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PLANNING—PROGRAMMING—BUDGETING

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY
AND INTERNATIONAL OPERATIONS

OF THE

COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

PART 4

WITH

WILLIAM S. GAUD, ADMINISTRATOR,
AGENCY FOR INTERNATIONAL DEVELOPMENT

JULY 11, 1968



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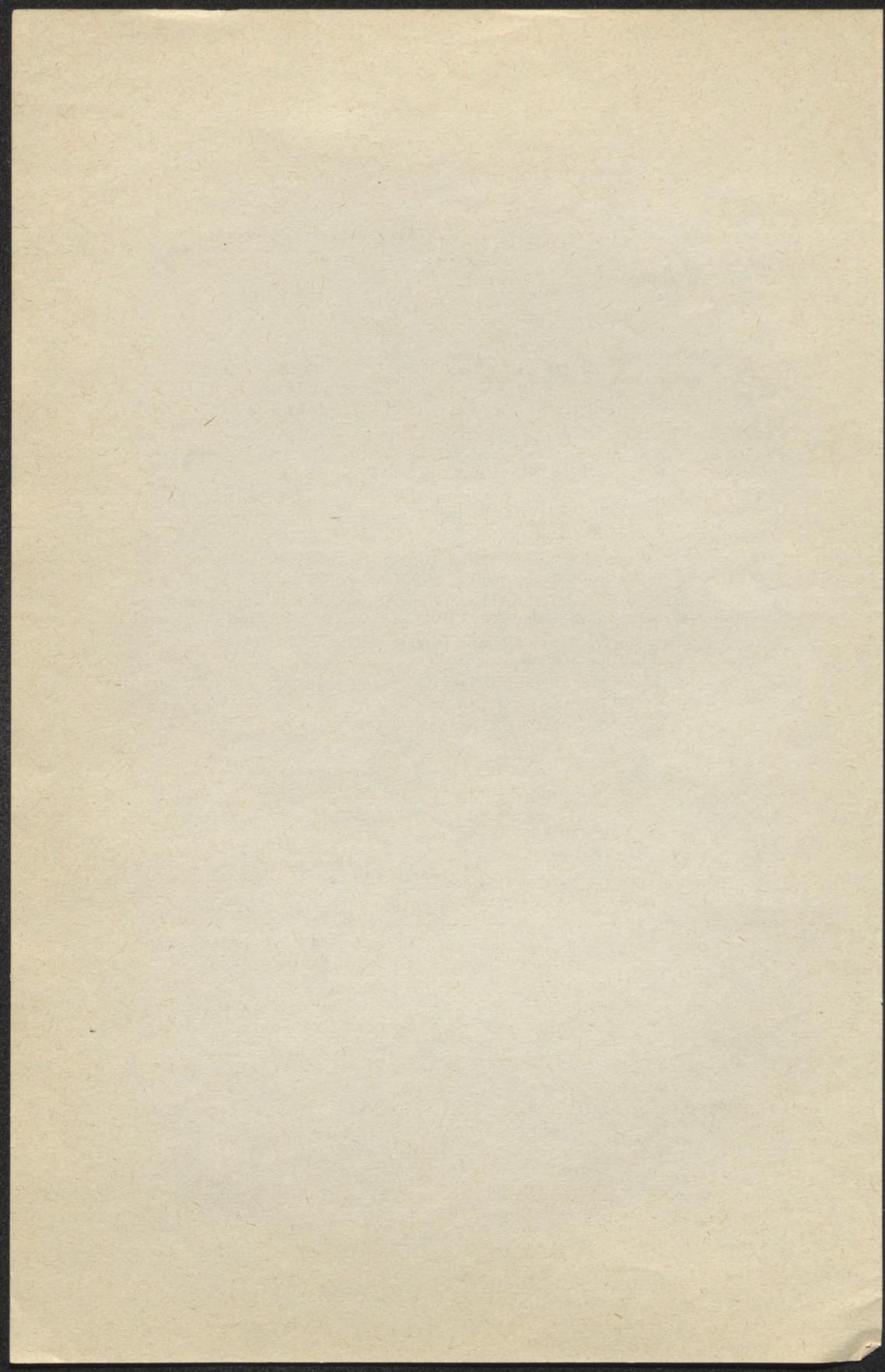
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PLANNING—PROGRAMMING—BUDGETING

THURSDAY, JULY 11, 1968

U.S. SENATE,
SUBCOMMITTEE ON NATIONAL SECURITY
AND INTERNATIONAL OPERATIONS,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

[This hearing was held in executive session and subsequently ordered made public by the chairman of the subcommittee.]

The subcommittee met at 10 a.m., pursuant to notice, in room 3112, New Senate Office Building, Senator Henry M. Jackson (chairman of the subcommittee) presiding.

Present: Senators Jackson, Metcalf, Mundt, and Baker.

Subcommittee staff members present: Dorothy Fosdick, staff director; Robert W. Tufts, chief consultant; Judith J. Spahr, chief clerk; Richard E. Brown, research assistant; and William O. Farber, minority consultant.

A.I.D. staff present: Curtis Farrar, Deputy Assistant Administrator, Office of Program and Policy Coordination.

OPENING STATEMENT OF THE CHAIRMAN

Senator JACKSON. The subcommittee will be in order.

We continue this morning our hearings in the subcommittee's review of the planning-programming-budgeting system in the national security area. Our study is being conducted in a nonpartisan and professional spirit.

We are considering today the prospects and risks in the application of PPB in the field of foreign affairs.

Members of Congress have a number of basic questions about the use of the PPB system for foreign affairs as should be evident from prior hearings before this subcommittee and from certain of our other subcommittee publications.

At this point I might emphasize three reasons for proceeding with caution in the application of PPBS to foreign affairs and some associated questions of interest to the committee:

First, the obvious differences between decision-making in defense and foreign policy of course preclude any simple transfer of PPBS from Defense to State, A.I.D., USIA, and the Peace Corps. In the nature of things defense planning involves long leadtimes and the factors relevant to many defense decisions are at least in large part conceptually quantifiable. But it is also in the nature of things that foreign policies can seldom be projected far ahead except in the broadest terms, planning should not impair a capacity for quick response

to changing circumstances, and the weight of intangibles often exceeds that of the measurable factors bearing on decisions. For these and other reasons the usefulness in foreign policy planning of an approach patterned on the Defense system is necessarily limited. Other approaches and other kinds of analysis are called for.

Have the PPB requirements for Program Memoranda and Special Analytic Studies resulted in the development of new and helpful kinds of policy analysis for foreign affairs problems? What important new approaches to foreign policy analysis are in prospect?

Second, PPBS, as now understood, assumes a means-ends calculus and places a heavy stress on a quantitative evaluation of estimated costs and benefits. The effort to find quantitative surrogates for qualitative judgments may lead to much irrelevant and time-consuming paperwork and more seriously to a distortion of the issues with which decision-makers should be concerned. Policy planning and performance evaluation are subject to many of the same difficulties, constraints, and limitations in foreign affairs as in domestic social affairs.

Is there a danger that the suppleness and flexibility needed in the planning and conduct of foreign policy may be impaired by an over-emphasis on the PPBS approach?

Third, in the area of foreign affairs there is a substantial interdepartmental problem. While the Secretary of State directly controls the State Department and the Foreign Service, he has varying and limited control over the other agencies involved in foreign policy.

Is foreign affairs programming, as its supporters claim, a promising device for extending and making more effective the leadership by the Secretary of State of the foreign affairs community? Is this what a Secretary of State and a President want? Is this what Congress wants? Would a thorough-going application of PPBS to foreign affairs yield sufficient leadership dividends to justify a move away from the decentralized initiative and responsibility of agencies like A.I.D., USIA, and the Peace Corps?

Considering the basic issues that are involved in foreign affairs programming, it is small wonder that the Budget Bureau and the State Department, to use the words of BOB Director Charles Zwick, are "moving forward pragmatically and deliberately."

In view of the historical facts, one must challenge the oft-repeated view that program budgeting, installed in the Defense Department in 1962-3, marked an entirely new advance. The concept of "program budgeting", of course, goes back many decades. As early as 1960, the Federal Aviation Agency had a program budget and a comprehensive five-year planning system, and special analytical techniques were in use. In preparing foreign aid budgets, the A.I.D. agency over the years has had considerable experience in program-oriented analysis and forward planning.

It seemed particularly appropriate to call as our witness today, Mr. William S. Gaud, Administrator of the Agency for International Development.

This nation can be profoundly grateful for dedicated and distinguished private citizens like Mr. Gaud who have answered the call to national duty in war and in peace.

During World War II, as a member of the staff of General Joseph Stilwell from 1942 to 1945, Mr. Gaud administered military lend-lease

in China, India and Burma. From 1945 to 1946 he was Special Assistant to Secretary of War Patterson.

He returned to private life in 1946 as a partner in the law firm of Carter, Ledyard and Milburn in New York City.

Fifteen years later, in 1961, he again answered the call of public duty and was appointed A.I.D. Assistant Administrator for Near East and South Asia, serving in that capacity until February 1964 when he was appointed Deputy Administrator of A.I.D. He was appointed to his present position as Administrator of the Agency for International Development by President Johnson in August 1966.

We greatly look forward to your testimony, Mr. Gaud. You may proceed in your own way.

**TESTIMONY OF HON. WILLIAM S. GAUD, ADMINISTRATOR,
AGENCY FOR INTERNATIONAL DEVELOPMENT**

Mr. GAUD. Thank you, Mr. Chairman.

I am very glad to have this opportunity to appear before you to discuss A.I.D.'s experience with the Planning, Programming, and Budgeting System (PPBS). Let me start by telling you something about A.I.D.'s past experience with these matters, and then describe where we stand today. I would then like to discuss the usefulness and limitations of PPBS insofar as the foreign aid program is concerned, and conclude with a statement of my views on how PPBS fits into the foreign affairs field generally.

I. HISTORICAL SURVEY OF FOREIGN AID PROGRAMMING

In a general sense one might trace A.I.D.'s present programming system all the way back to the Marshall Plan. From its inception, the Marshall Plan grappled with the problem of budgeting for functional countrywide objectives, rather than for isolated inputs or outputs. The overall goal was European economic recovery, and it was possible to work back from this goal to a four-year aid budget in which costs and results were easily and visibly connected.

This approach fell into disuse as the focus of aid shifted to the less developed countries of Asia, Latin America, and Africa. The initial hope of the "Point IV" Program of the Technical Cooperation Administration, which began in 1950, was that simply bridging technological gaps would bring rapid development. Budgeting was relatively easy: it emphasized the preparation of as many worthwhile projects as could be funded. Creation of the Development Loan Fund (DLF) in 1957 reflected recognition that capital aid, as well as technical assistance, was required. But like Point IV, the DLF operated on the philosophy that good projects were enough to do the job.

At the same time there was a growing feeling that something was missing in this project approach to foreign aid. Both our own development people and the governments of the countries receiving American aid gained better understanding of the ways in which the investment, trade, fiscal and monetary problems—and indeed the social and political problems—of a country all influence one another. It was apparent that it was not enough to do worthwhile but isolated projects.

This firmer grasp of the nature of the development problem led to

the country programming approach: the planning of assistance in relation to each country's overall development. Objectives, and the means of reaching those objectives, were set in the light of each country's resources and prospects.

The country programming idea was formally incorporated in ICA Manual Order 1021.1 issued in May 1958. It stated:

ICA programs are developed to accomplish specific U.S. country objectives and the accomplishment of such objectives is their sole function . . .

The program development process starts with the identification and precise statement of the U.S. country objectives; it then defines and analyzes the problems which must be solved in order to attain those objectives; and, finally, it develops programs designed to solve these problems and thereby to make possible the attainment of such objectives.

The merger of ICA and the DLF in 1961 to form the Agency for International Development (A.I.D.) brought major programming changes. One of the working groups established under President Kennedy's Task Force on Foreign Assistance in 1961 dealt specifically with planning and programming. It recommended intensification of the country programming approach. It suggested long-term analysis to clarify the costs of each program over several years. These recommendations were refined by the newly created Office of Program Coordination headed by Dr. Hollis Chenery, now of Harvard University. They were incorporated in a series of instructions issued to the field missions in 1962. Shortly thereafter, David Bell resigned as Director of the Bureau of the Budget to become the head of A.I.D. Under his leadership the new programming guidelines became the overall programming system for foreign economic assistance.

Perhaps most important, new A.I.D. *policies* accompanied the new programming approach. One of these was increased concentration of development aid in the most promising countries. Another was explicit use of aid to stimulate "self-help"—connecting our assistance to policy reforms by the governments of recipient countries, and to maximum use of their own resources for development.

The principal programming instrument for aid to major countries was a document prepared by the field mission. It was called the Long-Range Assistance Strategy (LAS). Interested Washington officials and specialists, with outside consultants as needed, worked with the Country Teams in preparing this document.

The LAS demanded much more comprehensive—and longer-term—analysis than the previous annual country program submissions. It also called for explicit analysis of a number of program alternatives. It compared different time periods, as well as such alternatives as supporting the country's official development plan as against using aid to focus the official plan more on previously neglected problems. The various program alternatives and the results they were expected to achieve were expressed in terms of their monetary costs, though it was understood that the discussion of results was at best based on estimates.

For countries not submitting an LAS in any year, the new system called for a Country Assistance Program (CAP). Its design paralleled that of the LAS, but it was briefer.

These procedures imbedded a number of vital concepts in A.I.D.'s operations: country programming, budgeting for objectives rather than for activities, assessing costs over multi-year periods, and analyzing and choosing among alternative aid strategies. Accordingly,

in August 1965, when President Johnson announced Government-wide adoption of the PPB System, the directive came to A.I.D. not as a shock, but as a fillip. In fact it was a confirmation of what we were already doing.

Thus, U.S. foreign aid programming has a long history, and is still evolving. Attachment 1 gives a more detailed chronology of this history.

II. PPBS IN A.I.D. TODAY

Now I would like to describe our present system. The program cycle, or schedule, for each fiscal year's operations extends over a period of about eighteen months. (The approximate timing of the many steps in the cycle is shown in Attachment 2.) The cycle starts in February with Washington guidances to the field, which raise questions based on the previous annual review of the program and on current operations.

The A.I.D. mission, working with other members of the Country Team, addresses these questions when it prepares the Program Memorandum, or PM, which is the central document specified by the Budget Bureau for the Government-wide PPB System.

The PM presents the field's analysis and recommendations of what the next fiscal year's aid program should be in that country. It defines the major budgetary issues, discusses the connections between aid inputs and U.S. objectives, compares alternative aid levels and aid compositions, and summarizes the country's development problems. During July and August the PMs, which must have ambassadorial approval, are submitted to Washington.

Intensive review comes next. The Washington staffs, both of A.I.D. and other agencies, analyze the PMs and raise issues for my consideration. I hold a series of review meetings: first, of the major country PMs to make initial judgments of the priorities within each country; second of regions; and third of the world-wide program. These review meetings weigh the needs of one country or region vis-a-vis the others. The State Department, the Budget Bureau, and other foreign affairs agencies participate in these reviews.

In mid-October, after clearance with the Secretary of State, I submit my recommended overall budget to the Budget Bureau. This submission highlights the major issues in individual countries and indicates the alternatives I have rejected and the general reasoning behind my recommendations. The Budget Bureau staff—having participated in the review process—is already thoroughly familiar with these proposals. As a result, any remaining issues are readily apparent and decided at the top level. An A.I.D. budget then becomes part of the President's January budget.

I might say that this past year this review process in Washington resulted in our cutting out from the submissions that we got from the field about \$800 million of requests. The total Presidential budget for foreign aid was \$2.5 billion for fiscal year 1969. That was after we here in Washington had eliminated \$800 million of additional requests.

Senator JACKSON. How long has this review procedure been in effect?

Mr. GAUD. Well, it was in effect when I came to the agency in 1961. Senator JACKSON. But you have refined the procedures?

Mr. GAUD. It has been enlarged and refined both under Mr. Bell and under me.

Senator JACKSON. Were the cuts in the past as great as this last year?

Mr. GAUD. The cuts below the submissions from the field?

Senator JACKSON. Yes.

Mr. GAUD. Yes. Pretty much. That is not unusual.

Next comes presentation to the Congress, and—sometime later—Congressional action on the Agency's authorization and appropriation bills. The final step—which should come in late June or early July but more commonly occurs in the last quarter of the calendar year after Congress acts—is the issuance of an Operational Year Budget which allocates the available funds. The deep cuts which the Congress has made in our budget in recent years have necessitated an additional re-examination of the program before an Operational Year Budget can be issued.

The rigorous analysis which goes on throughout the program cycle is almost bound to produce better budget decisions, and I believe it is in fact doing so. Furthermore, as we go on to learn how to make the best use of the PM, I expect our budget work to continue to improve.

The PM, of course, does not tell the whole story of the program decisions for a country. There is separate programming for individual technical assistance projects, capital projects and PL 480. In addition we conduct program evaluation beyond that contained in the PM.

In technical assistance, comparisons of the expected benefits of alternative projects are often hard to make. Sound management in technical assistance usually consists in getting the right people to the right place, seeing what works and then backing them up with the support they need. To tighten the management of our technical assistance projects, A.I.D. is now introducing a special three-phase programming and appraisal system for such projects. The first phase is the project proposal, which defines the relationship of the project to development objectives in the country and indicates what personnel and financial inputs are needed to carry it out. The second phase is a detailed, year-by-year schedule of inputs and expected achievements. This gives us a continuing check on performance. The third phase is an annual Project Appraisal which exposes any difficulties being experienced, as well as their causes, and indicates whether the project should be continued, changed or dropped. We expect that this system will permit increased support for those projects that are going well and prompt elimination of those that are not.

For capital projects, the programming procedure is already well established. The successive results of a feasibility study, a detailed engineering analysis and a financial and economic analysis are pulled together in a project loan paper. Each project loan is then reviewed and cleared by the interagency Development Loan Committee before it comes to me for approval.

The programming of PL 480 commodities is another element in the full system. When the Food for Freedom program was modified in 1966, the principle was clearly established that food aid should be used to promote agricultural development in the less developed countries. Joint programming by A.I.D. and the Department of Agriculture was set up. A PL 480 Program Memorandum which we prepare in the spring is used by the USDA in setting domestic grain acreages.

A second PM, prepared in the fall, is based on later estimates of world-wide food production and is used to arrive at the PL 480 sales program for the next fiscal year. In addition, PL 480 sales agreements and A.I.D. loans are increasingly being considered together in determining assistance programs for individual countries.

Finally, let me mention our arrangements for evaluation studies. In April of this year, I installed a new procedure to pull together and strengthen our existing evaluation efforts. Each of our larger field missions will now have a full-time Program Evaluation Officer to organize regular evaluation of particular aspects of the program in the country involved. Evaluation Officers in the Regional Bureaus in Washington will coordinate and support the field studies, and a slightly enlarged central Evaluation Staff will undertake additional Agency-wide studies. To make certain that evaluation gets the full emphasis it deserves, I have named Mr. Joel Bernstein, recently our Mission Director in Korea, to a newly established post—Special Assistant for Evaluation in my office.

III. USEFULNESS AND LIMITATIONS OF PPBS IN A.I.D.

A.I.D. has found the basic approach of the PPB system quite useful. Programming, of course, is only an instrument of management—not a substitute for it. Sound management also includes good housekeeping and much else besides. But let me indicate where PPBS has helped most and helped least.

Within the broad framework of overall foreign policy, A.I.D. programs can be roughly divided into two categories—those oriented toward long-term development, and those that address a variety of more immediate political and security concerns. Development Loans, Technical Assistance and many of the programs of the Alliance for Progress focus essentially on long-term development. Together they account for nearly three quarters of our appropriations request. Supporting Assistance, which is designed for the short-term, accounts for most of the other quarter. Of this, the great bulk is for economic activities in Vietnam, though Supporting Assistance also goes to such countries as Laos and the Dominican Republic.

Formal analysis is of only limited use in the programming of Supporting Assistance. Our objectives in this area tend to be *ad hoc*, the costs over a period of years highly uncertain, and the choice among means quite limited. These are essentially political programs rather than economic programs.

There are also limitations on the role of PPBS in programming longer-term development assistance. The ultimate objective of our development aid is a community of free and progressive nations cooperating on matters of mutual concern. U.S. aid contributes to this objective by assisting less developed countries to maintain their independence and become self-supporting. As an instrument of foreign policy, the foreign aid program necessarily reflects the intangibles of the political process, and so do many of the decisions we make about the program.

Formal programming cannot be relied upon to make essentially political decisions. Formal analysis may tell us something about which countries offer the best economic prospects for development aid

(though intangibles also affect this point). But political judgments play a major role in determining which countries we consider eligible for aid. We do not aid countries that clearly oppose our foreign policy. Also, political events like last year's fighting in the Middle East or the earlier hostilities between India and Pakistan may lead to the termination or reduction of aid. In addition, countries with which we have historic associations may receive high levels of aid compared to their neighbors.

