of agricultural products under program in previous year, permanent authority without limit of amount should be sought. Probably some \$6000 million would be used under such authority during the four-year period.

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Table IV. FUND FOR ECONOMIC GROWTH
 (\$ Millions)

	<u>Illustrative Annual Average Commitment</u>
<u>Europe</u>	<u>55</u>
Spain	30
Yugoslavia	25
<u>Africa</u>	<u>200</u>
Nigeria	30
Tunisia	30
Libya	15
Morocco	10
Other	115
<u>Near East & S. Asia</u>	<u>920</u>
Greece	35
Turkey	65
India	500
Pakistan	200
Iran	50
Israel	15
UAR	35
Other	20
<u>Far East</u>	<u>300</u>
Taiwan	75
Korea	75
Philippines	50
Thailand	30
Indonesia	40
Other	30
<u>Latin America</u>	<u>625</u>
Brazil	200
Argentina	200
Other	225

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(\$ Millions)

	<u>FY 1961</u>	<u>FY 1962</u>	
		<u>Continuing Costs</u>	<u>New Program</u>
Bilateral Technical Cooperation	<u>158.8</u>	<u>125.0</u>	
Europe	(3.6)	(3.6)	3.6
Africa	(21.8)	(23.9)	75.0
Near East and South Asia	(41.6)	(40.5)	60.0
Far East	(32.5)	(31.5)	51.0
Latin America	(36.7)	a/	a/
Inter-regional expenses	(22.6)	(25.5)	25.4
TC Support in DS/SA	25.0	20.0	-
Education and Training - Africa	20.4	-	-
Malaria Eradication	35.0	33.0	33.0
American Schools Abroad	2.0	2.0	2.0
TOTAL	<u>241.2</u>	<u>180.0</u>	<u>250.0</u>

a/ Programs in Latin America will be funded under the Inter-American Social and Economic Cooperation Program.

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Table VI. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS
 (\$ Millions)

	FY 1961 Program	Nov. 8 Subm.	FY 1962	
			Budget- Jan. '61	Revised
OECD	0.7	-	-	2.0
CENTO	1.5	2.0	2.0	2.0
SEATO	3.2	2.5	2.5	2.5
ICEM	9.8	7.0 <u>a/</u>	6.0 <u>c/</u>	7.0 <u>a/</u>
UN High Commissioner for Refugees	1.3	1.2	1.0	1.2
Palestine Refugees (UNRWA)	16.5	17.2 <u>b/</u>	12.2 <u>d/</u>	17.2 <u>b/</u>
NATO Science Program	1.2	2.0	1.5	2.0
UN Children's Fund	12.0	12.0	12.0	12.0
<u>UN-Congo</u>	<u>45.0</u>	<u>100.0</u>	-	<u>67.0</u>
UN Military Operations	(30.0)			(27.0)
Economic Assistance thru UN	(5.0)			} (40.0)
UN Fund for the Congo	(10.0)			
UN-Other Tropical Africa	1.0	-	-	-
Indus Waters	4.6	16.9	16.9	16.9
UN Emergency Force	3.2	3.4	3.4	3.4
UN Technical Assistance and Special Fund	35.3	40.0	40.0	40.0
International Atomic Energy Agency	0.6	0.6	0.6	0.6
OAS - Technical Cooperation	1.4	1.5	1.3	1.5
TOTAL	137.3	206.3	99.4	175.3

a/ Includes estimated carry-over of \$1 million.

b/ Includes estimated carry-over of \$5 million.

c/ Plus carry-over of \$1 million.

d/ Plus carry-over of \$5 million.

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Table VI. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

General. Under this title we have proposed (1) those contributions to international agencies programs which were listed under "Technical Cooperation" or "Other Programs" under the Mutual Security Act, each with their separate authorization and appropriation, and (2) other programs representing contributions to international organizations which were under Special Assistance, e.g., CENTO and SEATO projects, voluntary contributions to the UN for the Emergency Force in the Near East.