Other political intangibles also enter the programming of long-term development assistance. The strength of the development effort which a host country is making—or will make—is crucial. Do the country's leaders have the foresight to make the politically difficult decisions on which development depends? Do they have the ability and support—the political support—to make these decisions and carry them out? Do they have the courage? These variables can only be judged with the benefit of experience and on-the-scene observation—and then not always correctly!

PPBS considerations do have a pervasive and powerful influence on the allocation of funds within and among what we call the development emphasis countries. These are the countries where major development programs account for the bulk of our Development Loan, Technical Cooperation and Alliance for Progress funds. There are less than a dozen of these large programs, but they consume over four-fifths of our bilateral development assistance programs. It is especially these programs which we try to adjust in response to changing performance and self-help on the part of the recipient countries.

Formal analysis is particularly helpful in deciding on the composition of individual country programs. Here cost-benefit comparisons can be directly applied. Here we can tighten the links between aid activities and U.S. objectives. Here we attempt to assess the merits of alternative combinations of aid aimed at similar objectives.

Thus, it is fair to say that the shape of A.I.D.'s worldwide program over a period of years is influenced substantially by systematic assessment of past aid and past performance, and by analyzing the year-by-year consequences of expanding or curtailing our program in each country.

It goes without saying that in stimulating and supporting development we concern ourselves with a host of objectives. In the economic sphere, we are interested not only in increases in Gross National Product, but equally in improving farm income, import liberalization and tax reforms. Social reforms and political growth are also essential parts of the development process. Institutional development, legal and other reforms, improved social services, increased popular participation in politics, government and economic activity—all these and many other things which are not easily encompassed in a neat programming system add up to modernization.

Professor Schelling has already told this committee that—

foreign affairs is a complicated and disorderly business, full of surprises, demanding hard choices that must often be based on judgment rather than analysis, involving relations with more than a hundred countries diverse in their traditions and political institutions—all taking place in a world that changes so rapidly that memory and experience are quickly out of date.

Foreign aid is part of the foreign affairs business. The very fact that we work in a "complicated and disorderly" field full of imponder-

ables and uncertainties makes it important for us to have the best analytical tools that are available. It is the very complexity of decision-making in foreign aid that puts a premium on clear understanding of our objectives, of alternative means of reaching them and of the costs involved.

PPBS has been very helpful in clarifying some of the decisions we make, and of little use in others. On balance I would say that it has become an important tool in arriving at executive judgments in the field of foreign aid.

IV. THE PLACE OF PPBS IN THE OVERALL FOREIGN AFFAIRS FIELD

I would now like to say a few words as to whether the PPBS concept should be applied to the foreign affairs field as a whole in the way it now applies to the Department of Defense.

As I have already pointed out, we in A.I.D. have had some success in developing a partially quantified programming system. Does it follow from this that the DOD system of unified budget control—or a reasonable facsimile thereof—should be transplanted across the river? I don't think so.

Professor Schelling points out in his excellent memorandum on "PPBS and Foreign Affairs" that there is no foreign affairs budget to which PPBS can be applied. Also that there is no overall foreign affairs office or agency—no foreign affairs counterpart of the DOD—to apply it. At least in theory, these deficiencies (if they be such) could be remedied. An overall Foreign Affairs Department *could* be created and it *could* be given budgetary control over all foreign affairs activities.

However, I doubt that this would be desirable. PPBS is useful primarily in making budget decisions. And the most important decisions in foreign affairs are not budgetary. Nor can they ordinarily be expressed in quantitative terms.

The DOD analogy is inapplicable for another reason. There is far less overlap between the foreign affairs agencies than there is between the armed services, less chance of their carrying on competing programs and fewer opportunities for trade-offs between their programs. Conflicts in roles and missions are not now and never have been a serious problem on this side of the river.

Consider our foreign affairs agencies and activities—State, A.I.D., USIA, the Peace Corps, the Export-Import Bank, PL 480 and military assistance. The capabilities of A.I.D. and the Peace Corps—of USIA and State—are not interchangeable. Each of the agencies operating in the foreign affairs field has a different set of immediate goals. The program of each is tailored to achieve those goals. Ultimately, all these goals converge in the general objectives of United States foreign policy. But the contributions of each program are different, rarely competitive and hard to measure in monetary or quantitative terms. I am by no means convinced that unified budget control would improve their performance, enable them to achieve their objectives more easily, or effect substantial tax savings.

Having said this, I want to make two things clear. First, I do not mean to downgrade the importance of careful and systematic planning, programming and budgeting within the individual foreign affairs

agencies. I know nothing of these matters in agencies other than A.I.D. I do know that careful planning, programming and budgeting should be and are matters of continuing concern within A.I.D.

Second, the Secretary of State must be in a position not only to determine foreign policy but also to police it—to see that his policy determinations are adhered to by all agencies dealing with foreign affairs. Unified budget control is one way of accomplishing this, as Professor Schelling has said. But it is not the only way. Nor is it necessarily the best way. Today's State-A.I.D. relationship is an excellent example of how the Secretary of State can exercise policy control without undue centralization and without unified budget control. Section 622(c) of the Foreign Assistance Act provides as follows:

Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic assistance and military assistance and sales programs, including but not limited to determining whether there shall be a military assistance (including civic action) or sales 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.

Consistent with this, the Administrator of A.I.D. reports directly to the Secretary of State. Except in this respect, neither he nor his subordinates are in the State Department chain of command. But the Agency is organized on substantially the same geographical basis as the State Department. Each Assistant Secretary of State, Office Director and the like has a counterpart in A.I.D., and these geographical bureaus and offices of State and A.I.D. are located as near as possible to each other.

This structure makes for close coordination and an intimate working relationship between State and A.I.D. The Administrator attends the daily staff meetings of the Secretary. The Assistant Administrators attend the daily staff meetings of the appropriate Assistant Secretary. Through a comprehensive system of clearances, conferences, and day-to-day working relationships, State is kept fully informed of all A.I.D. activities and A.I.D. is kept equally well informed of State policies and activities in which it has an interest. State people and A.I.D. people dealing with the same country virtually live in each other's pockets.

State Department participation in A.I.D. programming begins in the field. The Ambassador as head of the Country Team must review and approve all Program Memoranda and other planning, programming and budgeting documents originating in the A.I.D. mission. Here in Washington the appropriate Assistant Secretaries of State or their representatives participate in A.I.D. program reviews at the level of both the Assistant Administrator and the Administrator. Furthermore, before the A.I.D. budget is submitted to the Budget Bureau, the Administrator reviews it with the Secretary (or the Under Secretary on his behalf). This past year the Under Secretary participated with the Administrator in presenting the A.I.D. budget to the Budget Director and in discussing the issues raised by the Budget Director after his review of the budget proposal.

This close coordination between State and A.I.D. has two consequences. On the one hand, it minimizes the risk that A.I.D. and State

will gallop off in different policy directions. On the other hand, it serves to bring out whatever political-economic issues may arise and elevate them to the highest level necessary for their solution. This is extremely important, and it would not be so apt to happen if State and A.I.D. were a single unified organization.

I do not suggest that the State-A.I.D. pattern will necessarily fit all the agencies operating in the foreign affairs field. But I do say that the State-A.I.D. relationship proves that effective policy control can be exercised by the State Department without the kind of unified budget control that exists in the Pentagon.

Concededly, effective bilateral coordination between State and A.I.D., or between State and other foreign affairs agencies, is not enough. Multilateral coordination is also essential. Overseas, the device of the Country Team achieves this. Here in Washington the SIG and the IRGS provide a forum for multilateral coordination of foreign policy decisions.

These institutions are new. They are still developing. They are clearly adequate to deal with specific issues. They have not yet demonstrated as convincingly their ability to deal effectively with general policy matters. But there is no inherent reason why they cannot do so. Last fall, for example, the proposed A.I.D. budget was submitted to the SIG for discussion, review and recommendation before it was presented to the Budget Bureau. This was a step in the right direction. It should serve as a precedent for the future.

Mr. Chairman, I will be happy to answer any questions which you or the members of the Committee have for me.

Attachment 1

CHRONOLOGY OF FOREIGN ASSISTANCE PROGRAMMING IN A.I.D. AND PREDECESSOR AGENCIES

(With highlights of foreign affairs coordination arrangements)

Introductory Note.—During the period 1948–1953 U.S. foreign assistance to underdeveloped countries (i.e., non-Marshall Plan countries) was programmed on an ad hoc annual basis first through the Economic Cooperation Administration, then through the Mutual Security Administration, and finally through the Technical Cooperation Administration. The concept of a country program combining the various U.S. assistance activities did not fully emerge until after this period, although at the U.S. national level the Mutual Security Administrator was charged with the coordination through budget control of the various agencies operating regional programs, while at the country level U.S. Ambassadors were given increasing coordinating responsibilities including a specific Executive Order to that effect in 1952.

1953–1955 FOREIGN OPERATIONS ADMINISTRATION

Annual Program Submission

Ad hoc instructions to the field were issued annually for submission of the country program in airgram form—basically a budget request document. These instructions were supplemented in 1954 with a codified project documentation system, known as “blueprint” and using pre-printed formats, which provided project data submitted initially in the country program airgram and amended as needed throughout the fiscal year.

Foreign Affairs Coordination

The Operations Coordinating Board was established with the Under Secretary of State as Chairman.

1955-1961 INTERNATIONAL COOPERATION ADMINISTRATION

1957-1961 DEVELOPMENT LOAN FUND

Annual Program Submission

The annual airgram submission of the country program and "blueprint" supporting documents continued basically as developed under the FOA until 1958. The annual budget call in the Spring of 1958 for FY 1960 introduced "greenprint"—a new ICA programming procedure. The country submission was referred to as the Master Program Book and included both technical cooperation and development loan objectives. Project details were summarized in a new table (E-1) although not all "blueprint" documentation was scuttled. "Greenprint" Manual Orders: (M.O. 1021.1, 1021.2 and 1021.5) were issued on July 1, 1959.

The FY 1961 and 1962 field program submissions were developed under annual guidelines which revised but did not change "greenprint" and they were referred to as Country Program Books. The last ICA program submissions followed the "greenprint" system and were referred to as Field Proposed Programs for FY 1963.

In 1957 the Development Loan Fund was established as an autonomous agency apart from ICA. Programming procedures for DLF were spelled out in the Report of the Procedures Study Group, October 9, 1957. Its operations were to be coordinated under the Ambassador at the country level and through the Operations Coordinating Board at the national level. Although ICA field program submissions identified development loan objectives these served merely as suggestions on which the DLF could act and not as definite budget or program requests.

Foreign Affairs Coordination

The Operations Coordinating Board was continued during this period. In 1956 the U.S. Ambassadors were instructed to exercise leadership and supervision of all U.S. Government operations in their respective countries—excluding intelligence and military operations.

1961-1968 AGENCY FOR INTERNATIONAL DEVELOPMENT

Annual Program Submission

With the establishment of A.I.D. as an integral part of the State Department, a new programming system was introduced generally following the format of the ICA system but calling for a program more closely tied to or identified with U.S. objectives. This was to be achieved through the CAP (Country Assistance Program) for most countries and through the LAS (Long-range Assistance Strategy) for selected key countries. (M.O. 1021.2, 1022.1, 1023.1, August 1, 1962). These were to be multi-year planning documents involving all aid instruments (DLF had been absorbed by A.I.D.) and setting out a program hierarchy working down from overall objectives through goal plans to supporting program and project details. This system with modifications, was applicable for all missions for the FY 1964, FY 1965, FY 1966, and FY 1967 program submissions.

Following the issuance of BOB Bulletin 66-3 calling for the establishment of PPBS in selected U.S. Government agencies, A.I.D. issued instructions (M.O. 1023.2.2, April 22, 1966) to nine major country missions to prepare a new document in keeping with the BOB guidelines to be known as a Program Memorandum (PM). These were first submitted for FY 1968. The other country missions were requested to submit improved FY 1968 CAP's in keeping with the PM instructions (M.O. 1023.2.3, June 22, 1966). The nine country missions were also requested to prepare a Program and Financial Plan (PFP) which would give them a comprehensive tabular presentation of all (U.S. and other) inputs and outputs.

The new A.I.D. PPBS was expanded for FY 1969 to include all country programs except Vietnam and phase-out or "U.S. presence" programs (M.O. 1023.2.5, June 2, 1967). Each mission was requested to submit a PM. The FY 1968 PFP instructions were thoroughly revised and eight country missions were requested to prepare PFP's focusing only on quantifiable, U.S. inputs. The PM was to be prepared in two stages—the first part, the Multi-year Strategy Plan, to be sent in for review in the Spring, and the second, the Aggregate and Sectoral Plans (and revised Part I), to be submitted in the Fall for budget review.

The FY 1970 instructions (General Airgram AIDTO Circ XA 2511, March 5, 1968) revised the instructions for the previous year by deleting the requirement for the Spring review of the Multi-year Strategy Plan and abolishing the PFP in its entirety.

A new project documentation system was developed which was introduced as a requirement for the FY 1969 program submission calling for a separate project budget submission to be submitted subsequent to the PM and establishing a schedule for decycling the bulk of project detail and information (M.O. 1023.2.7, June 2, 1967). The project budget submission (PBS) was again required for FY 1970 as a summary of the budget requirements of all active or proposed projects in each mission leaving the project details to be submitted on a decycled, as-needed or when-relevant basis (M.O. 1023.2.8, June 13, 1968).

Procedures for program evaluation were set up within the general framework of the FY 1970 program guidance. These procedures call for continuing evaluation of A.I.D. mission activities at the project as well as the overall program level (General Airgram, AIDTO Circ XA-2931, April 13, 1968).

Foreign Affairs Coordination

At about the same time A.I.D. was established as an Agency of the State Department the Operations Coordinating Board was abolished. In 1961 U.S. ambassadors were given managerial responsibility for the A.I.D. program in their respective countries. National Policy Papers were also initiated in 1961 which identified U.S. (multi-agency) objectives and laid out 3-5 year strategy per country.

In 1963 State launched the first experiment in multi-agency foreign affairs programming—the CCPS (Comprehensive Country Planning System). Country Program Books for 30 countries were produced matching all U.S. inputs to U.S. objectives but making no attempt to link the information thus produced to the budget process. In 1964 the results of the CCPS were evaluated and in 1965 a new approach—EROP (Executive Review of Overseas Programs)—was launched in thirteen countries. This was aimed mainly at cost reduction and efficiency of operations.

In 1966 the EROP was changed to FAPS (Foreign Affairs Programming System) following the general guidelines laid out in BOB Bulletin 66-3 (establishing a USG PPBS) and NSAM 341 was issued giving the Secretary of State the coordinating authority for all U.S. overseas activities and creating the Senior Inter-departmental Group (SIG) and the Inter-departmental Regional Groups (IRG's). The Hitch Committee report, late in 1966, recommending a combined foreign affairs programming system was not adopted, and in 1967 the formal Foreign Affairs Programming System was abolished.

The (State) Bureau of Inter-American Affairs (ARA) and the (A.I.D.) Bureau for Latin America (LA), combined organizationally under the single leadership of the Assistant Secretary of State for Inter-American Affairs, began a study in 1966 closely coordinated with but separate from the Hitch Committee. This led to the development of the multi-agency Country Analysis and Strategy Paper which was required of all Latin American Country Teams and was first submitted in the spring of 1967. This paper, after IRG review and revision, formed the basis of the strategy sections for both the FY 1969 and FY 1970 PM's from LA A.I.D. missions.

Attachment 2

A.I.D.'s PROGRAM CYCLE

(A Composite of FY 1968, 1969 and 1970 Experience)

Jan-Mar Worldwide Program and Budget Guidelines

The A.I.D./Washington annual budget call outlines the format to be followed in preparing the PM (Program Memorandum) and supporting documents, and identifies the substantive emphases which A.I.D./W and current legislation call for in country programming.

Jan-Feb CASP message (ARA/LA Bureau only)

The annual call issued by the Bureau of Inter-American Affairs and Bureau of Latin American Affairs to country teams in Latin America outlines the requirements for the Country Analysis and Strategy Paper.

Mar-May Country and Regional Guidelines

The Regional Bureaus issue more specific substantive guidelines, cleared within A.I.D./W, to be followed by the individual USAID missions in preparation of country PM's.

Mar-Jun CASP Spring Reviews

The ARA/LA CASP's are reviewed by the ARA/LA Bureau and the Latin America IRG, and changes are recommended which guide the A.I.D. PM's under preparation.

May-Jun Some country PM's may be submitted in draft—in whole or in part.

Jul-Aug PM submissions to A.I.D./W

Each USAID mission is assigned a deadline date when its PM is due in A.I.D./W for printing, distribution and review. These dates are staggered to avoid an inundation of PM's on one date from all over the world. Screening by A.I.D./W staff proceeds throughout this period.

Aug-Oct Country and Regional Budget and Program Reviews

The PM's are reviewed first in the Regional Bureaus up to the Assistant Administrator level, and then selected PM's are reviewed at the Administrator level. These country reviews are followed by an Administrator's review of each Regional Bureau's combined budget request, and finally by the worldwide budget rack-up.

Sept PBS (Project Budget Submission)

USAID missions submit, following the PM, this supporting document presenting project details and cost components.

Sept-Oct Submission of selected revised PM's to the Budget Bureau

Oct Submission of A.I.D. Budget to the Budget Bureau

Oct-Jan Revisions of A.I.D. Budget prior to President's budget message to Congress

Jan-Mar Congressional Presentation

Feb-Nov Congressional Authorization and Appropriations hearings

Jul Tentative OYB (Operational Year Budget)

This is a revision of the A.I.D. Budget as presented to Congress, based on an estimated appropriation and a reassessment of worldwide circumstances and needs. It permits essential operations to continue in the new fiscal year.

Jul-Nov Authorization Bill

Jul-Jan Appropriation Bill

Oct-Jan Final OYB

This is a firm operating budget, based on the final A.I.D. appropriation, which provides the authority for normal Agency operations. Amendments to the OYB are subsequently made throughout the fiscal year.

POLICY ANALYSIS IN A.I.D.

Senator JACKSON. First, let me thank you for a very fine statement. I have a few questions.

Have the PPB requirements for Program Memoranda and Special Analytic Studies resulted in new and helpful kinds of policy analysis for foreign affairs problems?

And in this connection, what important new approaches to foreign policy analysis are in prospect, in your judgment?

Mr. GAUD. I can't speak to that except as regards A.I.D. itself. I think that the essential point is that the PPB system as it has evolved with us forces us to concentrate more than we perhaps otherwise would on alternatives, and on costs, and gives us a much better picture of where we are going in the long run.

It is an extremely useful device as far as our developmental programs are concerned. It is particularly useful at a time like today when we are short on funds, where the number one job that we have, really, is to fix priorities.

It is very worthwhile in helping us to fix priorities.

As far as specifics are concerned, Curt, do you want to add anything to that?

Mr. FARRAR. One possible specific would be to focus more directly on trade-offs between PL 480 and dollar program assistance.

There have been instances where this type of issue has been raised more specifically and directly than might have happened previously because of the operation of the PPB system, with resultant saving in the program.

Senator JACKSON. Is there any specific country that you could refer to where the technique has been helpful as compared with past practices?

Mr. GAUD. I would say in all of the countries. It has been much more useful because it has given us a fuller and more comprehensive picture of the problems in the country, how to go about meeting them and what the cost of achieving your objectives would be.

I would say, Mr. Chairman, it has been helpful across-the-board. It has been very useful in dealing with the developmental aspects of our business.

Senator JACKSON. You are dealing with so many imponderables to start with that the task is a most difficult one. I gather you feel the system helps to provide some greater certainty in portions of this problem that you face?

Mr. GAUD. Right.

Senator JACKSON. Would you say PPB is an added tool that can help make certain aspects of the A.I.D. problems more precise and tangible? Beyond that, of course, there are the political and intangible aspects where judgment is the main requirement.

Mr. GAUD. Yes, sir.

Let me put it this way. The problem of what countries to provide aid to is essentially a political problem. A good many factors go into the decision of whether we will carry on an A.I.D. program in a given country.

How important is the country to the United States? How serious an effort is it making for development? Will it take the necessary self-help measures so that it is worth our providing aid? To what extent can it get funds or is it getting funds from other sources, such as France, Britain, the World Bank or what-have-you. What is the extent of the need?

But let us assume that we decide to go into Country A and carry on a development program. It is at that point, when that decision has been made, that PPBS comes into play.

What do we want to achieve in that country with the A.I.D. program? What are our objectives? What is the best way of reaching them? If, for example, in India, the primary objective is to increase food production, you make a study of the agricultural sector, the relationship of the agricultural sector to the other sectors, and decide what is the most effective way of meeting your overall objective.

This is the kind of analysis you do, once you make your decision to go ahead.

The PPBS will also be useful once you are in a country, deciding how far you are willing to go with that country. Are they making good use of their own resources and of the aid you are giving?

This, of course, is one of the principal subjects that will be discussed and revealed by the PPBS. And on the basis of your study, you may decide that there is no point in going ahead unless the country is prepared to do better, unless it will adopt certain reforms and different policies.

So, it is a check not only on the institution of your programs but also on the continuation of your programs.

Senator JACKSON. I gather that, as Administrator, you feel the system at least helps you to know what the options are.

Mr. GAUD. That is right.

Senator JACKSON. To perhaps make the alternatives a bit clearer than in the past?

Mr. GAUD. There is no question about it.

Senator JACKSON. I take it when you are dealing with development loans, let us say for the construction of a dam which is needed to provide for certain basic industries, the cost-benefit ratios can be determined quite accurately?

Mr. GAUD. That is right.

Senator JACKSON. The problem then arises, I take it, as to whether or not the dam should be built at all as it may relate to the long-term objectives set out by the Administration?

Mr. GAUD. That is right.

We have two different steps here that are involved before we go ahead with that dam.

First, you have the Program Memorandum which, let us assume, says that it makes sense to build certain kinds of dams in the country, to achieve certain objectives.

Then, as you point out, comes the question of whether we should build a dam in location A. That latter question is not disposed of or taken care of in the PPBS. Instead, as I suggested in my statement, we have a separate study on that prepared as a capital assistance paper.

For example, a month or so ago we made a loan to add to an existing fertilizer factory in India, the Trombay Fertilizer Factory. The program document for India established a clear priority for fertilizer manufacture. The loan paper itself covered the particular plant, its cost-benefit, its engineering, its economics, all aspects of that specific project.

We conduct a comparable study for every loan that we make. So the PPBS will not give you an ultimate program decision on whether you will make a certain loan or whether you will undertake a certain technical assistance project.

But it gets you down the road to the point where you know what kinds of things you want to do in the country and, roughly, the amount of aid that is reasonable and where it ought to be applied.

Senator JACKSON. If you elect to go that route, you have a pretty good idea what the costs are and what hopefully might be the benefits.

Mr. GAUD. That is right.

Senator JACKSON. You still have to determine your priorities, whether or not a project will fit into that kind of an economy and be useful and effective.

Mr. GAUD. Yes, sir.

BETTER ANALYSIS AND INFORMATION FOR CONGRESS?

Senator JACKSON. Do you think program budgeting, as it is operated in A.I.D., has provided Congress with better analysis and information than we have previously been given, as a basis for Congressional action on A.I.D. budgets?

I gather the biggest of all your problems in connection with the A.I.D. program is the Congress of the United States.

If you have any examples of improved analysis and information, they would be very useful.

Mr. GAUD. Indirectly, it has, in the sense that the proposals that we make to the Congress have a far better analysis and study behind them than they would without this very complicated programming and planning system.

But, if you are speaking about providing the Congress, itself, with more data—or better data—on which to judge the adequacy or inadequacy of our proposals, the answer is no.

Frankly, Mr. Chairman, that hasn't been the problem that I have worried about the most. My problem, from where I sit, is to get across to the Congress the basic elements of our program and not the sort of complicated studies and analysis that you find in the PPBS.

The Congress is extremely busy. The members have a great deal to do. Our hearings, particularly in the Senate, are apt to be very brief. There really isn't any occasion to get into the kind of analysis that the PPB system makes possible.

I would prefer if we could go into these matters in greater depth with the Congress. But as a practical matter, it isn't the question.

Senator JACKSON. The A.I.D. projects you really get into are generally the ones that go sour and that generate a lot of publicity. The Senators and the Congressmen tend to want to dig into that kind of project.

Mr. GAUD. That is correct.

THE MISUSE OF STATISTICS

Senator JACKSON. I do not know whether you had an opportunity to see the article that appeared in the Washington Post the other day, by Arthur M. Ross, who just retired as Commissioner of Labor Statistics, in which he commented on the misuse of statistics by government officials.

He gave this warning:

... statistics must be interpreted with greater skill and discretion. Administrators should not be permitted to confuse them with complex, elusive realities or regard them as significant entities in their own right.

... extreme care must be taken lest program budgeting become a Procrustean bed and cost-benefit analysis a crown of thorns. Specious quantification of the unquantifiable can be as mischievous as ignoring it. The peculiar genius of the human brain is that, unlike the present generation of computers, it can deal with qualitative issues in their own right.

... there is no substitute for the intuitive feel of a problem resulting from first-hand exposure to it. This is particularly true for people in Washington, a governmental company town insulated from much that goes on in the world.

Statistics are indispensable, but they cannot remedy the isolation from reality which has beset rulers in all times and places.

I wondered if you might have any comments on that warning. Without objection, I will put the entire article into the record. (The article referred to follows:)

[Washington Post, June 30, 1968]

Overblown Affinity for Numbers

ROSS HITS STATISTICS 'MIS-USE', SAYS OFFICIALS FOOL THEMSELVES

(By Arthur M. Ross, Former Commissioner of Labor Statistics)

(Having left the Government Friday to become a vice president of the University of Michigan, Ross responded to The Washington Post's invitation to set down his impressions after two years in office.)

The position of statistics in Washington is curiously ambivalent. On the one hand, the statistical agencies are starved for money and personnel. For the cost of few miles of interstate highway they could provide information potentially worth billions in terms of more intelligent policy choices. Unfortunately, as veteran budget officers like to say "statistics don't vote."

On the other hand, statistics have extraordinary prestige among men of affairs.

Unlike the British, who appoint another Royal Commission when they wish to evade a problem, Americans launch another statistical survey.

Public men become known by the statistics they keep. Before he decided not to seek another term, the President was wont to regale his visitors with the latest opinion polls. His predecessor's attack on the Eisenhower administration was centered on statistical comparisons of economic growth and missile stockpiles. Many moons will pass before Robert McNamara lives down the image of a human computer. Sargent Shriver, while head of the OEO, would unflinchingly report on the number of families "rescued from poverty."

VALUE OF STATISTICS

The distinguished secretary of HEW has gone so far as to assert that the chief statistician of the department and his staff "do more to determine future HEW programs than all the other officials in the department." (Up to now, however, Wilbur has stopped short of promoting himself to chief statistician.)

I, myself, coming from the obscurity of academic life, was startled to discover that I was "good copy" because I had jurisdiction over the figures on inflation, unemployment, etc. I obtained more mileage from stale and mediocre ideas, presumably backed with statistics, than I ever had derived from fresh and brilliant ideas when I was younger. To the amusement of my colleagues and the gratification of my wife, I was often described as "the nation's leading expert" on subjects where, in fact, I had little expertise. Because of a strong passion for anonymity, known best to my immediate superior, I strove manfully to keep my name out of the public print. It was, I confess, a losing struggle.

If this overblown affinity for statistics were only amusing, it would not deserve much comment in a city replete with absurdities. But the phenomenon has a more sober aspect. Government officials are prone to take statistics too literally, to ignore their limitations, and to confuse partial truths with the whole truth about complex realities. This propensity can lead to serious, even tragic, consequences.

D.C. ISSUES VAST

I think I can explain the peculiar function of statistics in the Washington milieu. The issues which come here are vast, intricate, ambiguous, intractable. Statistics enable us to grasp and describe these many-sided problems at the cost of heroic oversimplification. One or two dimensions, which happen to be measurable, serve as a shadow representation of something with numerous, perhaps innumerable, dimensions.

No harm is done if a quantitative measure is seen for what it really is. But trouble sets in when the statistical abstraction is confused with the more complex underlying reality. There are two principal dangers in this process. First,

immeasurable aspects of the problem may be vastly more important than the measurable. Second, the validity of a particular measure may have been undermined by economic and social changes.

Meanwhile, bemused by the appearance of objectivity and precision, the policy maker keeps his eye fixed on charts and tables which are sadly incomplete, increasingly obsolescent, or both. Eventually he comes to believe that poverty really is a condition of having less than \$3300 income; that war in Vietnam really is a matter of body counts and kill ratios; and that full employment really is a situation where the national unemployment rate is 4 per cent or less.

OFFICIALS FOOL THEMSELVES

This shadow replaces substance. The ultimate hazard is not that the officials fool the public, but that they fool themselves. After all, they are more inclined to swallow their own rhetoric than the public is.

I should like to dwell briefly on the three examples just noted.

Poverty.—Statistics tell us there is less poverty in America than ever before. The number of poor families has fallen from 8.3 million in 1960 to 5.2 million in 1967. OEO has said that we can look forward to the complete abolition of poverty by the year 1976. Imagine that—a country with no poverty. Truly an historic “first” in the history of social statistics.

With the poverty problem well on its way toward solution, no wonder Secretary Freeman was so irritated by the CBS documentary on “Hunger in America.” No wonder the government has been taken aback and caught unprepared by the increasing militancy of the poor. The shock becomes greater when it is realized that only one group among the poor, the urban Negroes, has yet become radicalized to any significant extent. Rural whites and Negroes, Mexican-Americans, Puerto Ricans, and Indians are still relatively apathetic.

The trouble is that the government claims to measure poverty by the number of families with incomes of less than \$3300 in current purchasing power, adjusted for differences in family size and urban or rural location. An income cutoff is a useful statistic for many purposes, but a terribly simple-minded definition of poverty. Poverty is shame, guilt and despair; lack of access to good schools or decent housing; being preyed on by criminals; and many other conditions not necessarily cured by family incomes over \$3300. Remember that the bulk of families in Harlem are “non-poor.”

Vietnam.—For many months we were winning the war in Vietnam—not as quickly as originally hoped, but steadily and inexorably. All the statistics told us so—the body counts, kill ratios, infiltration estimates, bombing data, captured weapons, content analysis of captured documents, and so on. Then it appeared we were not winning.

Is it a coincidence that the most elaborately measured war in American history is also the least successful?

I do not think so. On the contrary, the egregious abuse of statistics contributed directly and substantially to the outcome. Some of the statistics were pulled out of the air, it is true, and some of the interpretations were palpably absurd, e.g., the claim that 2,000,000 refugees had “voted for freedom with their feet.” But the major vice was the assumption that the basic elements in the war were those incidents of military might which could be counted, calculated, and computerized.

Had this calculus of force not yielded such ample and comforting food for thought, would it have been possible to disregard so flagrantly all the crucial factors which could not be computerized? Science has worked many wonders, but has not yet put history on the computer, nor ideology, religion, color, colonialism, nationalism, sectionalism, cynicism. Since these could not be quantified, they never found their way into the accounts.

Full Employment.—We have been enjoying full employment for two and a half years. We know this because a national unemployment rate of 4 per cent is the official definition of full employment. The rate has been running below 4 per cent except for a brief period in 1967, and currently stands at 3.5 per cent.

And yet it appears that the most important social problem is that of jobs. If we have full employment, how come we need more jobs?

The short answer is that rising expectations have rendered the old measures obsolete.

The full employment concept is related to the scope of the government's responsibility under the Employment Act. Until recently, full employment of primary breadwinners, especially married men, was viewed as the principal obligation. At an overall rate of 4 per cent, most married men do have jobs.

Today the bulk of unemployment is concentrated among women, teenagers, and unmarried men, and the responsibility is broadening to include them. Surely there is no need to belabor the importance of Negro unemployment, though it has only a marginal effect on the national rate.

This misuse of statistics leads to results ranging from the comical to the tragic. What practical lessons are to be learned?

First, of course, we need more and better statistics in order to illuminate the problems more adequately.

Second, statistics must be interpreted with greater skill and discretion. Administrators should not be permitted to confuse them with complex, elusive realities or regard them as significant entities in their own right.

Third, extreme care must be taken lest program budgeting become a Procrustean bed and cost-benefit analysis a crown of thorns. Specious quantification of the unquantifiable can be as mischievous as ignoring it. The peculiar genius of the human brain is that, unlike the present generation of computers, it can deal with qualitative issues in their own right.

Finally, there is no substitute for the intuitive feel of a problem resulting from first-hand exposure to it. This is particularly true for people in Washington, a governmental company town insulated from much that goes on in the world.

Statistics are indispensable, but they cannot remedy the isolation from reality which has beset rulers in all times and places.

Mr. GAUD. I certainly agree with Mr. Ross's warning.

I think that one of the dangers of any system is that it may become a Frankenstein and take over.

As far as the foreign affairs field is concerned, I would apply that specifically to us by saying that you must not let the technicians take over.

We talk about economic development as what we are trying to achieve. I consider that a short-hand term. It isn't economic development alone that we are after; we are after development in the broadest sense in these countries.

Political development and social development are just as important as economic development. If we ever got to the point in the aid business where we were making our decisions solely on technical economic grounds, whether as the result of a PPB system or for any other reason, we would be aiming at the wrong mark.

I suppose the simplest way to say it is the way several witnesses before this committee have already said it, that you have to consider this system, useful as it is, as a tool, and as one of the tools that you use in arriving at your decisions.

USEFULNESS OF PPB IN A.I.D.?

Senator JACKSON. As a lawyer and a very able lawyer, and as a very able Administrator, do you find that materials generated by the PPB system help to improve your ability to ask your subordinates the hard, tough questions that need to be asked?

Mr. GAUD. I don't think there is any question about it.

Senator JACKSON. Is this the most useful aspect of the whole system? Or is it one of the most useful?

Mr. GAUD. It is one of them. It throws up the issues. It frames the issues.

Having just spoken about the political side of this business and how important it is, I would like to say something which may seem contradictory to that, although I don't think it is.

Another virtue of programming and planning the way we go at

it is that it gives you the data on which to make a decision so that it doesn't have to be made in purely political terms.

So often in the aid business there is a struggle between short-term objectives and long-term objectives. Often we are urged to do something to achieve a short-term political purpose.

If you have a good programming and planning system, you can often use the material that it develops to show that it would be very foolish to take a step which may look great in terms of short-term political objective, as seen by a political officer in an embassy.

The system gives us a great deal of information that we can use to try to make this program hew to long-term development, and not get diverted—as is so often the danger—into short-term political objectives where your money is really going to be thrown away.

Senator JACKSON. This is a continuing problem that you have to face every day, I am sure.

Mr. GAUD. Yes, sir, it is.

But let me say also that in the seven years that I have been here, it has become much less of a problem than it used to be. There were many more occasions in 1961 and 1962 where, because of lack of familiarity with the way the other fellow did business, or lack of exposure, etc., there was a tussle between the State Department and A.I.D. on what ought to be done in a given situation.

Today, partly as a result of this setup I have described in my statement, we know a good deal more about the other fellow's business. We can understand the other fellow's problems a good deal more, and we have many fewer of these occasions than we used to have.

I think, myself, that without the planning and programming system that we have, without the data that it pinpoints, we would be in a much more vulnerable position and less able to handle these issues.

Senator JACKSON. You feel you are in a better position to confront the applicant, or whoever might be your adversary, with facts that were not readily available to you.

Mr. GAUD. That is correct.

Of course, another thing that this system helps with is in figuring out what self-help steps and what reforms the aid-receiving country should take in order to make aid more effective. This is also very basic in our business.

Senator JACKSON. Does the material produced in the PPB exercise also give you the clue as to how to convince aid-receiving countries that they should make those reforms?

Mr. GAUD. Yes. It is very helpful in that.

Senator JACKSON. I would think this aspect of your problem is the roughest of all. You know that they need to change some of their ways, but the techniques and the means by which you get them to see this are matters of judgment and good sense.

Mr. GAUD. That is correct.

But if you are dealing with a finance minister or a foreign minister who has a concept of development, who is committed to moving ahead, given the kind of analysis that we are trying to develop you can persuade him 9 times out of 10 that he ought to raise taxes or that he ought to increase customs, or that he ought to do something about his tax administration—always subject to his political situation.

Senator JACKSON. I shall defer my other questions. Senator Metcalf?

OVERALL FOREIGN AFFAIRS BUDGET CONTROL?

Senator METCALF. Mr. Chairman, I want to agree with you that Mr. Gaud has made a significant contribution to our country, our foreign affairs, and has been a superb administrator in a very significant and rather delicate area. I have nothing but admiration for the way in which he has conducted his office.

I think you have not only been dedicated, but you have made a great sacrifice in carrying out this job in the public interest for America.

Mr. GAUD. Thank you, sir.

Senator METCALF. I do want you to explain a little bit more about some of the things you developed in your statement. I think you have cogently persuaded me, at least, as to the value of this system as far as A.I.D. is concerned.

But you took issue with Dr. Schelling. I think perhaps what you took issue with was the statement in his memorandum:

The basic program package is not Peace Corps, financial aid, military aid, agricultural surpluses, propaganda, or diplomatic representation; the basic package is the country.

I wasn't persuaded by your statement that an extension of this whole budgeting system wouldn't be valuable in analyzing all of the U.S. programs in a given country in view of what we are trying to do.

You mentioned that PPB is only a tool. All these programs are only tools that we have available to try to accomplish an overall objective.

I wonder if you would elaborate on that criticism.

Mr. GAUD. I agree with Professor Schelling that the Government should look at each country in which it is operating as a package. The U.S. should have a single program, for any country in which it is carrying on any activities at all.

Where I go off the track with Professor Schelling is that he seems to feel that it would be desirable to achieve this by the kind of unified budget control that now exists in the Pentagon. I don't think that is desirable or necessary.

At the same time, some mechanics should exist whereby the Secretary of State can police the activities of all of us in the foreign affairs agencies to make sure that we are hewing to the foreign policy line.

But I don't think you have to have budgetary control to do that.

Senator METCALF. If you will permit me to interrupt, one of the strong points that has been brought out in the course of these hearings is that in the Pentagon and in some other areas, not only have we achieved better financial arrangements, but we have achieved closer and better control.

In your response to the Chairman, as far as your own agency is concerned, you suggested that this was a useful tool for control. Why doesn't that carry over to the Secretary of State?

Mr. GAUD. I think that this thing is particularly useful in the area of the Pentagon for two reasons:

One, the three Armed Services in many respects could do the same jobs. The Marines can do a lot of things that the Army can do; the Army can do a lot of things that the Air Force can do; and so on around the circle.

Going back to the days when I was in the Pentagon (and that

was some time ago) there has always been a problem on what are the roles and missions of the various services. There has been a good deal of duplication.

It seems to me that there is still some of that, although less than there used to be. I feel that the missions of A.I.D., of the Peace Corps, of USIA, of the State Department, of the Export-Import Bank, are so different that you don't have that degree of overlap.

So, it doesn't take as tight a control to make sure that they are not getting in each other's way and duplicating each other.

That is point number one.

Point number two: The question of whether you have this type of a missile—I am speaking from an abundance of ignorance on this subject—whether you have this or that kind of weapon, or this or that kind of truck, is in large part a budgetary question.

Senator METCALF. I don't think Senator McClellan would agree with you on that.

Mr. GAUD. He probably wouldn't, and I may well be wrong. But contrast that with the question of whether the USIA should carry on a certain program in India or whether A.I.D. should carry on or finance a certain loan there, or whether the Peace Corps should send another 50 volunteers there. It is pretty hard to make that decision in budgetary terms. I don't think that is a budgetary decision, really.

Relatively few of the decisions involving the question of whether this agency or another one should do something in the foreign affairs field are budgetary matters.

We have today in Latin America what we call a CASP, a Country Analysis and Strategy Paper. It is prepared under the direction of the State Department. It covers the entire foreign affairs field, and, in broad terms, is supposed to decide what our strategy is towards a particular country and what part each of the various foreign affairs agencies shall play.

Whether it's a CASP or something else, there should be a device to set our overall strategy toward a particular country and fix the roles of the various agencies. But to go beyond that and say that there should also be unified budgeting and programming, this is where I go off the track.

I think that we must be very sure that all of the foreign affairs agencies are hewing to the same line in terms of policy; that the State Department should have a clear say as to what each agency is going to do in a particular country.

But I don't think it is useful to go beyond that and have a unified budget and unified budget control. I say that first as a matter of principle. It doesn't seem to me it is necessary. I am not at all sure that it is desirable.

How would you achieve it? The State Department is clearly not up to doing that job today. You would have to create some kind of superstructure, whatever you want to call it, a Department of Defense in the foreign affairs field and superimpose it on top of all existing agencies.

I don't believe in complicating life any more than necessary. I think this would mean more jobs, more money spent, more bureaucracy, more regulation, more slowing down in getting our jobs done. I would rather spend my time trying to figure out a way whereby the Secretary

of State can perfect the policy control that he has over these agencies today.

I think the means of policy control is complete, as far as A.I.D. is concerned, as I elaborated in the last part of my statement. It is pretty good as far as the other agencies are concerned. But I would put my efforts into improving that, rather than setting up an elaborate, complicated, expensive, and top-heavy structure.

When I am saying this, I am not disparaging the Pentagon, because I think our job is entirely different from the Pentagon's job. I don't think the need is the same.

RISKS OF QUANTIFICATION

Senator METCALF. I am very grateful to you for that explanation. I think you have made a valid clarification and distinction.

I brought along with me the same article by Mr. Ross from which the Chairman quoted. I wanted to ask you about a couple of other things that Mr. Ross suggested. He pointed out, as Senator Jackson has indicated, that there were very great dangers in statistics.

You suggested you cut \$800 million out of the budget submissions—out of the proposed budget requests that came in from the field.

Mr. GAUD. Yes, sir.

Senator METCALF. With all this system of statistical analysis back here in Washington, how do policy makers keep from doing what Mr. Ross warns us against, becoming bemused by the apparent objectivity of charts and statistical tables and things of that sort?