OECD. It is assumed that assessed costs for administration of OECD could be met in State's regular budget, but that it may be desirable to contribute on a voluntary basis to operational programs instituted under OEEC, particularly the scientist training program and assistance to underdeveloped areas in Europe.

CENTO and SEATO. U.S. participation in economic projects of these organizations is being handled on a project basis, comparable to ICA procedures for country programs.

UN-CONGO. IO estimates that the total U.S. payment required in FY 1961 for UN military operations is \$75 million, of which \$27 million would represent a voluntary contribution and the remainder an assessed contribution. It is assumed that the latter will be funded by the State regular budget.

An estimate of \$40 million for budgetary and other economic assistance is included as a notional figure.

The November 8 submission to BOB included \$100 million for contributions to the UN military and economic operations in the Congo, and for other UN programs elsewhere in Tropical Africa, as proposed by President Eisenhower in his UNGA speech. It is now assumed that there will be no specific requirement for a U.S. contribution for this purpose but that U.S. contributions to UN Technical Assistance and Special Fund, which plans operations in Africa, will suffice.

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Table VII. TRANSITIONAL, SUSTAINING, AND EMERGENCY AID

	FY 1961		FY 1962		
	DS/SA Program (1)	DS/SA- Submiss. to BOB 11/8/60 (2)	DS/SA- Budget Jan. '61 (3)	Trans- itional Aid (4)	Trans- ferred to FFP a/ (5)
Spain	35.0	15.0	15.0	15.0	10
Tunisia	20.0	20.0	20.0	10.0	
Greece	20.0	20.0	20.0	10.0	
Iran	22.0	20.0	20.0	15.0	
Turkey	90.0	75.0	75.0	75.0	
Pakistan	95.6	95.0	95.0	50.0	2
China (Taiwan)	60.0	55.0	55.0	25.0	31
Philippines	10.1	10.0	10.0	--	7
Thailand	19.5	18.0	18.0	--	
Burma	6.0	8.0	8.0	8.0	
Indonesia	2.0	3.0	3.0	--	
Central American Bank	2.0	3.0	3.0	3.0	
Other	<u>3.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	
TOTAL	385.7	344.5	344.5	213.5	50

a/ Assumes all sales under Section 402 projected for FY 1962 can be provided under Food for Peace Program.

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B. Sustaining

	FY 1962					
	FY 1961 DS/SA	Subm. to BOB Nov. 8	Budget Jan. 1961	Sustain- ing Aid	Transferred to	
					FFP	EHRF
Libya	14.0	15.0	15.0	9.0	-	5.0
Morocco	40.0	40.0	40.0	35.0	5.0	-
Tropical Africa	-	-	-	50.0	-	-
Afghanistan	9.2	28.0	28.0	28.0	-	-
Jordan	45.0	40.0	40.0	40.0	-	-
Nepal	2.2	8.5	8.5	8.5	-	-
Yemen	4.0	5.0	5.0	5.0	-	-
Cambodia	17.7	15.0	15.0	10.0	-	1.5
Korea	190.0	160.0	160.0	120.0	25.0	-
Laos	34.0	35.0	35.0	35.0	-	-
Vietnam	135.0	135.0	135.0	110.0	20.0	-
Bolivia	23.0	12.0	12.0	11.0	1.0	-
Haiti	10.9	10.0	10.0	10.0	-	-
West Indies	3.5	2.5	2.5	2.5	-	-
LA-Civil Police & ECU	1.3	2.0	2.0	-	-	1.0
Escapee Program	3.5	3.0	3.0	3.0	-	-
Atoms for Peace	1.7	4.0	3.5	2.9 a/	-	-
Overseas Freight - Vol. Relief	2.4	2.6	2.3	2.6	-	-
Inter-Regional	-	-	-	-	-	1.0
Other	-	0.4	0.4	0.4	-	-
TOTAL	537.4	518.0	517.2	482.9	51.0	8.5

IAEA contribution - \$0.6 million - under contributions to international organizations.

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