Let me read to you another thing Mr. Ross said. He said:

For many months we were winning the war in Vietnam—not as quickly as originally hoped, but steadily and inexorably. All the statistics told us—the body counts, kill ratios, infiltration estimates, bombing data, captured weapons, content analysis of captured documents, and so on. Then it appeared we were not winning.

Is it a coincidence that the most elaborately measured war in American history is also the least successful?

With the strong emphasis of PPB on quantification, how do you keep your people from being misled by what can be counted, calculated, and computerized? How do you avoid the danger that Mr. Ross has pointed out?

Mr. GAUD. I don't think we operate on statistics the way in which he is talking about them. Our PPBS, these planning and programming papers, include statistics on the country's economic growth. But essentially what they do is analyze how to get from here to there.

The statistics have a sole purpose in showing how to get where we want to go, how much it costs to go, and does it make sense to try to go from here to there or should we be going to some other place.

I hardly ever see a chart from one year's end to another. We don't run our business on the basis of performance statistics. That is not our system.

The purpose is to expose issues and to show what is the best way of doing something. Perhaps one reason why we might have less difficulty than you might have in some other areas is because everybody in A.I.D. is firmly committed to the proposition that development is a slow and lengthy process.

You don't look for results from this year to that. Some results,

yes, but not winning wars or getting a country to the point where it doesn't need aid next year. We look at this thing as a long-term process.

Furthermore, it seems to me that our decision as to how far we will go with a particular country, whether we will give it more or less aid next year than we did this year, putting aside the question of whether we have enough money to do it, depends so much more on policies than it does on specific facts. It depends on that country's political behavior and that country's economic performance in terms of policies that it is following or not following. I may be wrong, but I just don't see this as a problem with us.

Senator JACKSON. Would you yield right there?

To the extent you have indicators as a means of making an evaluation, I suppose you must have different indicators for each country.

Mr. GAUD. That is right.

Senator JACKSON. In other words, the objectives vary with each country and because of this there will be variation in the shorter term and longer range indicators that might give you a clue as to progress.

Mr. GAUD. Right.

In the countries in which we have our principal aid programs—development programs—most of the aid today goes by way of what we call a program loan, a non-project loan. The purpose of the loan is to finance the importation of commodities.

For example, in India and in Pakistan, it would be primarily fertilizer as well as such other things as raw materials and spare parts for their existing plant.

Each of these program loans in a given country will be conditioned on the recipient following certain policies and taking certain steps. In many cases the loan will be released in quarterly or semiannual installments.

Before each installment is paid, there is a joint review in which they and we participate to see whether they are living up to the conditions of the loan and are following the policies we have agreed upon.

The test, as you suggest, Mr. Chairman, isn't really so much a mathematical or statistical test; it is a question of whether they are taking the steps that they agreed to take with respect to land reform, with respect to their fiscal and monetary policy, with respect to devaluation, with respect to whatever it may be.

I don't know whether all of this answers your question or not.

Senator METCALF. This is very helpful, and I am glad to have an explanation of how these things occur.

Let me cite an example for you from our own domestic affairs, a recent one, in Wibaux County, Montana. A citizens' committee made a study of hunger in the United States. The committee relied heavily on statistics. The statisticians found what appeared to be a high rate of postneonatal mortality in Wibaux County, 19 per thousand. Well, if you reduce that sample down to size, it means that a baby, one baby, died in sparsely-settled Wibaux County. The reason for that death could be distance from the hospital. Statistically, though, one death appeared to be a high rate. And so the map prepared by the statisticians, which appeared in the *Washington Post*, showed that Wibaux County was an emergency hunger county—the

only county in eight western states in that category. So the Department of Agriculture sent a team in to find the hungry people and feed them. I made my own check into the situation, and so did others, and we haven't found anyone hungry there yet. I have asked the Department of Agriculture to put its people where they are needed, and I'm glad they have pulled out of Wibaux County.

And there is something else about that map the statisticians put together for that "Hunger USA" pamphlet. According to the map there isn't any emergency hunger situation in Harlem, in any part of New York, in fact nowhere in the entire Northeast. The reason of course is the reverse of the situation in Wibaux County. There are so many people in those seaboard areas that the hungry are swallowed up, statistically, by the well-fed majority.

It would seem to me that it would be even more difficult for you back here in Washington to analyze correctly reports from Africa or Southeast Asia, or some other foreign area, and to grasp what the statistics really mean. I would think you would have to work even harder to avoid the abuse of statistics in A.I.D. than we have to work to avoid their misuse in domestic policy.

Mr. GAUD. I think that is right.

Mr. FARRAR says he would like to add something to this.

Mr. FARRAR. I think we are very conscious of the fact that the numbers we use, and, of course, we use a great many of them, are generally pretty inaccurate, because of the lack of administrative superstructure in the country to provide them. We take an approach which is represented in a book called "Planning Without Facts" by Wolfgang F. Stolper. We realize that what we need is more information, more statistics, than we can possibly get.

We have to find means of building our programs without demanding facts that we know we cannot get. This consciousness, this suspicion of the quality of statistics, which pervades the agency both in Washington and overseas should protect us from a too automatic judgment based on statistical analysis.

Senator METCALF. Mr. Chairman, I don't want to completely dominate this discussion, and we have two of our other colleagues here. I will defer my other questions.

Senator JACKSON. Senator Baker.

PPBS AND INNOVATION

Senator BAKER. Thank you, Mr. Chairman.

Mr. Gaud, I never have really feared the intrinsic threat of PPBS or computerized analyses, any more than I fear the threat of laboratory chemistry of blood samples produced by a physician. I think the value or the mystique arises from the interpretation rather than the system. With that preparation I should like to ask two questions.

First, to what extent, in your judgment, does PPBS in your application lend itself to the encouragement of innovation, particularly the utilization of new technology rather than perpetuation of existing systems, concepts and approaches in the aid field?

Mr. GAUD. Well, I don't know. That is a difficult question to answer. I never thought of it before. I don't see any particular relationship, really.

Senator BAKER. The point that troubles me and prompts the question is the prospect that statistical, orderly, regular analyses of programs and results, which is the real essence of PPBS, lends itself to perpetuation of existing techniques rather than innovation, and rather than the incorporation of brand-new ideas or brand-new techniques for utilization in your program and other programs.

I think now of an example: The whole field of nuclear power, of nuclear desalting, of intensive agriculture and so-called food factory concepts and the like, has probably reached the stage of technical development and feasibility so that they are now labeled as an accomplished reality. I see very little effort to apply PPBS type tests to the desirability and utility of these newer ideas to A.I.D. programs and the like.

Mr. GAUD. I still don't see any real connection. In other words, as I said earlier, the PPBS doesn't tell you if you are going to build a particular power plant, at least the way we use it, or whether that power plant should be fueled by atomic energy, by coal or by oil, or by gas.

If the PPBS, and our planning and analyzing, suggests they need more power in East Pakistan, we then study it and come up with a loan paper which will consider the alternative sources of power.

Senator BAKER. If I can interrupt just a second to make the distinction, I think we are talking about two different things.

Mr. GAUD. Perhaps we are.

Senator BAKER. I agree that the exact application of new technology is not dictated by PPBS, as I understand it. However, take India as an example. The proposition of credits and loans to purchase fertilizer or spare parts for existing fertilizer plants is one concept which is thoroughly tested and understood within the terms of present procedures and techniques of A.I.D.

Yet, there is an entirely different approach to that problem, such as fixing atmospheric nitrogen by using very low-cost electricity to produce fertilizer for use in conjunction with intensive farming operations, including the farm factory concept, instead of trying to embellish and improve existing farm methods in India. They are two very different things.

What I am asking is whether or not PPBS tends to fix and rigidize our outlook toward existing methods rather than encouraging new, bolder, more venturesome techniques, as I think I described.

Mr. GAUD. It shouldn't. I don't see why it should.

Mr. FARRAR. In a sense the PPB system is empty. It will deal with whatever you put into it.

Senator BAKER. That is precisely right.

What I am trying to say, though I am not saying it very well, is that I think PPBS is a closed circuit system. It operates only on those things that you put into it, and I see no provision for putting new things into it.

Mr. GAUD. I just don't understand that because the PM originates in the field. It is prepared there by the program officer in the first instance with the advice of his division chiefs and technicians, and approved by the Mission Director and Ambassador. It comes back here and it is reviewed in Washington.

I would say that the question of whether we take new technology

into account adequately depends on whether we have good people in the agency who are administering the program.

Senator JACKSON. Good people who are using this tool?

Mr. GAUD. Yes.

Have we a guy in Pakistan or here in Washington who will raise the kind of question that you have just raised about fertilizer? I don't think the PPB system has anything to do with it one way or the other. It is a question of whether our people are up to snuff, it seems to me.

Senator BAKER. I think we go back to the original analogy I tried to make. It depends less on the system than on the ability of those who interpret the results. I think that is right.

I would suggest, however, that in the Defense Department, and in my limited observation of other areas of the utilization of PPBS, there is a tendency to deal with existing techniques and technology rather than a thorough incorporation of new or newer ideas in the system. I think we are now talking about the same thing, and I, too, think it is really a question of effective utilization of the system.

AVAILABILITY OF DATA TO CONGRESS

A second question, if I may, is this: I have put it to other witnesses in this series of hearings. Not particularly as it relates to A.I.D., but rather as it relates to the general relationship between the Congress and the Executive Department, and the total budget-making processes. I wonder if you would agree that it would be highly desirable to embellish the PPBS concept by mechanically and actually making available to the Congress the raw data that is available to the Executive Department in order to test and judge the budgetary recommendations that are sent to the President periodically as the Constitution requires.

I wonder if this wouldn't be an improvement of the PPB system as we now utilize it.

Mr. GAUD. In theory, I would agree with you. In practice, as I indicated a little while ago, I don't feel—and I hope you will understand the spirit in which I say this—I don't feel that the Congress is suffering today from being given too little information about our program or about how we arrive at our decisions. From where I sit, the problem is to get the Congress to look harder at the program than it does, and to deal with the material that we send up here now.

I don't feel that the great bulk of the material that we get—which we find useful and on which we spend a great deal of time—would help the Congress particularly.

For example, in Washington and in the field each year, we put roughly 179 man years of activity into preparing our Program Memoranda. These documents are very voluminous and are as complete as we can make them. To me, it is an absurdity to think that anybody in the Congress would have time to even look at them. I am doing my best to get the Congress to concentrate on the fundamentals of the A.I.D. program and I don't always feel I do very well at that.

Senator BAKER. I think your point is very well taken. Members of Congress simply don't have the time.

Mr. GAUD. They are too busy.

Senator BAKER. However, that doesn't negate the original concept. Let me give you another example.

Mr. GAUD. I agree with you in theory.

Senator BAKER. I receive about 18 pounds of printed material which is the administrative budget. I assign one or two staff people to review it. They are hard put to review even the superficial aspects of the budget.

Once again in the matter of utilizing new techniques, and to use a phrase I am not very fond of, methodology, it seems to me that we in Congress would be far better equipped to judge that budget or your program if we had computer access to the raw information on which you made your judgment so that particular items within the budget could be tested in the same manner.

Now, an extension of the same theory would be since Congress—which is extremely stingy with itself in the matter of staffing—is required to function as a branch of the Government and make an intelligent consideration of your proposals, substantial, even lavish, additional staffing and machinery are required which would interconnect and tie to the PPBS concept with the appropriate hardware to utilize it.

Would you agree with that general theory?

Mr. GAUD. Yes; certainly. I don't know whether there is a misunderstanding here or not, but, you know, none of this stuff is on computers.

Senator BAKER. No. I think it should be, though. I don't think all of it should be. I don't think you could get a computer print-out of a particular PM in your case, but I do think that certain cardinal features of the program, certain cost breakdowns which are vital to an intelligent evaluation of the programs, should be stored in a memory bank that gives access to both your Department and to the appropriate committees of the Congress.

Thank you, Mr. Chairman.

Senator JACKSON. Senator Mundt?

VALUE AND LIMITS OF PPB IN A.I.D.

Senator MUNDT. I have had the privilege of listening to Mr. Gaud on two other committees on which I serve.

Foreign aid is a very complicated problem. Mr. Gaud has done his best, certainly, to keep us acquainted on the Appropriations Committee and the Foreign Relations Committee, with answers to any question we can conceivably ask.

I don't see how PPBS can be of any great value, if you tried to expand it widely in A.I.D. matters, considering the difficulties involved.

I am intrigued with one statement you made. You said:

PPBS has been very helpful in clarifying some of the decisions we make, and of little use in others.

Forget about the little use, but would you name two or three of the major decisions in which you have received very definite help from the PPBS?

Mr. GAUD. Yes, sir.

In deciding on the composition of our major development programs, we rely on the Program Memorandum and the analysis that it contains on the amount of aid we should give to a particular country and

the kind of aid we should give to a country. Also, this analysis helps in deciding what policies we should urge a particular country to adopt as the condition of receiving aid from us.

Senator MUNDT. Will you particularize, give us the specific instances of two or three major decisions on which PPBS has been very helpful?

Mr. GAUD. Surely.

When we consider, for example, whether we should give a program or commodity loan to Brazil, we ask: (a) should we give it; (b) how large should it be? This depends on a number of factors. What is their foreign exchange picture? How well are they handling their own resources? What are their import needs?

A whole host of factors of this sort go into that decision. The analysis of the Program Memorandum gives us the data we need to make our decision.

Take Chile. As you know, one of the primary factors in Chile is the copper situation. This is a key element in deciding whether and to what extent we should give aid to Chile. What are Chile's anticipated receipts from copper over the next two or three years? What is the price of copper likely to be? Do they need any aid at all from us, given the situation of the copper market?

This kind of an issue is discussed in the PM and it leads to a conclusion for us.

Senator MUNDT. In other words, the data that you use in terms of economics and statistics about material things can be helpfully produced by PPBS?

Mr. GAUD. Right.

Senator MUNDT. And it could not be very helpful in developing the human equation?

Mr. GAUD. No, sir. It is of no value in your political situations as to whether you should give aid or whether you should stop giving aid for other than economic reasons. It certainly is not of much value in carrying out Title IX programs, institutional development, and the like. It has a limited usefulness.

Senator MUNDT. The other than economic reasons, it seems to me, in most instances have to predominate, for example, in such cases as famine or flood.

Mr. GAUD. This is right.

Senator MUNDT. The needs of the world are vast. We simply can't start out on the basis of whether a computer can kick up an economic need. In the major decision-making area, you finally have to decide whether to go or not to go, and PPBS would not be very helpful.

Mr. GAUD. That is right.

To oversimplify it somewhat, Senator Mundt, let me say that PPBS would be of no value if you were deciding whether you wanted to give aid to a particular country—apart from looking at the question of whether the country was following sensible policies. It would be of no value in helping you to decide whether that country's posture and relationship to the United States were such that you wanted to give aid to it.

But, once you make a decision to give aid to a country, PPBS is very useful in telling you how you might achieve your objectives, what the costs will be, and what the alternatives will be. It doesn't make the basic decisions either in the beginning or in the end. It is only a tool

that you use in some instances. You couldn't possibly build a sensible aid program on PPBS alone.

Senator MUNDT. I can see how it might sometimes eliminate from consideration some application which you might otherwise be considering because you have a persuasive applicant who comes here with tears in his eyes and a tin cup in his hand and makes an emotional appeal. After you take the tears out of the tin cup and looked at the economic situation, you might say that conditions there are not as bad as they are some place else.

Mr. GAUD. That is right.

Senator MUNDT. In that instance, you could minimize the problem you are surveying.

Mr. GAUD. Yes.

For example, to give you another illustration of the value as we see it of the PPBS, we have been working with Korea and Turkey for quite a long time. They are both doing well. Our analysis a couple of years ago indicated to us that if they stick to their last and continue to follow sensible policies, there is no reason why they shouldn't be free of the need for aid on concessional terms by early in the 1970s. This was indicated by our analysis in our Program Memoranda.

So, we then went to both countries and said, "Look, gentlemen, this is the way we see it. This is what we think you ought to be planning for."

In both instances, as you know, from one of the other committees in which we work together, both of these countries have announced to their people that it is their policy, their plan, their program and their hope to be through with aid by the early seventies.

Now they may or may not make it. But the point is they are working toward it. If we were just going along on a day-to-day or year-by-year basis, we would never figure that out.

USE OF COMPUTERS

Senator MUNDT. To what extent do you rely on computerized information?

Mr. GAUD. We don't very much for this purpose, Senator. Perhaps Mr. Farrar can amplify this.

Mr. FARRAR. Of course most of our accounting system is automated so that data on expenditures, pipeline, obligations and the like used in our PM's and in the reviews comes from computers.

In a few cases we use computers in connection with econometric models to make projections of the longer range consequences of various aid input or economic policy choices. Finally, we are planning to make greater use of automated data processing for information retrieval, for putting the vast amount of data available to us into a form more easily used in the PPBS and other aspects of Agency management.

SIZE AND NATURE OF PPB STAFF IN A.I.D.

Senator MUNDT. Do you have a PPBS operational staff of your own or do you work through a PPBS operation set up in the State Department, or even through a broader interdepartmental one?

Mr. GAUD. It is entirely in A.I.D., Senator Mundt. The State Department participates in the reviews of the Program Memoranda. To

begin with, the Ambassador and his staff in the field participate in the preparation of the Program Memoranda. The Ambassador has to approve it before it comes here. The working staff in the field is my staff. When it gets back here and the memorandum is reviewed first in the region and then ultimately by me, the State Department participates in all of these reviews. But the staff that handles the document, that prepares the document, is an A.I.D. staff entirely.

Senator MUNDT. How many people would you say you would have, of your entire operation staff, involved in your PPBS operation?

Mr. GAUD. We reckon that there are some 77 people who work on PPBS here in Washington, either full or part-time. When I say "part-time", I am defining that as meaning that at least 25 per cent of their time is spent on the PPBS exercise. If you convert the part-timers into full-time equivalents, it works out to about 33 man years in Washington.

Overseas, where these Program Memoranda are prepared in the first instance, we have 301 people working on PPBS either full or part time, and if we convert this to full-time equivalents, it is roughly 146 man years of activity overseas.

So, putting the two together, it is a total of 179 man years of activity on the PPBS, both in Washington and abroad.

Senator MUNDT. What kind of people are they? Are they economists? Are they lawyers? Are they accountants? Are they career diplomats, political appointees? What are they?

Mr. GAUD. They are mainly economists, but there are a lot of other technicians as well.

Senator MUNDT. Are they economists who were teaching in universities or are they practical advisors who advise you?

Mr. GAUD. Well, economists, I guess, are pretty much like other people. They differ.

Senator MUNDT. They surely do. That is what I want to find out.

Mr. GAUD. Some of them are permanent civil service employees or Foreign Service Reserve officers, A.I.D. Foreign Service Reserve officers. Some of them are people who come in from the outside from a university or from a foundation and spend two, three, or four years, with the Agency. Some of them are youngsters who have just received their degrees and come to us as management interns and may or may not stay with the Agency.

But, in addition to economics, the Program Memorandum will cover such subjects as agriculture, education, health, public safety, public administration, labor. So, there are all kinds of people in addition to economists who work on these. But most of our program officers who prepare these documents have an economics background.

If I can add something—I adverted to this very briefly earlier—an important point to keep in mind is that while economists and other technicians prepare and work on these documents they don't make the ultimate decisions. The ultimate decisions as to what the program shall be are made in the field by the Mission Director, with the advice, assistance, and approval, of the Ambassador. These are men with many backgrounds. And then back here in Washington the decisions are made by the Assistant Administrators and by me—again in very close consultation with the State Department.

So it isn't, and in my judgment it shouldn't be, the technicians or

specialists who make the ultimate decision as to what the program shall be.

Senator MUNDT. The reason I asked the question is it seems to me that it would probably be very difficult to get, but what you would need to have, in the main, are, for want of a better name, what I would call private sector economists, the kind of hard-headed guys who can examine the whole economic situation, not in terms only of the needs and the planning, but the economic factors involved in getting our money's worth.

I recall an experience you had with Williams and Mundt who examined one of the economic operations. When the deficiency was called to your attention, you promptly corrected it. I would think in your shop it would be important to have economists recruited from the private sector, whose job it is to look for those deficiencies; as well as efficiencies. I think they may be hard to get. That is why I asked if they were theoretical economists. I think a lot of economic professors I have had in college could go all through a career in A.I.D. and never come up with what Williams and Mundt found and asked you questions about.

Mr. GAUD. Without disagreeing with anything you have said, because I don't, I think it is important to bear in mind that there are three separate phases of our operations, if they are to be properly conducted.

One is programming, and the PPB system is very important in terms of our programming, as I have said.

Next is implementation, good management.

Third is evaluation.

All the programming can do is to get you started. You have to have just as effective management as you can get for your implementation to make sure that you make as few mistakes as possible, and that you stick to sensible policies and procedures in carrying out your program.

Finally, you should have, and we do have, an evaluation system whereby, as you suggest, you are constantly looking at your operations, both at the programming operation and at implementation and procedures, to see that you are doing as effective a job as possible.

It takes all three of these to make a sensible operation: Programming, implementation and evaluation. You can't look, and you shouldn't look, at the programming business as being the whole answer to it. The other two are equally important.

Senator MUNDT. Mr. Chairman, for one who started out to ask a single question, I have taken enough time.

Senator JACKSON. Just one follow-up question, Mr. Gaud.

What increase in staff has taken place as a result of the assignment of the economists to carry on the PPBS part of the operation?

Mr. GAUD. I would say there have been almost no additions to our staff as a result of this, Mr. Chairman. The PPBS, if you are using the term literally, of course, was applied in 1965. By that time, as I have said in my statement, we had a very similar programming system already in being.

Senator JACKSON. Certain aspects of the program, of course, have been going on for many years.

Mr. GAUD. That is right. I have said that there are roughly 179

man years spent on PPBS. It would be almost impossible for me to say how much our analytical staff has grown over the years.

With respect to the Agency as a whole, except for Vietnam, our staff has decreased over the years.

If you start with the proposition that ever since 1961 we have been preparing country programs for the countries we are in, we have really been doing this kind of thing for quite awhile.

Senator JACKSON. How many people would you designate in 1962 in this category and how many would you designate now?

Mr. GAUD. Perhaps I could supply that for the record. I couldn't say offhand.

(The material referred to follows:)

COMPARISON: Man-years spent on PPBS or equivalent activities in A.I.D. in 1962 and in 1968

There is a difficult problem of definition in determining who was doing PPBS-type analysis in 1962. Therefore, the figures below represent rough estimates based on a review of staffing patterns for that period.

	<u>1962</u>	<u>1968</u>
<u>A.I.D./Washington</u>		
Total number of people	72	77
Equivalent man-years	32	33
<u>Field</u>		
Total number of people	275	301
Equivalent man-years	115	146
<u>Total A.I.D.</u>		
Total number of people	347	378
Equivalent man-years	147	179

The increase from 1962 to 1968 is primarily due to an increase in analytical staff in the field.

PPB AND THE ROLE OF ADMINISTRATOR

Senator JACKSON. I think Senator Mundt has laid the foundation for the next interrogator, the Chairman of the Economics Department at Oberlin, Professor Tufts! Professor Tufts, you may proceed.

Dr. TUFTS. I would like to call your attention, Mr. Gaud, to an early passage in Mr. Schelling's memorandum, which I believe you have read.

Mr. GAUD. Yes.

Dr. TUFTS. He makes an analogy with a courtroom adversary proceeding. He says:

Systems analysis and other modern techniques of evaluation require a consumer, some responsible person or body that wants an orderly technique for bringing judgment to bear on a decision. PPBS works best for an aggressive master; and where there is no master, or where the master wants the machinery

to produce his decisions without his own participation, the value of PPBS is likely to be modest and, depending on the people, may even be negative.

I am curious as to who the consumers are in A.I.D. Do you, yourself, spend a good deal of your time studying the Program Memoranda that are submitted and so on? Do they serve a function at your level? Or is it mainly in the lower echelons?

Mr. GAUD. I spend very little time studying the Program Memoranda, as such. They come in from the field and are reviewed extensively and exhaustively, first at the regional level by the Assistant Administrator in charge of Near East and South Asia, Africa, or one of our other regions. He and his staff and the representatives of all interested agencies review them.

That review is attended by people from my central program office who represent me, so to speak; other central staff; and by the Bureau of the Budget. As a result of that review, issues are framed which are presented at a hearing which I hold. This review is likewise attended by the regional people, by the Bureau of the Budget, by my central staff, and by representatives of outside agencies.

So, I do not review the country program as a whole. I only deal with the issues that are identified by the earlier regional review. Then, in turn, as a result of this, I make my program submission to the Bureau of the Budget. This is a rather lengthy document and sets forth the issues and the alternatives with respect to the particular countries. So, I would say that the consumer here is first me and second the Bureau of the Budget.

Dr. TUFTS. That interests me because you say you don't spend much time studying the documents yourself.

Mr. GAUD. No; I don't. A complete Program Memorandum for one country may consist of three volumes. We have them for a great many countries.

Frankly, I couldn't sit down and study all those documents in detail any more than I could expect a member of the Congress to do so, if I may be so irreverent as to compare myself to a member of the Congress. I rely on my staff in this matter as I do in many other matters. I deal with the issues which come up from the reviews held at the regional level.

Dr. TUFTS. That is exactly the point I wanted to get to.

It seems to me that as an administrator one of your principal problems must be to insure that the right issues are raised.

Mr. GAUD. Right.

Dr. TUFTS. What sort of insurance do you have that Program Memoranda are raising the right issues? To what extent do you feed into the process the questions that occur to you as being key questions on which analysis is needed?

Mr. GAUD. There is no simple answer to that. I suppose one partial answer is that I have now been with the Agency since 1961 and I have some feel for most of the countries which we are doing business in. I have seen the programs evolving over a period of years. God knows, I don't always ask the right questions, but at any rate I have some notion of what most of the issues are in the particular countries.

In addition to that, on these reviews at the lower level, to begin with I have picked the regional administrator. I have confidence in him.

I have picked him as a man to whom I feel I can delegate responsibility. That is why he is there. He wouldn't be there if I didn't have confidence in him.

So to some extent I rely on him and, in turn, on his staff. In addition to that, as I say, my central staff takes part in this review, Mr. Farrar or someone from his staff. The Bureau of the Budget is there. The White House staff is there. The Department of Agriculture is there to look at agricultural questions. The Treasury is there to look at fiscal and monetary questions. Health, Education, and Welfare is there if we are carrying on a health program. The Department of Labor is there if there is a labor program in the country, and so forth.

So there are quite a lot of people who are involved in this review, many of whom have axes to grind. They are often conflicting axes.

In addition to that, the review will be attended not only by the central program people, but, in addition, by people on the central A.I.D. staff, identified with me rather than with the regions, who deal with agriculture, education, health, labor, public safety, and public administration. They, representatives of mine, also participate in these reviews.

Incidentally, we bring in people from the field who prepared the Program Memorandum to participate in the reviews. They participate not only in the regional review but in the review I conduct.

So, you have the field, you have the regional people, you have the central staff people, you have the State Department, you have the other functional agencies such as Agriculture and Treasury.

Dr. TURRIS. You used the word "review".

What I am trying to get at is whether you have devised some way of inserting your own views or the views of your close associates into the process that originates, I suppose, from the country team, in such a way that the paper that comes up for review will have considered the issues that you think may be important.

Mr. GAUD. I didn't start far enough back.

The whole process starts with a directive which goes to the field from here, setting priorities and telling them in general terms how to prepare the Program Memorandum, what they are to look at, so forth and so on. That guidance embodies the fundamental policy which they are supposed to follow.

For example, three or four years ago the President decided and announced that the first priority in the A.I.D. program was to go to agriculture, education and health. So, for that year, and I guess the year after, this was immediately embodied in the directive which went out to the field missions.

In 1966, when I became Administrator, I thought that our focus should be sharper than that; it should be on increasing food production and on family planning. I established those as the first priorities in the Agency. So, the directive which went out to the field prior to the preparation of the Program Memorandum said, "Gentlemen, these are our first priorities, and you will have a section in your Program Memorandum dealing with these particular subjects."

So we start with that directive. Obviously, my own staff tries to see that these directives are carried out. When we have the reviews in Washington, certainly when I have my review, I have a check list of things with respect to the overall program and with respect to par-

ticular countries that I go into and see to what extent they have or have not been covered.

I would think, given the size and complexity of the operation, that between the original directive and the review system I get a reasonably good shot at it.

Dr. TUFTS. I suppose you would have done this whether we had anything called PPBS or not.

Mr. GAUD. We were, in effect, doing something like it before.

Dr. TUFTS. You were putting your priorities on agriculture and so on.

Mr. GAUD. The priorities were not thrown up by the PPB system.

Dr. TUFTS. To what extent has the introduction of PPBS modified in any way this aspect of your task as an Administrator? Has it helped you in some way in introducing these issues or in getting the reports from the field that you need?

Mr. GAUD. Not really, because we were following essentially the same system before. It was somewhat less elaborate. We were essentially following the system before with our country assistance programs. We had the cable of guidance or the airgram of guidance; the preparation in the field; and the reviews back here.

When I came with the Agency in 1961, the reviews were more sketchy than they are today. The papers which came in from the field were far more sketchy. I think we knew a good deal less about the job we were trying to do. We weren't so clear on what our priorities were. We had more money than we do today, and we didn't have to be so tight on our priorities.

But between the improvements in the planning and programming system, and the cuts we have been getting from the Congress—plus the fact that we have learned more about the development business—I think we have improved the quality of the work very considerably.

Senator MUNDT. I think what he is saying, Doctor, is that the energetic activities of the Appropriations Committee which reviews the requests and the analysis in the Foreign Relations Committee, has had quite more of an impact on the program than PPBS.

Mr. GAUD. I would agree with that. More impact than anything else.

PPB AND PERFORMANCE EVALUATION

Dr. TUFTS. One of the points that the President made when he introduced this system throughout the Government, in fact the last point, was that the system was to measure the performance of our programs to insure a dollar's worth of service for each dollar spent.

We haven't said much this morning about the program evaluation. You did introduce it in response to one of Senator Mundt's questions.

I noted that you concluded your prepared statement with a reference to the submission of the proposed A.I.D. budget to SIG for discussion, review and recommendation before it was presented to the Budget Bureau.

Mr. GAUD. Yes.

Dr. TUFTS. Did the PPB system produce evaluations that were useful in this SIG review and that were helpful to you also in making your decisions on the A.I.D. budget?

Mr. GAUD. If I understand your question, sir, the PPB system

certainly helped us decide in many instances what we wanted to do in particular countries and helped us decide what a sensible program in a particular country would consist of.

I think it improved the quality of the program, improved the quality of our budget, and thereby improved the quality of the submission that we made to SIG. The SIG members themselves didn't get into the details of the PPBS submissions, but there were a great many discussions of alternatives in the SIG, largely from what you might call a political standpoint.

Would it be better to put more money into Africa or more money into India and Pakistan? Should we give a still greater priority to the Alliance for Progress than it already has? Should we be concentrating more on public safety programs, police programs, than we are?

There was a great deal of discussion of the connection between the economic aid program and the military program and the military sales program. It was primarily these larger issues that were discussed in the SIG.

Dr. TUFTS. In answering questions of the sort you indicated, the answers would depend to some extent on evaluation of what had been accomplished in Africa and what had been accomplished in India and Pakistan.

Mr. GAUD. That is right.

Dr. TUFTS. And what police programs had done to help maintain order in Latin America.

Mr. GAUD. Yes, sir.

Dr. TUFTS. Has PPBS, this approach, helped you significantly in attaining better evaluations of what you have been able to accomplish and thus contribute to your own review and to SIG review?

Mr. GAUD. I think so.

Dr. TUFTS. I think that is all.

Senator JACKSON. Professor Farber, you may proceed with the questioning.

QUALITY OF THE PROGRAM MEMORANDA

Dr. FARBER. I have a few questions, too, with respect to the Program Memoranda.

It seems to me the quality of the Program Memoranda is crucial to the success of the PPB system. I would like to follow through on one of Senator Baker's questions.

To what extent are innovative ideas encouraged in the Program Memoranda; or, are new ideas fed in better from other sources? I am thinking in terms of the alternatives to reach objectives. Is this a method whereby people in the field can feed in new ways of doing things?

Mr. GAUD. It is supposed to be.

Dr. FARBER. Are the functional specialists encouraged to contact the PPBS unit in the Mission relative to alternative ways of reaching objectives?

Mr. FARRAR. It is always a problem to describe valid alternatives that represent a real choice and are not just straw men that can easily be knocked down.

I think in some Program Memoranda that we reviewed last year we did have some really valid alternatives, particularly those relating

the possibilities for overall economic growth in the country to the level of general economic assistance, where there was a real choice that could be made.

I think, frankly, a good deal depends on the personality of the Mission Director and the program staff in terms of the degree to which they seek innovative suggestions.

Dr. FARBER. Is there a great unevenness in the quality of the Program Memoranda?

Mr. GAUD. There is certainly some.

One of the things that we lack most is enough really top-notch program officers who, of course, make a large part of the input into a Program Memorandum. You do get some unevenness. Our staff varies in quality from Mission to Mission.

If I may go back to the question you asked a minute ago about innovation, I wouldn't want to leave the impression that we rely entirely on a mechanical process of preparing the Program Memorandum for our ideas. We have technicians in the field. We also have staff here in Washington in the various technical fields. There is a great deal of interchange of personnel. There are temporary duty assignments and various visits by Washington staff.

For example, two of the fields we are most interested in today are family planning and nutrition. There aren't many family planning people anywhere. I am not talking only about in A.I.D., but worldwide there aren't many people who are trained in this field.

If we relied on our Missions to come up with imaginative programs in family planning, we wouldn't get very many. So we have to rely very largely on our people here in Washington. We send them out to the various Missions. We have them work on the particularly important countries making an input into the program for those countries.

The same thing is true in the nutrition field, which is an area where we are trying to stimulate more activity. We don't have nutrition experts in many of our Missions. But we have a number of people here at home who are experts in this field.

So it isn't just a matter of the PM coming in from the field containing whatever contributions can be made by the people there. In addition to the original cable of guidance which we send out, all through the year there will be contacts with people from Washington who can make contributions that will show up in the PM.

In addition to this, of course, we very often send special survey teams out to a particular country, in agriculture, nutrition, family planning, or other fields. These teams are made up partly of people from the private sector, partly of people from universities, partly of people from A.I.D. or from other Government agencies. It depends on the job to be done, whom we can get and who is qualified to do it.

So, again, a large part of the input in a particular Program Memorandum may come as a result of a special survey done by a group that is sent out to the field for the specific purpose of ginning up a better program in that country in a particular area.

Dr. FARBER. You make certain, then, that the PPBS people have access to high level conferences that might take place in the area, and there is a feed down as well as up in this process?

Mr. GAUD. This we try to do; yes.

Dr. FARBER. I was thinking about the kind of studies that might be made by consultative groups or consortia here in Washington. That material would be fed down so that in the field they would be operating in the light of the over-all picture.

Mr. GAUD. That is right.

Mr. FARRAR. If I might add one thing, as we review each Program Memorandum each year, we in the Washington staff look specifically at the question of what special studies are suggested by this program and make recommendations back to the field for particular sectors that seem to warrant more work, with the idea of innovation in mind.

SIZE OF THE PROGRAM MEMORANDA

Dr. FARBER. I have just one final question: I was a little surprised at your reference to the size of the Program Memorandum in the light of the Budget Bureau guidelines stating they should not exceed 20 pages. Has this requirement been changed?

Mr. GAUD. I wasn't familiar with that. We certainly don't follow it. I will tell you that.

Mr. FARRAR. There is a question of the letter and the spirit, I think. The Program Memorandum proper for Korea consists of 23 pages.

Dr. FARBER. The rest is appendices?

Mr. FARRAR. Yes. It is a question of whether you have really read the Program Memorandum when you have read the 23 pages. But the essence of each Program Memorandum is contained in a short statement that does try to focus, as Mr. Gaud said, on the issues that need to be considered.

Dr. FARBER. Thank you.

MORE PERSUASIVE ANALYSIS FOR CONGRESS?

Dr. TUFTS. I have had on my mind the issue implicit in Senator Jackson's questions and Senator Baker's questions, and some others, namely, your big problem of how do you persuade the Congress that the appropriations you request are really justified by the benefits the country would obtain from Congressional approval of those requests? I take it, it is pretty obvious, that the Executive Branch is persuaded by the analysis it makes or gets that substantially larger funds for economic aid would indeed be justified. Yet, somehow, year after year, the Executive Branch does not persuade the Congress that that is so.

You said that you have trouble getting the Congress to concentrate on the fundamentals. In a real sense, isn't the heart of the PPBS an effort to relate costs and benefits? And shouldn't there be something more that you can do in making use of this material that piles up to a considerable volume to present to the Congress information that would relate to costs and benefits in a way that might be helpful to you in getting what you think is needed and justified?

I am really not persuaded, I guess, that it wouldn't be desirable to provide more helpful information to the Congress. Even if Senators and Congressmen cannot read all the material, I wonder if it wouldn't be desirable to present the sort of things that are persuasive to you. If they are persuasive to you, why wouldn't they be persuasive to the Congress?

Mr. GAUD. I am entirely in agreement with you as a matter of theory. But I am not sure that as a matter of practice anything would come of it.

Senator JACKSON. In closing, and on the lighter side, I want to call your attention to an example of quantification in foreign affairs, and I would like to get your reaction to it.

An American diplomat recently resigned from his official post and, upon departing, summarized his three years of service, as follows:

- held 1,204 appointments with individual ambassadors;
- participated in 232 consultations among various groups;
- attended 173 meetings of an international council;
- participated in 47 resolutions adopted by that council;
- attended 94 plenary meetings of an international assembly;
- participated in 343 resolutions of that assembly;
- delivered 215 policy statements;
- attended 776 receptions held by other envoys;
- spent 168 days in consultations in Washington;
- held 303 meetings of his own staff;
- hosted 235 diplomatic functions attended by a total of 16,094 guests.

Mr. Gaud, what is your reaction to this example of the quantitative approach?

Mr. GAUD. The same concern that Senator Metcalf expressed to me a little while ago. My!

Senator JACKSON. In conclusion, let me voice my appreciation and that of every member of the committee for your excellent presentation and your participation in this continuing study of ours. You have been most helpful. I want to congratulate, commend and commiserate with you.

Mr. GAUD. Thank you.

Senator JACKSON. As part of our review of planning-programming-budgeting in the foreign affairs field, we requested a memorandum or letter from the State Department, USIA, and the Peace Corps on the status of the application of PPB in those departments or agencies and on the main limitations, values, and problems in using PPBS in decision-making. We suggested that we would welcome an evaluation of the kind of program and policy analysis that is most useful to top-level policy-makers in dealing with problems in those departments and agencies.

Without objection, I would like to include in the record of this hearing the responses received by the subcommittee to these requests.

In addition, without objection we will place in the record a memorandum prepared on our invitation by U. Alexis Johnson, U.S. Ambassador to Japan, giving his views from the perspective of an ambassador in the field on the application of the PPBS to foreign affairs agencies.

Thank you again.

(Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene at the call of the Chair.)

PPBS AND FOREIGN AFFAIRS DECISION-MAKING

(Letter from Nicholas deB. Katzenbach, Under Secretary of State)

THE UNDER SECRETARY OF STATE,
Washington, July 15, 1968.

HON. HENRY M. JACKSON,
Chairman, Subcommittee on National Security and International Operations, Committee on Government Operations, U.S. Senate.

DEAR SENATOR JACKSON: The Secretary and I appreciate this opportunity to provide you and your Subcommittee with an evaluation of the relationship between planning-programming-budgeting (PPB) and the foreign affairs decision-making process. This is a subject in which I have been deeply involved since I came to the State Department almost two years ago, and many of the comments which follow are based on my own experiences with PPB over that period.

As you will see, the major thrust of my comments will indicate that I believe we need more systematic analysis of:

—the factors (including costs) upon which policy decisions are based;

—alternative courses of action and their possible consequences.

But I do not argue that when we have found a method of improving our analysis we will, thereby, have changed the world we live in. Foreign affairs is inherently an area in which there are few absolutes and many variables. It is a field in which the measurable and quantifiable can seldom be the determining elements of a decision.

Objectives

Somehow the very simple and clear ideas announced by the President in August of 1965 have been obscured by misunderstanding and bureaucratic excesses. I want, therefore, to begin by recalling exactly what it was the President directed. He ordered each Department and Agency to:

- identify national goals precisely;
- choose the most urgent from among those identified;
- search for alternative means of reaching those goals more effectively at least cost;
- determine accurately both the short and long term cost implications of the choice between alternatives; and
- measure the performance of programs in terms of objectives attained.

Our success in using PPB techniques will depend on staying as close to these concepts as possible. They are after all, what we should insist upon in any well-staffed analysis of a problem for decision.

Admittedly, PPB techniques lend themselves more readily to those areas of foreign affairs that are most amenable to quantification. But they can help us arrive at a:

- better and clearer definition of our objectives;
- much more systematic analysis of priorities (getting people to put down on paper some of their often unstated assumptions);
- better interagency policy control and coordination (by looking at all U.S. Government programs across-the-board in particular countries or areas); and
- check on past performance (by relating programs back to our objectives and then testing the validity of those objectives).

Our purpose, therefore, in examining these and other techniques is to find ways to raise issues for decision in a timely and explicit fashion, and to present alternative courses of action for decision up to the Presidential level. We also want to find ways to relate and evaluate agency programs to our over-all foreign policy objectives.

Organization of the Foreign Affairs Community

The Department of State is essentially the consumer of the programmed documentation of other agencies. We have been assigned the role by the President of coordinating the activities of other agencies. PPB documentation can become an essential tool in this coordination. By requiring an explicit statement relating the specific program to a broader foreign policy interest, PPB—properly applied—forces into the open conflicting agency objectives and thus helps the senior officers to locate, understand, and resolve these differences.

Abroad, the coordinating role is accomplished under the leadership of the Ambassador. He bears ultimate responsibility for the programs of all agencies in his country; the Washington agencies look to him—as leader of the country team—to present programs and suggestions for activities, as well as to review their effectiveness once approved.

In Washington, the President has asked the Secretary of State to exercise a similar leadership and coordinating role. The President has also established a Senior Interdepartmental Group, which I chair, to advise the Secretary and the President on matters affecting more than one agency. The Senior Interdepartmental Group includes all of the principal agencies* and, when the occasion requires, other responsible officers can be invited to its deliberations.

Our main effort over the past year has been directed at producing the kind of analysis that will make for better decisions by the Secretary of State and the President. We are particularly interested in establishing guidelines and policy objectives which can then be used as a framework by the individual agencies with programs abroad.

Below the SIG level, each Assistant Secretary of State in the five geographic regions chairs an Interdepartmental Regional Group (IRG), with representatives from the same agencies and departments that sit on the SIG. Our effort in the IRGs over the last year has been to make them as management-minded as possible. The natural first step has been for the interagency group to examine objectives, determine priorities and look at the cost implications of their policy choices. Once an Assistant Secretary understands that he has been given responsibility for coordinating major programs in his area, he will actively seek to create the necessary tools to do the job.

Developments Over the Past Year

The SIG has attempted to develop statements of US policy goals and an agreed interagency analysis of situations in several specific geographic areas. We have—over the past year—reviewed the situation in the Middle East, Africa, and Latin America. When an area analysis has been discussed and agreed, it becomes the basis for the broad outlines of policy for the areas. It helps the program agency

*SIG Membership: Under Secretary of State (Chairman); Deputy Secretary of Defense; Chairman, JCS; Director of Central Intelligence; Special Assistant to the President for NSC Affairs; Administrator, AID; Director, USAID; Under Secretary of State for Political Affairs; Deputy Under Secretary of State for Political Affairs; often attending—the Under Secretaries of Treasury and Agriculture.

to decide where to place emphasis, and what specific actions to take in support of that focus.

In the Latin American Bureau, the Assistant Secretary has set up a more formal—albeit experimental—program review system. A Country Analysis and Strategy Paper (CASP) is prepared by each of our Latin American Missions at the beginning of the calendar year. The purpose of the CASP is to:

- put together a descriptive analysis of the situation in the country;
- relate the country situation to specific US interests and objectives.

These papers—which suggest future programs and review and evaluate past programs—are then discussed in March and April by the Latin American IRG, under the Chairmanship of our Assistant Secretary. The approved paper constitutes general guidance to the separate agencies operating in that particular country. The agencies, in turn, use this guidance as they prepare their program documentation for presentation to the Bureau of the Budget.

The CASP procedure is still in the experimental stage. Its strength is that it forces senior officials—first the Ambassador and then the Assistant Secretary—to review all our activities in a particular country. Such a review will, we hope, help us point our programs at key targets, thus getting at an old bug-a-boo of bureaucracy—the continuation, through inertia, of programs that are either marginally important to our purposes or, in some cases, opposed to them. It will, as well, help us link US efforts to self-help programs of recipient countries.

As a review document, the CASP is weakest in hard analysis (this may well be an inherent difficulty of applying PPB techniques to foreign affairs). To measure program effectiveness there should be a direct link between shared US-recipient country objectives. Yet, in most cases, our programs are marginal to the total effort, e.g., a small agricultural loan in a country with major agricultural deficiencies and large programs of its own. But these marginal inputs can be important, and our analytical tools ought to be designed to tell us where it is most useful to concentrate our effort. Even more important, PPB techniques should make it possible more easily to demonstrate to busy senior officials that a decision or choice is necessary on a particular issue.

I have emphasized the Latin American country review experience as an illustration of our tests of PPB-type techniques. The CASP is systematically applied to the whole area because there is the general framework of the Alliance for Progress.

Elsewhere, where we do not employ the area-wide approach, we have analyzed all our programs in particular countries in ways tailored to the particular issues involved. The most recurrent problem requiring systematic country review, for example, is a conflict between military security objectives and economic development. Where we are giving both military and economic assistance it is essential that the mix of our own efforts and the country's programs is right, and that US agencies are not pulling against one another.

The Bureau of the Budget and Program Review Techniques

In earlier years agency submissions to the BOB were reviewed by Budget Bureau officials and officials of the agency concerned. Only occasionally was State asked for guidance on matters relating to foreign policy. Last August—as a result of an agreement between the

Director of the Bureau of the Budget and me—BOB and State jointly reviewed agency submissions for FY 69. We will conduct a similar review of FY 70 submissions next fall.

The documentation used in these reviews is the PPBS submission of AID, Defense, etc. But this documentation, alone, has proved insufficient for our needs. By offering alternatives, good analysis and stress on issues, PPB material can vastly improve the stuff from which policy decisions are made, but we also need an analytical brief that raises issues more starkly. Program memoranda alone do not provide the vehicles for raising policy issues—further staffing is needed. I have, therefore, set up a small staff that does for me what the staffs of the Budget Bureau Director and the AID Administrator do for them.

I can readily associate myself with Tom Schelling's statement that applying PPB in the foreign affairs field is to move from an area of relative simplicity (Defense systems) to one both complicated and disorderly. A group of highly qualified theoreticians worked for some eight years to develop the techniques which Bob McNamara brought into the Defense Department in 1961. I see no reason to believe that it will take less time to develop techniques that we—working with far less quantifiable material—can use to help us in making our policy decisions.

Finally, when I argue for a more systematic approach to policy making, this does not mean that I believe that the development of such a "system" is an end in itself. Nor do I believe that the "system" should make the policy decision. What it can do is clarify issues, thus giving the policy-maker greater confidence that he has the information necessary to make the right choice.

I personally have no fear that the use of PPB as a management tool will lead to a breakdown in human and political control of the decision-making process. Quite the contrary. What I do fear is that as our lives—and the world in which we live—become more complicated we will be overwhelmed by the very complexity we have ourselves created.

Sincerely,

NICHOLAS DEB. KATZENBACH.

MEMORANDUM ON PLANNING—PROGRAMMING— BUDGETING (PPB)

By U. Alexis Johnson

(U.S. Ambassador to Japan)

I much appreciated Senator Jackson's invitation to submit to the Subcommittee by memorandum my views with respect to Planning-Programming-Budgeting (PPB), and my delay in responding has not been due to any lack of interest, but rather to the pressure of events during the recent months in this part of the world. Also, during recent weeks I have been forced to put into practical application some of the concepts that my staff and I have been seeking to develop in this field in responding to the President's directives with respect to reducing overseas staffs.

First, by way of background, I want to say that I make no pretense of being a theoretician or scientific thinker in this whole field of government administration, but have always operated pragmatically, trying to do what it seemed to me needed to be done in whatever way seemed most practical. I do not say this in any disparagement of those who have developed the PPBS or other undoubtedly valuable tools of management, but rather to say that my own bent of mind does not normally run in such directions. Therefore, I have read with particular interest the copies of the testimony before the Subcommittee so thoughtfully sent to me.

My own somewhat peripheral exposure to the PPBS as applied in the Department of Defense came during the period between 1961 and 1964, and between 1965 and 1966 when, as Deputy Under Secretary of State for Political Affairs, I participated in staffing the Secretary of State's review of the Secretary of Defense's draft memorandums for the President to which Dr. Enthoven made reference in his testimony. During that period of service in the Department of State I also had some brief and inconclusive discussions with those who were seeking to develop the Comprehensive Country Programming System (CCPS) and the Foreign Affairs Programming System (FAPS). I also had some discussion of these matters when I was working with General Taylor in the drafting of NSAM 341 which established the Senior Interdepartmental Group (SIG) and Interdepartmental Regional Groups (IRG).

As an Ambassador abroad in a number of posts and in my service in the Department of State seeking to coordinate and direct all of the varying aspects, instruments and interests involved in our foreign affairs I have, of course, been impressed, and often frustrated, at the difficulties inherent in our present structure for operating our overseas programs. I am also conscious that many Americans, both within and without the Government, are voicing increasing concern over the need for and application of stricter priorities in the conduct of our overseas programs. This is right and proper, and I have an open mind toward anything that will contribute to this end.

I have used the term "overseas programs" in the foregoing paragraph to refer to "programs" such as those of State, AID, MAP, USIA, PL-480, etc. and to separate this from the broader and usually more fundamental aspects of our foreign policy. It is possible to consider some kind of a PPBS approach to the former problems, but the latter, while calling for logical thought processes, do not lend themselves to any kind of a budgetary approach. That is, there can and should be some method of analyzing whether we are spending too much or too little on AID or MAP in any particular country and whether the expenditures are the most economical and efficacious to accomplish a particular objective. However, no budgetary approach can help the President or Secretary of State in reaching decisions on the most important and fundamental foreign-policy decisions such as what one does about an ultimatum with respect to Berlin, or the installation of nuclear missiles in Cuba; what one does to attempt to stop hostilities between Pakistan and India, or between Israel and the Arab States; how one seeks to bring about the release of the Pueblo and its crew; whether one votes for country "X" or country "Y" as a member of the United Nations Security Council; what atti-

tude one takes with respect to a military coup in country "Z", etc., etc. What I am saying is the obvious fact that the overwhelming mass of foreign-policy problems and decisions, and those that determine the fundamentals of our relations with other countries, are political in the broadest and best sense of the term and do not lend themselves to any budgetary approach. (Of course, in matters involving our military forces prior budgetary decisions will have determined whether we have the capabilities to carry out any particular line of action. Much the same could be said with respect to our AID and MAP programs.)

Another truism is that in this short post-war period the economies (and politics) of the world have become so interdependent that it is no longer possible to even attempt to draw a clean line between domestic and foreign affairs. In a true sense there is almost nothing that we do in domestic affairs that does not have some impact on some foreign countries, and correspondingly what foreign countries do in their domestic affairs has an impact on us. For example, decisions by private American enterprise with regard to building or not building synthetic rubber plants may be the decisive factor in determining the relations of a particular country with the United States and perhaps in determining the domestic political stability of that country. Correspondingly, a decision by private enterprise in another country to modernize and expand its steel production can affect the New York stock market and thousands of American steel workers. And, of course, this is not just a question of how the United States itself acts and reacts with individual countries abroad, but rather the way in which the some 140 other countries in the world all act and react on each other in what each considers essentially its domestic affairs. I will not further labor the point that there is an enormous dimension to foreign affairs entirely outside of the normal concepts of diplomacy and our programs abroad. Seeking to ignore this dimension does not change the fact that it exists.

There is another obvious dimension to our foreign-policy problems which, for the lack of a better word, I term "third-country problems." What I mean by this is the degree to which our relations with any individual country are often determined not by what we do or do not do in the purely bilateral aspects of our relations but what we do or do not do with respect to that country's conflict of interests with respect to its neighbors or other countries. For example, our relations with the Soviet Union involve very few purely bilateral problems. For the most part our problems involve third countries or areas such as Berlin, Germany, Cuba, Korea, and so on. Much the same is true of our relations with the Arab States and Israel, with India and Pakistan, with Cambodia, Thailand and Vietnam, with Turkey, Greece and Cyprus, and so on. That is, much, and often the major part of our relations under these circumstances, will not be determined by purely bilateral considerations but rather by the positions and attitudes we take with respect to those with whom they have differences of view. An able diplomacy and effective programs can in some cases perhaps mitigate, but normally cannot overcome, the problem that we inevitably must face because of the necessity we are under of "taking sides" or refusing to "take sides" in one country's clash of interests with another. We are, of course, often similarly motivated ourselves in our

own attitudes toward other countries. What I am, of course, saying is that like all human relationships, relationships between the some 140 countries of the world with their billions of people and their attitudes toward and relations with us are enormously complex affairs not yet reducible to any budgetary process or mathematical formula.

Recognizing the foregoing parameters in which our representation and programs in any individual country abroad must operate, no budgetary process is going to determine the personal effectiveness of any individual Ambassador or the members of his staff with respect to the Government and people of that country, and, almost equally important, what credence and weight Washington will give to their views and recommendations. As what some might term an "old fashioned diplomat" I continue to believe that this is fundamental and all else in our representation and programs abroad is peripheral in varying degrees.

However, there is a limited sphere of foreign relations in which I do feel that there is room for a budgetary type of analysis and that is obviously in the field of our expenditures within or specifically directed toward any individual country.

Of course, the difficulty here is, as Tom Schelling ably pointed out, that there is no "Foreign Affairs Budget." In most situations of real importance involving budgetary matters, the expenditures coming under the Department of State budget are an almost infinitesimal part of the whole. Defense expenditures, military assistance, economic assistance, the Peace Corps, USIA, PL-480, and so on usually have the major expenditures. No matter how able and vigorous an Ambassador may seek to be in exercising his authority over these expenditures, he usually finds that his authority is in fact very limited. I have found that an Ambassador can usually exercise his authority to prevent an expenditure of which he does not approve, but he has no ability to effect any "trade-offs" of expenditures, nor can he require another agency to make an expenditure which it may oppose.

This is also true of the Secretary of State. It was in recognition of this that in drafting NSAM 341 the phrase "to the full extent permitted by law" was incorporated. This was because it was obvious that as the Government is presently organized the Secretary of State could not, even by direction of the President, "direct" the head of another Department or Agency to do something for which that head had the statutory budgetary responsibility to the Congress. It was also for this reason that, at the insistence of the heads of some other Departments and Agencies, even in the public announcement of March 4, 1966, concerning NSAM 341, the statement was added that "This action does not affect in any way the statutory responsibilities of any of the key Government officials involved or their relations with the Congress."

Clearly there are major problems within the executive itself in attempting to move toward anything approaching a "Foreign Affairs Budget," and I suspect that the problems of the Congress adapting its traditional committee structure effectively to deal with a single "Foreign Affairs Budget" are at least not less than those faced by the executive. While, as noted below, I believe that there are some things that can be done within the executive, I question how much

real value it will have unless Congress accepts the concept and organizes itself to handle such a budget.

In seeking to move within the executive toward such a budget I agree with Charles Schultze that individual countries constitute useful categories, or, as Tom Schelling terms it, "program packages." In fact, I can see no other viable approach.

However, the PPBS assumes that you know what you want to do and are seeking the most economical and effective way of doing it. For example, in formulating his budgets the Secretary of Defense was able to define for himself and others that we wanted Strategic Forces having certain broad characteristics and capabilities. The same was true of General Purpose Forces, Airlift, Sealift, etc. The same was true of weapons systems, other "hardware" and manpower needs within these categories. In other words the objectives were known and, very importantly, were also readily quantifiable.

As I see the problem the PPBS can be applied effectively only where objectives are quantified. As this is thus far not the case in foreign affairs, it is entirely premature to talk about applying the PPBS to foreign affairs until one has determined whether and how it is possible to quantify foreign-affairs programs with respect to any individual country. If it can be done with respect to individual countries, then it should be possible to move toward an integrated "Foreign Affairs Budget."

What I have to say on this is without any real knowledge of the present stage of development of the Foreign Affairs Programming Planning Budgeting System (FA/PPBS) toward which I know the Department of State was seeking to work about the time I left Washington in 1966. Therefore, what I have to say should not be interpreted as reflecting on work which may have been done in this field which has not come to my attention.

The first problem is, of course, defining our objectives with respect to any individual country with such precision that they are translatable into programs. This is not easy to do. Up to now my general observation is that although much able talent has been devoted to planning documents, country papers, etc., the intra and inter-departmental process by which such papers are produced results in broad general exhortations to the Department of State itself and to other Departments and Agencies to "increase" such and such, to "persuade" so and so, etc., etc. While priorities of objectives will often be indicated, there is all too often not enough attention given to what the priority of effort should be. What I have in mind is that while in our mind a particular objective may have a very high priority, the situation is such that U.S. programs can have little or no influence. Therefore, it may be that the same U.S. expenditure on another objective will be more productive. Also, a series listing of priorities usually has little meaning. Such a listing does not give any guide as to how important objective two may be relative to objective one, nor does it give any indication of what the "pay-off" may be for a given expenditure of effort on either objective. I do not mean to imply that such matters have not and are not given consideration, but I do not know of any form of presentation yet developed that forces some precision in thinking and negotiation, as opposed to the usual practice of "negotiating out language" to the point that each is free to interpret in his own way.

My thought is that this problem is not necessarily insoluble, but, in fact, must be solved if we are ever to arrive at anything approaching a "Foreign Affairs Budget" even within the executive. First, I believe that it is possible to define the objectives of our programs in any given country much more specifically than has normally been the case in the past, and to do this in such a form as to be able specifically to relate objectives and programs. Also I think that it should be possible to arrive at much more specific judgments on what the "pay-off" will be of a given weight of program effort with respect to any specific objective. I also think that it should be possible to do this in some quantitative form.

As an illustration of the kind of approach which might make possible the really fruitful application of PPB concepts to our programs abroad, I am enclosing a statement on the subject by my Deputy Chief of Mission, Minister David L. Osborn, who, while serving as Deputy Assistant Secretary of State for Educational and Cultural Affairs, and now in his present position in Tokyo has endeavored to apply some of these principles. Purely for our own internal use for some time before the President's directive on reducing personnel abroad was received, we had largely completed a Country Team-wide project of defining our objectives at this post in as specific a form as we could. When the President's directive was received we established a task force to rate on a numerical scale each "vulnerable" position in the mission on the contribution it was making to these agreed specific objectives. I then used these ratings as a guide in formulating my own recommendations for reductions.

The limited use we have made here of objective quantification is very far from demonstrating the validity of the method described by Mr. Osborn. There may be other methods and approaches, but I believe that an approach of this general type is desirable. There is obviously no magic in such an approach, and good managers and executives are already consciously or intuitively applying similar judgments. The present difficulty is that there is nothing in the inter-departmental process that gives a clear and indisputable operational "bite" to what may have a surface appearance of agreed policy guidance. "Adjectives" are used as a substitute for "dollars in budgets," and "dollars in budgets" are defended by "adjectives." We need quantities to relate to the quantities in which our allocation-of-resource decisions are inevitably expressed. Developing a comprehensive system to make this possible is not going to be an easy task; but I am convinced that a concentrated effort is warranted. It is in this spirit that I have offered the foregoing views, which I hope will be of some help in the deliberations of the Subcommittee.

U. ALEXIS JOHNSON.

Enclosure: As stated.

TOKYO, JAPAN, *April 23, 1968.*

STATEMENT PREPARED BY MINISTER DAVID L. OSBORN, DEPUTY CHIEF OF MISSION
AMERICAN EMBASSY, TOKYO, JAPAN

ALLOCATION OF RESOURCES

Very few of the major decisions in the foreign affairs field are made as resource-allocation decisions, but they generally have important resource-alloca-

tion consequences and they generally involve resource-allocation problems, whether or not they are recognized as such. It would be unrealistic to expect any early change at the highest level of the existing system, whereby the solution of major allocation-of-resource problems is left to the interplay of political forces. This fact, however, is no excuse for a continued failure at other levels of government to treat resource-allocation problems as such, or for a continued postponement of aggressive efforts to improve our ability to solve them—if improvement is possible. I believe that improvement is possible and urgently needed.

Allocating resources is a matter of distributing a limited amount of resources among feasible alternatives so that the worth of all the things obtained will be the greatest obtainable for that amount of resources. An allocation-of-resources decision (for example, the composite of the annual program proposals submitted by all elements of this mission) thus in effect implies a judgment, first, that the thing produced by each individual alternative selected is worth the amount of resources proposed to be allocated to it, and, second, that no different distribution of resources among the alternatives would produce goods of greater total worth. Are these periodic judgments, which are rendered collectively or individually, consciously or unconsciously by every U.S. mission, accurate? The application of logical method, if it can be brought to bear, will provide a useful supplement to the expert intuition of those in the field who render the judgments, and those in Washington who review them.

To judge logically and methodically the accuracy of an allocation-of-resources decision, one needs an accurate and complete statement of the cost of each alternative, a measure of the things produced by each alternative; and a measure of the relative worth of the things produced.¹ All three—costs, output, and worth—must be quantified if they are to be systematically and logically related to each other. PPB is doing a great deal to improve the statement of costs and the description and measurement of output, but the next necessary step, the measurement of relative worth of output, has not yet been taken.²

Quantitative measurement of the relative worth of goods produced by alternative ways of expending resources in foreign affairs operations is difficult but feasible. A starting point is the quantification of the priorities of the interests or objectives advanced by the operations. Unquantified priorities state the order of precedence of things: "A shall come before B, B before C," and so on. "If it comes to a choice between A and B, A should be chosen and B sacrificed." Quantified priorities, on the other hand, are neither sequential nor either-or. An objective of priority 250 is two-and-a-half times as important as an objective of priority 100, which is four times as important as an objective with a priority of 25. The relative worth of an alternative is quantifiable as the product of its effectiveness in advancing one or more objectives times the priority of the objective or objectives. For instance, an alternative which is highly effective (say 80%) in advancing an objective with a priority of 25 might be worth more (i.e., 20) than an alternative which is only fairly effective (say 15%) in advancing an objective with a priority of 100.

A good allocation of resources would be one in which the relative advancement of each of the United States interests (or objectives) involved was proportionate to the relative priority of the interest (or objective), and in which the total advancement-of-interest was the maximum obtainable for the given amount of resources.³ Mathematically valid systems exist for making allocation-of-resources decisions which fit this description, with an accuracy-of-fit commensurate with the accuracy of the data (costs, effectiveness of output, and priorities) used. It remains to be demonstrated whether it is possible to develop data by which to make resource allocations capable of serving as really useful adjuncts to the judgment of the experienced men and women who must continue to have the final say; however, there is ample experimental evidence to justify an aggressive effort to test out this possibility.

¹ There are, of course, other requirements, such as that for a systematic analysis of the productivity of resources devoted to each alternative, including the identification of points and rates of diminishing returns on investment in each alternative.

² USIA's PPB, at least as applied here, has used the "exposure" as a unit for measuring output of programs; but the value of this basic unit obviously varies from program to program, and PPB does not attempt to measure its value.

³ This statement assumes, of course, that the "given amount of resources" represents a valid determination—a question involving allocation of resource decisions of a higher dimension.

APPLICATION OF PPB IN USIA

(Letter from Hewson A. Ryan, Deputy Director, Policy and Research,
USIA)

U.S. INFORMATION AGENCY,
Washington, July 5, 1968.

HON. HENRY M. JACKSON,
U.S. Senate.

DEAR SENATOR JACKSON: In the absence of Mr. Marks I am replying to your letter of June 13, 1968. Adapting the principles of the Planning-Programming-Budgeting System (PPBS) to the problems and needs of the U.S. Information Agency has required substantial effort. Those officers particularly charged with this task have been aware of, and have found useful, the several documents which your Subcommittee has published as a result of your study of PPBS in the defense and foreign affairs fields.

Of particular interest was the Memorandum from Dr. Thomas C. Schelling to your Subcommittee, reflecting among other things his conclusion that individual countries are the basic program unit for foreign affairs budgeting. After considerable experimentation, we had come to the same view, and were gratified to find our own conclusion thus supported.

The Agency's PPB System treats the activities in each country as the basic program package or "category." On the basis of Program Memoranda from major country posts, the six regional offices in Washington prepare their respective Regional Program Memoranda. The resource allocation from these memoranda is then presented in the USIA Program and Financial Plan. This system can generate alternatives, in the form of incremental changes among more or less effective activities, which the Agency considers internally and uses in a budgetary presentation. This format has the advantage of demonstrating more clearly (than in the appropriation breakdown) the relative distribution of selective program increases which occur.

Comparison of inputs to outputs is necessary for the application of cost analysis in a PPB System. USIA adopted as the unit of output an exposure, defined as: "one time one person is reached by an Agency product, employee or institution." The system also recognizes that there are qualitative differences in exposures achieved through one medium in contrast with exposures achieved through other media. Thus, a book may be more or less persuasive than a motion picture. The Agency's PPB System attempts to capture and reflect these qualitative differences by soliciting the judgment of its most experienced officers to ascertain the relative quality of the various media in such matters as "persuasiveness", "depth of impact", "timeliness" and "credibility."

Additionally, given its limited resources, the Agency has sought to focus its information efforts on leaders and molders of opinion, and only rarely has it sought a mass audience. The PPB System also recognizes that when a mass medium is used, there will be viewers or listeners who are not members of identified target groups, and these constitute the so-called "spillover audience." While analysis centers on exposures achieved among members of target groups, and the cost

and quality of such exposures in contrast to other means of achieving the same exposures, this does not mean that "spillover exposures" are considered to be without value. At the very least, it is likely that they help to create a disposition towards or a sympathy for a U.S. position among significant numbers of people who are then the more easily persuaded by their own opinion leaders who support the U.S. position in some aspect of international affairs.

I should emphasize at this point that the PPB System adaptation which we are using is very much in the experimental stage. There are benefits, and there are problems and limitations. Among the more significant benefits which we see are these:

1. *Introduction of continuity at critical decision points.* One effect of a foreign affairs personnel management system is that the people in charge of USIS country programs (Public Affairs Officers) and the Assistant Directors for Areas are transferred to other jobs every two to four years. Very often, their replacements have different backgrounds, different experiences, and different ideas. Understandably, there is a strong tendency to reshape the existing program to fit the background, experience and ideas of the new officer in charge. The PPBS requirement that program activities and their rationale be reduced to storable, and stated, propositions introduces a desirable degree of continuity at the points where program decisions are made.

2. *A sharper definition of our research needs.* We now have a more precise idea of the kind of information needed to assist in program management decision making, and what research can do to help provide this information.

3. *Points up our need for a substantially improved system for collecting data about our efforts and their effects.* Attempts to use existing data too often revealed substantial defects in the data gathering system, which, in turn, invalidated any conclusions that analysis of the data might have produced. As a result, we are presently designing new record-keeping systems.

4. *Introduction of the "total cost" concept in evaluating activities.* Elementary as this might seem, past budget and accounting practices did not easily reveal the total cost of an activity, but only that part of the cost which might be paid from funds allotted to a country post, or to a regional printing plant, or to a media service in Washington. Since the system requires that the total cost of an activity be arrayed, this information is now available for consideration in making program shifts intended to achieve a more effective or efficient use of resources.

As to the problems and limitations of the system, the most serious that we see are these:

1. *Limitations of the quantification process.* That the quantification process has limitations was recognized from the start and, as noted earlier, qualitative factors have been built into the system as it now operates within the Agency. However, experience so far has not wholly convinced us that an "exposure" is the most useful and efficient unit of measure for our purposes, and further thought is being given to this problem.

2. *Increased workload for USIS posts overseas.* Using individual countries as the basic program package has meant a substantial burden of work on USIS posts. We are now seeking ways in which this burden can be reduced.

3. *Existing requirements result in the operation of two budget systems.* While the PPB System does serve the budget planning requirements of the Executive Branch, it does not produce information which the Congress requires be in the Budget which is submitted to it. Consequently, we must collect and array budget information in the PPB format and in the format required for the traditional budget submission.

So much for the benefits and problems which we associate with the Planning-Programming-Budgeting System and its adaptation to the needs of the U.S. Information Agency. The consensus among the senior officers is that we are better off with PPBS than without it. A couple of them have said in effect that if the system didn't exist, we would have had eventually to invent it. It has narrowed the range of the "unknowns" about which a decision maker has to guess when arriving at his decisions. The problems that exist are ones which we believe we can solve as we continue to experiment with the system. Clearly, we do believe the system justifies this.

If you need additional information, or clarification or expansion of any of the material above, please let me know.

Sincerely,

HEWSON A. RYAN,
Deputy Director (Policy and Research).

APPLICATION OF PPB IN THE PEACE CORPS

(Letter from Jack Vaughn, Director, Peace Corps)

PEACE CORPS,
Washington, July 5, 1968.

HON. HENRY M. JACKSON,
U.S. Senate.

DEAR SENATOR JACKSON: This letter is in response to your inquiry of June 13 concerning the status of our application of PPB in the Peace Corps.

The heart of the answer to your question lies in the three papers we are enclosing. The first, abstracted from our Congressional Presentation for fiscal year 1969, is entitled *New Trends in Programming*. The second, entitled *Program Memorandum Revision*, outlines the 1968 guidelines that were sent to our field staff to be used in preparing the individual country Program Memoranda. The third, entitled *Policy and Criteria for Peace Corps Programming* details the criteria that are used by our Program Review Office in judging the quality of program proposals. The body of the letter which follows is designed to give you my thoughts on how PPB has helped the Peace Corps and the status of its development.

In installing PPB in the Peace Corps, it has been our cardinal principle that this system must enhance decision-making and analysis by the existing decision-makers rather than alter the locus of decision-making. By setting-up a PPB program structure that coincides exactly with our decision-making structure, we have avoided many of the problems which PPB can—but we feel need not—bring with it. At the same time, we have good evidence that the PPB system has improved our decision-makers' analyses.

Each overseas country program is considered a program category, and each Country Director writes—with the advice of host country nationals and Peace Corps Volunteers—his own Program Memorandum. The fact that Peace Corps programs must respond to host country requests and be integrated into host country programs, rather than dictate these requests or decisively shape host country programs, also makes this structure of program categories particularly appropriate to the Peace Corps.

In preparing the Program Memorandum, the Country Directors are asked annually to answer the following questions—after consultation with host country nationals, government officials, and Peace Corps Volunteers:

(1) What are the Major Problems Facing Your Country in the Foreseeable Future?

(2) What are the Limitations on the Peace Corps?

(3) Which of the Major Problems Facing the Country or Which Elements of These Problems Lend Themselves to Peace Corps Programming?

(4) Within These Problems Susceptible to Peace Corps Programming What Specific Objectives Can the Peace Corps Set for Itself?

(5) What Alternative Projects Would Achieve the Objectives in the Problem Areas and What Are the Project Objectives?

(6) How Do These Alternative Projects Compare in Terms of Effectiveness and Host Country Involvement? Which Alternatives Are Better?

(7) List the Problem Area Objectives and the Projects Within Them in Such a Way as To Indicate Priorities.

We have emphasized to the County Directors the necessity that the Program Memorandum be a realistic planning document. The Program Memorandum should not be a theoretical design of an ideal program but should reflect the practical constraints in which we operate—political, economic, cultural, racial, financial, organizational, etc., as they affect conditions in the host country.

As a result of the first PPB analysis, the Peace Corps made a decision to increase its agricultural programming. Our Country Directors, as they analyzed the programs of the countries in which they were working, almost universally concluded that agricultural development was an important problem area in which the Peace Corps could contribute and which had been given insufficient emphasis. The collective plans of the overseas Country Directors as evidenced in their Program Memoranda indicated an intention to multiply the number of Volunteers in agricultural programs by more than 2½ times from 1967 to 1970. This could mean that some 5,300 Volunteers would be serving in food supply programs as compared with some 2,000 at the beginning of the current program year assuming we placed a corresponding number into training.

The systematic comparison of alternative programs to achieve newly defined goals in the field of education has caused the Peace Corps to place increased emphasis on teacher training programs in preference to classroom teaching of children. The number of Volunteers in education programs is roughly the same as in spring 1966; however, the proportion serving as teacher trainers has increased by approximately one-fourth.

The analysis brought about the realization that to achieve the goal of improving educational standards, teacher training programs are a more efficient vehicle than classroom teaching. Also, recognition of the limited goals that can be achieved through injecting a small number of primary school teachers into a relatively large primary school system has caused primary school education programs to have a much lower priority than was the case previous to the PPB analysis.

The new country plans also call for doubling the number of Volunteers in health projects from some 1,500 Volunteers during the current program year to 3,000 in 1970. A major activity would be the prevention or eradication of specific diseases such as malaria and TB. We and the countries we assist have found that Volunteers can be trained in the precise skills necessary to mount an effective attack against these crippling and killing diseases.

We have felt that PPB is valuable only to the extent that it influences decisions and improves the analysis on the basis of which our Country Directors make their decisions. We regard the fairly dramatic changes in the directions of our programming as listed in the preceding three paragraphs as good evidence of the value of PPB to the Peace Corps in improving the effectiveness per Volunteer of our program. These changes in direction have been the result of the progress PPB has enabled us to make in setting priorities among the needs of the countries in which we work and in establishing more valid and precise goals for the programs in which we are involved. We expect Regional Program Memoranda in 1969 to increase agency awareness of specific Regional Programming issues and further to improve the analysis on which program decisions are based.

The Peace Corps has an ability almost unique among Government organizations to change the directions of its programs within a relatively short time span. Since each Volunteer goes into the field for a 24 month tour of duty, a positive decision must be made each 24 months on whether or not to continue a program. Thus it becomes a relatively simple matter to terminate an activity which has not worked as well as we would like and to switch our resources into a new channel. This situation has perhaps accelerated the impact of PPB upon the programs of this Agency.

Organizationally, we have integrated our PPB analysis into the office where we allocate Volunteers among the requests from the various countries. Our planners and top level decision-makers are thus to a great extent the same. Since the Peace Corps has always had a demand for Volunteers greater than the supply of available applicants, the allocations must be made among competing requests. Inevitably, the justification by the field staff for allocating Volunteers to their program is sometimes parochial. Our planners have the authority to focus the various advocates on the important issues. The goal of planning in our opinion is to maintain a continuous dialogue between the planners and the decision-makers in the field. As a result of this continuous dialogue, and by asking questions—hard questions—our planners improve the quality of analysis by our decision-makers in the field.

To enhance the quality and realism of this dialogue, our planning office includes decision-makers with overseas field experience. Their

presence ensures the relevance of the questions and analysis which come from our planning section and prevents any tendency of solely academic theories to replace judgment and experience. We have also attached our Research Division to this Office so that our research can be immediately relevant to our program and operation analysis.

Our PPB system has centered on the analysis developed in the Program Memorandum and Special Studies rather than in statistical comparison of output measurements. We have not found it possible as yet to develop reliable statistical measurements by which all projects can be mechanically compared.

The Peace Corps has labored over the issue of developing statistical output measures on the basis of which input allocations could be made. The principal benefit from these labors has been—and I think it is a great one—to focus the attention of the Agency on what we hope to accomplish in each of our programs and to develop a useful and formalized way of reporting on actual accomplishments.

There are a number of limitations that we face in developing output measures and they are as follows:

1. Some of the outputs (e.g., changes in attitudes and habits) in a person-to-person program such as the Peace Corps are particularly resistant to statistical measurement at reasonable cost.

2. Even if measurable, some of these outputs would be so politically sensitive that it would be difficult to carry out the measurement process.

3. To a very great extent, the Volunteers are integrated into host country programs. Although the output of these programs may be eminently measurable, it is unrealistic and politically impossible for the Peace Corps to claim credit for the entire output of the project or even to measure accurately the exact proportion of project achievement attributable to Peace Corps' share of the inputs.

We have a number of research projects now in the field studying methods of evaluating accomplishment in different types of projects and—perhaps more important—are now revising our termination of service questionnaire to include hard data on what the Volunteers have accomplished. I think this improvement in our operations, stemming from PPB, has been an important development which will have its impact felt upon our programming within the next 18 months.

We have also applied the PPB concepts of systematic analysis to the problems of our service division. The vehicle has been the Special Analytic Studies which the Bureau of the Budget requests in support of our budget request.

In the past two years we concentrated our analysis on the Selection Division. Those studies focused on the problem of forecasting the number of trainees likely to be available throughout the year and building a data base upon which comparisons can be made from year to year on the number of applicants rejected, accepted, and trained. This year we are undertaking Special Studies relating to the potential Peace Corps applicant population, the cost and effectiveness of various methods of recruiting applicants, and the cost and effectiveness of alternative methods of training Volunteers in Language and Agriculture skills.

The Bureau of the Budget has been particularly helpful in assisting us and allowing us to design all of these Special Studies to get

answers to important problems within the Peace Corps rather than abstract problems which do not have operational relevance.

Our purpose in undertaking the Special Studies is the same one that we have in introducing systematic analysis in our overseas programs, viz., to enhance decision-making and analysis by the existing decision-makers rather than altering the locus of decision-making.

I hope the above summary of the status of our application of PPB is useful to the Committee. If you have any further questions, I will be happy to answer them for you.

Sincerely,

JACK VAUGHN.

Enclosure: As stated.

NEW TRENDS IN PROGRAMMING

In the Spring of 1966, we took the first steps toward development of a decentralized, long-range planning system designed to work with host country governments to focus Peace Corps programs more explicitly on the central problems of the nations in which we work and to enable us to program for maximum effectiveness our most valuable resource, the Peace Corps Volunteer.

Our first objective was to define the aims of each of our country programs in relation to Peace Corps' overall goals and the major problems facing each country, so that Peace Corps Volunteers could be effectively engaged in the most important and the most satisfying work.

The major focus of our attention was, as it is today, on the Volunteer himself—what he can bring to his experience in skills and attitudes and what he can bring back as a better American: one who understands the problems and aspirations of the people of the developing nations.

Each country director prepared an analysis of the most important development problems in his country of assignment, as seen by the host government and the Peace Corps, identified those lending themselves to Peace Corps assistance, and proposed concrete goals for Peace Corps activities.

The following examples of program goals are taken from proposals submitted in 1967 by Peace Corps country directors as a result of the second annual planning exercise:

In *Colombia*, where little more than half of urban children and less than ten per cent of rural children finish more than the second grade, a major Peace Corps goal is to train teachers. Two hundred and fifty Volunteers, or more than one-third of the Volunteers in Colombia, are in education programs.

The goal for the 53 Volunteers in *Guyana* is to increase the number and percentage of secondary school graduates qualified to take the General Certificate of Education examination, and the success rate—currently about 5 per cent—among those who take them.

In Africa, a high priority of almost every government is the expansion of secondary schools in order that young Africans can be trained to take over the running of their governments and economies. We have over 2,000 Volunteers working as teachers or teacher trainers in Africa—75 per cent of them in secondary schools. These secondary school teachers have been crucial in staffing the expansion of secondary school systems and are thus making it possible for thousands of additional young Africans to receive high school educations.

In southern *Togo*, 60 per cent of the population lives on a corn staple diet and more than 30 per cent of cultivated land is used for growing it. Yet more than half the corn crop may be destroyed by weevils and other insects while it is stored. Volunteers are showing farmers a cheap and simple way to fumigate the granaries, killing the insects while leaving the corn safe for consumption.

The dearth of trained manpower in *Botswana* is immense, even by African standards. Less than 50 Botswana citizens hold university degrees. The goals of 34 education Volunteers in Botswana are to facilitate expansion of secondary school capacity and to upgrade the quality of elementary school

education through provision of teacher trainers and more highly qualified teachers.

Ceylon is second in world tea output and a major producer of rubber, but, because of concentration on exports, food production for local consumption has lagged behind the needs of the population. Fifty-six Volunteers are now at work assisting subsidiary crop development (potatoes, rice, onions, corn, sorghum and others), dairy production, applied nutrition and rural community development.

In *Korea*, the rural health infrastructure is a weak link in the Republic's health program. The Government plans to cope with this problem by establishing a network of more than 1,300 district health centers in rural areas, making use of health auxiliaries for preventive health and health counseling services. The major threat to the program's implementation is the lack of qualified manpower to staff these centers. The Peace Corps has attached 105 Volunteers to the Korea teams engaged in the work of starting up these health centers.

Country directors and host government officials analyze and discuss goals and compare alternative programs. In the 1967 analyses, they requested that the Peace Corps plan to multiply the number of Volunteers in agricultural programs by more than two and one half times by the end of Program Year 1970. This would mean some 5,300 Volunteers in food supply programs compared with some 2,000 at the beginning of the current Program Year.

The new country plans called for doubling the number of Volunteers in health projects from some 1,500 Volunteers during the current Program Year to 3,000 in 1970. A major activity would be the prevention or eradication of specific diseases such as malaria and TB. Disease prevention will play an increasing important role in our health programs, as we and the countries we assist have found that Volunteers can be trained in the precise skills necessary to mount an effective attack against these crippling and killing diseases.

In Thailand, for example, Volunteers working with the National Malaria Eradication Project helped supervise malaria surveys, train workers and administer treatment. Volunteers were thus able to contribute to a decrease in malaria by as much as 20 to 40 per cent in areas of several hundred thousand people.

A relatively new Peace Corps activity is in the area of family planning. Since December, 1966, a total of 234 Volunteers have been sent in response to requests from host governments for assistance to their family planning programs. The Volunteers, most of them specially trained liberal arts graduates, are involved in all but the surgical aspects of family planning: public information programming and promotion, record keeping, supervision of supplies, establishment of new family planning centers, counseling and demonstration of effective teaching techniques.

Ninety-seven Volunteers are at work full time in family planning in India. This summer a first Peace Corps group of graduate nurses will be trained to teach Indian nurses examination techniques and follow-up care in programs promoting the intra-uterine device.

Some 105 Volunteers in Korea, 17 in Tonga (South Pacific), 8 in the Dominican Republic and 7 in Tunisia also are participating in family planning education programs.

The systematic comparison of alternative programs to achieve newly defined goals has caused the Peace Corps to place increased emphasis in many countries on teacher training programs in preference to classroom teaching of children. The number of Volunteers in education programs is roughly the same as in spring 1966; however, the percentage serving as teacher trainers has increased by approximately one-fourth.

Community development continues to be a central focus of Peace Corps programs, particularly in Latin American countries where CD programs account for more than 40 per cent of all program requests. As reported to you last year, in response to host country priorities, we are placing greater emphasis on rural community action than on urban programs. This year, rural programs accounted for 77 per cent of our community development programs compared with 67 per cent last year.

Programs are approved in the field by the U.S. country team and receive two thorough screenings by the Peace Corps in Washington. The first is in one of the four Regional Offices: Africa; Latin America; North Africa; Near East and South Asia; and East Asia and Pacific. The second screening is in the Office of Planning, Program Review, and Research, where the final worldwide allocations of Volunteers are made.

In both screenings, the program is checked against the country director's description of the critical needs of his country and his goals for Peace Corps programs. It is analyzed against a background of problems experienced in that particular country or in similar programs elsewhere in the world. Recommendations and comments by Volunteers who have served in each country are carefully studied in this process.

The training plans and training demands receive particular attention from a team of specialists in the various technical areas in which the Volunteers are to be prepared. Training plans are crucial, as most persons who volunteer for the Peace Corps must be given training to provide specific new skills to meet the technical needs of the developing nations.

Finally, once it has been established that the program is important to the development plans of the host country and that program and training goals are feasible, the program is compared to other requests from around the world. Volunteer applicants are then assigned to the programs which are expected to result in the most effective use of the Peace Corps' human and financial resources.

After the program details have been worked out, the Agency for International Development reviews the program and concurrence of the Secretary of State is secured before the program is finally approved by the Director of the Peace Corps.

As a result of this planning system we think we have made considerable progress in setting priorities among the needs of the countries in which we work and in establishing useful goals for the programs in which we are involved. We are more effectively applying to each program proposal the experience of the 33,000 Volunteers who have served in 834 projects in 63 nations over the past seven years.

Complete and systematic descriptions of our program activities and quantitative measurement of our program results are extremely useful as tools for improving programs. We are giving more attention to the problem of systematic measurement of program effectiveness which will allow us to compare one program with another. We have made some progress in coping with the major obstacles to such measurement: the great variety of project goals, the seemingly intangible aims of human development and attitude change, and political sensitivity involved in Americans doing evaluative studies in another society. A number of research projects have been devised to solve these problems. These include:

1. *Joint Effectiveness Study of Peace Corps Programs in Turkey.* This study is being designed by the Turkish Government and the Peace Corps. If feasible, it will be the first joint study (with the host country government as co-researcher) of Peace Corps effectiveness. If successful, it will be the model for other Peace Corps countries.

2. *Effectiveness of Peace Corps Volunteers in Uganda, Tanzania and Ethiopia, and Design of a System for Assessing Overseas Impact in Education,* under contract with the Human Development Foundation.

3. *Research on Education Television Program in Colombia: Programming and Effectiveness,* under contract with the Institute for Communication Research, Stanford University.

4. *Impact of Peace Corps Volunteers Serving in Philippines Math/Science Project,* under contract with the Institute for Communication Research, Stanford University.

5. *Effectiveness of Peace Corps Teachers in Sierra Leone,* under contract with Raymond Lewis.

6. *Assessment of the Peace Corps Tuberculosis Control Project in Malawi,* under contract with the University of North Carolina.

7. *Assessment of the Peace Corps Public Health Project in Bolivia: Anthropological Report,* under contract with the Research Institute for the Study of Man.

8. *Peace Corps Teacher Training Effectiveness in the Dominican Republic.* A study by the Peace Corps of host country teachers and host country pupils, of Peace Corps teacher training programs.

9. *Programming and Effectiveness of the Bolivia Tuberculosis Control Program.* A study done as part of Volunteer support by David Danielson, a public health specialist, formerly with the University of Washington, and now with the Office of Medical Programs of the Peace Corps.

10. *Office of Planning, Program Review, and Research Questionnaire Study.* Analysis of experimental questionnaires completed by 433 Volunteers (334 education, 86 health, and 13 agriculture Volunteers) in eleven projects in seven

countries (Afghanistan, Colombia, Iran, Philippines, Thailand, Tunisia and Turkey), concerning their impact.

We look forward to even greater use of measurement data in making decisions on programs. Since Peace Corps Volunteers serve two-year tours, the decision on whether to continue an activity is made by the Peace Corps at least every 24 months, permitting us to revise or initiate new programs more often than many other government agencies.

Our progress in measurement, however, does not mean that the Peace Corps has solved the many problems associated with programming. Some problems, in fact, cannot be solved by the Peace Corps alone, for they arise from the fact that the Peace Corps' duty is to serve—to serve people and agencies other than itself, and to serve governments other than the American government.

Peace Corps has no programs except the host country programs in which we participate. We act only on the invitation of governments, and our actions arise from their needs, not ours. We do not blindly follow the dictates of governments; neither do we create programs for them.

The foreign political arena is an area over which the Peace Corps has no control and effectively no influence, and properly so. Local politics including sudden changes of government, racial feelings, personal idiosyncracies, entrenched bureaucratic positions and international cold war suspicions occasionally arise as obstacles to effective Peace Corps programs. By maintaining close contact with local officials we seek to foresee and avoid programs which would be ultimately, if not immediately, detrimental to the Peace Corps and to the governments and communities concerned.

Another area which has continued to pose problems is in programming the American who volunteers for the Peace Corps. In 1961 no one could predict accurately exactly what trained manpower would volunteer for Peace Corps service or what sort of skills the interested nations would request.

The Peace Corps has always welcomed the technically trained and experienced Americans who were able to volunteer. We have placed them in programs where we have used their skills individually, or in programs where they can provide technical support to Volunteer generalists. For example:

David Kadane, a corporation lawyer at the height of his career volunteered and was assigned to Tanzania as a special assistant to the Attorney General. He negotiated contracts with a diamond mining concession and was a member of President Julius Nyerere's special seven-man commission which investigated the cooperative movement. His wife, Helen, is a trained nutritionist who had worked with the United Nations in New York. In Tanzania, she became head of the Freedom from Hunger campaign.

Frank and Edna Vaccaro had 16 years experience in raising rabbits before they became community development Volunteers in Guatemala. They began the rabbit co-op in Chimaltenango in 1965. Starting with 500 does the co-op produced some 15,000 rabbits in one year's time of which some 10,350 were sold for meat and pelts. The meat production has fostered a number of related small industries. Encouraged by their present success and by U.S. furriers who have confirmed the high quality of the pelts, the Vaccaros and Guatemalans look forward to expanding the rabbit co-ops.

In Chile, five professional Volunteer foresters are participating in a reforestation program in support of 35 Volunteers whose experience in this area was gained exclusively in Peace Corps training. The team works in erosion control and reforestation in conjunction with a Chilean agency.

In Iran teams, each consisting of a professionally trained architect, an engineer, and a Volunteer generalist trained by the Peace Corps in drafting and surveying, worked with the Iranian community development organization on the design and construction of public works projects.

We have learned that vast numbers of Americans who would like to volunteer their skills find it difficult to do so because of family and career commitments. The majority of our Volunteers, therefore, are young Americans volunteering two years of service between the end of college and the beginning of career and family formation. The central problem of Peace Corps programming has been to find ways to use effectively this non-technical resource to meet the technical needs of the developing world.

To solve this problem, we have worked with overseas governments to develop programs which focus on one segment of the technical job. We have developed programs for which we can provide the Volunteer the requisite skills during Peace Corps training which lasts an average of 12 weeks.

Approximately 1500 Volunteers, for instance, are working on major health problems, although no more than 18 per cent of these had medical training before entering the Peace Corps. We have long known that the Peace Corps would be unable to begin meeting the needs overseas for trained physicians or nurses. Indeed, public health specialists today could not meet these needs. We have tried, therefore, to develop ways to use the Peace Corps Volunteer as a medical auxiliary.

Under the medical supervision of the University of North Carolina and the Ministry of Health in Malawi—a nation whose president, Hastings K. Banda, is an American-trained physician and Ph. D.—a carefully controlled experiment was carried out. The Volunteers were trained to become technically proficient in the handling of one widespread and killing disease—tuberculosis. They learned to take case histories and conduct diagnostic laboratory tests. Once their diagnoses had been confirmed by a tuberculosis specialist, the prescribed course of medication was supervised by the Volunteers in the patients' homes. Family life was not disrupted, and scarce hospital beds were not used for the program.

This experiment by the Peace Corps and the Government of Malawi is of significance in the developing world. Formerly, tuberculosis was treated only by a physician whose 20 years of education qualified him to handle the whole gamut of man's ills—from broken legs to ulcers to the problems of birth. The Peace Corps learned in Malawi that a one-problem specialist could help make up for the lack of trained physicians.

The Peace Corps is applying the same technique to the technical problems of agriculture. Agriculture is the basis of almost all the economies in which we are working and is the full time occupation of most of the working population. Yet, in the United States, only 5½ per cent of our citizens are farmers, and all the universities of the United States turn out only 9,000 agricultural degree holders per year.

The Peace Corps found, therefore, that it could not provide the traditional type of agricultural extension agent who could advise on corn, wheat, garden vegetables, animal husbandry, irrigation, poultry raising, etc.

We learned, however, that we can teach a Volunteer about one or several related crops or other farm products so that he can assist a government engaged in an intensive program to increase the production of a particular crop.

Volunteers are thus joining the Government of India's program for grain production, principally sorghum and maize. In Nepal, the Philippines, and Sierra Leone, Volunteers work with intensive rice production programs.

To date, more than 400 Volunteers have helped India to establish a poultry industry in its villages. During one year alone, egg production, in areas assisted by Volunteers, more than doubled—from 366,000 to 1,000,000 eggs per week.

In the area of public works, by focusing on one aspect of the technical job, the Peace Corps has made it possible for Volunteers to build bridges up to 80 feet long in Tanzania and to span gorges in the Himalayas.

We feel we have been successful in training Volunteers in this technical work, and we are now explaining to other governments the ways in which Peace Corps Volunteers can be used to solve different types of technical problems.

Another problem area is in technical and professional support of the Volunteer. From the beginning, the Peace Corps has recognized the need for giving technical support to Volunteers, and much of this support has come from U.S. private institutions. The greatest contribution of the private sector has been in training Volunteers, but also of significance has been on-the-job technical advice without which the generalist Volunteer often could not operate.

To help provide day-to-day professional support to Volunteers, we have contracted with American colleges and universities, service organizations, voluntary agencies and private business for overseas representatives. These are called Contractor's Overseas Representatives (CORs). They are themselves professional experts, and in addition, they are able to tap the home resources of the contractor, including home office expertise, consultants, and programming capabilities.

Also providing on-the-job support to Volunteers are Program Technical Representatives (PTRs) who are professional personnel directly hired by the Peace Corps. Where professional backstopping by a contractor's organization in the United States is not required by the field situation, we use PTRs. The directly-hired PTRs have enabled us to achieve significant savings, and we now have more PTRs than CORs (78 PTRs to 41 CORs).

Volunteers also receive technical support by writing the Publications and Information Center (PIC) of the Peace Corps. PIC answers a yearly average of 3,000 requests for advice, and the office supplies basic technical reference materials throughout the Peace Corps.

Volunteers can correspond with specialists around the world through the auspices of VITA (Volunteer for International Technical Assistance, Inc.). A non-profit, private organization (sometimes called the "postal Peace Corps"), VITA puts Volunteers in touch with specialists who can give technical advice on specific development problems. It is expected that VITA will process more than 1,100 requests from the Peace Corps this year.

Some examples of such technical support provided by PIC and VITA :

A Volunteer in Colombia wanted to build a simple laser to demonstrate to chemistry students the physical characteristics of light. PIC provided the needed plans and information. Total cost for constructing the laser: \$1.15.

A Volunteer in Chile wanted to know how to write music in Braille. With the help of the Library of Congress and PIC, the Volunteer is teaching sighted teachers to write music in Braille and unsighted students to read it.

A Volunteer in Sierra Leone wanted to know if a bridge could be built out of cement and railroad rail. VITA provided the information by return mail. Consequently, bridges have been built in every district; in some districts there are dozens.

Various elements of the problems facing the Peace Corps have been with the agency since its beginning. As we have learned our job better, we have learned what we must do better. Like most of the work that the Peace Corps is doing, this requires time, effort and patience. Somehow, things seemed simpler four generations of Volunteers ago, possibly because of the high drama surrounding them. Here is how a Volunteer recently described it from his post in Africa :

"The first Volunteers probably had a wilder and, perhaps, a more interesting time and were accepted immediately because of the Peace Corps 'Idea,' whereas present Volunteers have to prove themselves by their deeds, not by their novelty value . . . It seems that we are beginning, only beginning, to prove ourselves, and the Volunteers who come after us in the next years will have even a better chance to improve upon this general trend. Hopefully our legacy will provide future Volunteers with better direction . . ."

Many of the new directions of Peace Corps work began with the long range programming exercise launched in 1966.

Source : Peace Corps congressional presentation, fiscal year 1969.

PROGRAM MEMORANDUM REVISION

APRIL 8, 1968.

Memorandum to: All field representatives

From: Paul Sack, OPR

Subject: Program memorandum revision

Every Peace Corps country is different, and every Country Director has different programming problems.

A realistic Program Memorandum, which describes the particular problems of programming in your country and lays out both the expectations of host country nationals and your own plans for the development of the Peace Corps in your country, can be a great assistance to us in understanding your program submissions and therefore a great aid to you in the program review process.

The PM should not be a paper "exercise". It should be the place where you and your staff and Volunteers and—most important of all—host country nationals set forth the plans for the Peace Corps in relation to all the various programming constraints and development plans.

The attached description of the Program Memorandum is lengthy because it attempts to answer all the various questions that have been raised by many of you in the past. We are trying also, with these instructions, to give you individual comments on your existing Program Memorandum, directing your attention to the particular points which seem to need further analysis.

To make the planning as realistic as possible, we have shortened to three years the period of time into which we ask you to project. We hope to make some early programming decisions for you on the basis of these PMs, so that you can make earlier commitments to the Ministries with whom you deal.

Please bring your staff and Volunteers and host country government or agencies in on your planning. Please make it as realistic as you can. And

please remember that it is from this document that the people here who will review your program proposals will get their information about the unique situations in your country and what it is that you and the host country are planning to do with the Peace Corps.

In order for us to do any advance planning in Recruiting and Financial Management and to meet our deadlines with the Bureau of the Budget, it is important that we receive the PMs in OPR by July 1; thus, I imagine your Regional Director will want them to arrive in Washington by early June.

If there is any further information we can give you about the PM or if you have any ideas on which you would like to correspond concerning the entire planning and program review operation, I would be most happy to hear from you and guarantee you both attention and a prompt answer.

Attachment: Program memorandum instructions.

Memorandum to: All field representatives
 From: Paul Sack, Director, OPR
 Subject: 1968 program memoranda

This memorandum is intended to explain the role of the Program Memorandum (PM) in Peace Corps programming and to establish the guidelines for the 1968 PMs.

The purpose of the Planning and Programming system within the Peace Corps remains as previously stated in the 1966 guidelines:

To make explicit the aims and the objectives of each of the country programs and of the Peace Corps as a whole, in light of the major problems facing the world in the years ahead, and as a part of an effort to assure that the Peace Corps Volunteers are effectively engaged in the most important and therefore the most satisfying work that can be done abroad.

As you know, the Program Memorandum focuses on the "formal job" of the Volunteers. It is in no way implied that this is the only or the major aspect of the Peace Corps experience and overseas directors are encouraged to discuss the other aspects in their PMs as well, and to suggest ways in which they can be more fully incorporated into future Program Memoranda. However, the formal job is a necessary condition for achieving other Peace Corps goals such as changing fatalistic attitudes and encouraging mutual understanding.

Information contained in the Program Memorandum will be used in the following ways:

1. To understand and evaluate the direction of Peace Corps programming worldwide, within regions, and in each individual country;
2. To help make decisions on the allocation of Volunteers (and most immediately, in making the Summer 1969 conditional matrix);
3. To estimate and reinforce budget requests to the President and the Congress;
4. To aid Recruiting and Selection in meeting your future requests;
5. To assist Regional Training Coordinators in planning for 1969 Training programs.

Peace Corps planning turns on these two dates and on the dates of issuance of three annual Volunteer Allocations (Matrices). The schedule outlining approximate dates for the submission of various Plans and Studies and for their review is outlined in Section 5 of this memorandum. This schedule replaces the documentation schedule issued on June 14, 1967 by OPR.

The Program Memorandum is a principal element in the program review process. In reviewing the specific Project Description (104) and considering it for the matrix, the Program Memorandum is used to ascertain how the proposed project relates to the country strategy. The PM is used extensively throughout the review process to develop an understanding of the assumptions and decisions upon which the proposed Project Description is based.

After writing Program Memoranda for the past two years, a number of Country Directors made recommendations on revisions in the PMs which should increase their usefulness as planning documents. OPR and the Regional Program Officers have also suggested improvement on the basis of their experience. Many of these have been included in the current guidelines.

The tone of early instructions suggested to some Directors that the Peace Corps was a self-contained force for economic development. We seemed to be asking for a plan, thought up by the overseas Peace Corps staff, for developing that country. Nothing could be further from the truth.

The Peace Corps' job goals are always shaped by the goals of our hosts. Appropriate host country officials should be involved extensively in the development of the PM. In analyzing the problems which lend themselves to Peace Corps type projects, it is imperative to ask what the host country is going to do about them. Host country nationals, Volunteers and staff should all be involved together in the process of setting country program objectives, and specific project objectives.

The issue of the classification of the PM has been raised repeatedly in the last year. This matter has been discussed with the Bureau of the Budget and their guidance has been that the PM is a planning document that once written is LOU and cannot be shown to anyone who is not part of the Executive Branch of the Government. This should not prevent anyone from discussing portions of the PM with Host Country Nationals, e.g., what the objectives of the Peace Corps should be in secondary education, etc.

A second change from last year will be in the time horizon. Directors, knowing the practical problems of getting firm requests from a country only one year in advance, took exception to projecting Volunteers, however tentatively, for five years. We have reduced the projection period to three years, the minimum for sound planning for PC/W purposes. The projection tables will be used to help allocate Volunteers for program year 1969, to budget for FY 1970, and to indicate whether replacements will be needed for Volunteers going overseas during 1968 and 1969. The closer the planning is to the realities of the host country, the experience of Peace Corps Volunteers and the hopes of the host country government, the better it will become. There will be many limitations on what the Peace Corps can do in a particular country—political, bureaucratic, and practical. These should be stated in detail for us to understand the reasoning and practical considerations behind your program submissions and attainable plans.

In addition to seasonal requirements by project, we are asking for a Volunteer skill breakdown for 1969. This is an improvement over previous years. It will be possible to provide Recruiting data on the needs for each country seasonally. Hopefully, this will produce an even more rational approach to the expenditure of our Recruiting dollar. It will also provide an easy and efficient way to compare skill requirements for similar projects across country and regional boundaries.

This year we have attached a form for projecting your staffing pattern for the next three years. This should aid both the overseas staff and Washington to better relate Volunteer projections with their support needs. Keep in mind that the Peace Corps worldwide staff ceilings established as a result of the current BALPA exercise will be maintained through June 30, 1969, and perhaps beyond. There will be a limited amount of latitude in the form of possible personnel transfers between countries, and those PMs calling for materially increased programs should therefore include a clear statement under question 2 (What are the limitations on the Peace Corps?) outlining the number and type of additional staff required. Those PMs not containing such a statement will be taken to indicate that the proposed programs can be carried out with existing personnel.

Finally, the size of the PMs varied greatly in the past, a few only 15-20 double spaced pages, and some over one-hundred. It is always more difficult to write an excellent short paper than a longer one, yet we don't want to put any unnecessary restrictions on length in either direction. It is expected, however, that most papers will run no more than 50 double spaced pages. Each PM should be accompanied by a summary of not more than four pages.

This memorandum is organized into five sections. Section I outlines the desired content of the narrative portion of the Program Memorandum. The PM is summarized by a series of tables dealing with the size and program composition of the Peace Corps over the next three years as it can best be predicted on the basis of all practical considerations, the skills required and desired for each proposed project in 1969, and the number and kind of staff support the program needs in the next three years. Each of these tables are explained in Sections II, III and IV respectively. Section V contains the Documentation Schedule.

I. PROGRAM MEMORANDUM

The request to the Congress for fiscal 1969 is \$112.8 million which is enough money to support 9,200 trainees. This request represents a 15 percent increase in

trainees over fiscal year 1968. It is difficult to project the overall size of the Peace Corps in 1970 and 1971 as so many factors are involved. In writing the PM this year, however, it is not unrealistic to assume that the Peace Corps will increase by 10 percent each of those years. The possibility certainly exists that many countries will decrease in size while others may increase by as much as fifty percent and still others not increase at all.

The composition of the Peace Corps, at the same time, is expected to remain roughly the same over the next three years, i.e., at least 85 percent of all trainees will be recent college graduates. In this connection, a safe assumption to make is that your programs will contain a limited number of specialists as they have in the past. It is becoming increasingly clear, though, that the Peace Corps must define the technical job narrowly enough so that a generalist can be trained in a twelve to thirteen-week training program to perform the technical task. We cannot expect to provide general agriculture extension agents or Volunteer physicians in large quantities, but we can provide Volunteers who have training in one or two crops or one aspect of a health problem.

It is expected that any forecasts will be developed with host country participation. The PM should make clear the extent to which individual programs have host country approval and support.

The narrative section of the Program Memorandum should be divided into seven sections corresponding to the seven questions to which you are asked to respond. In writing the Program Memorandum one should move from the general to the specific as quickly as possible. You are encouraged to be specific and precise in the statement of problems which the Peace Corps will confront and the objectives set in regards to those problems. The questions are as follows:

(1) *What are the Major Problems Facing Your Country In the Foreseeable Future?*

The purpose of this section is not to list every conceivable problem facing the country but to select those problems which seem to be major ones which must be resolved in order to reach any level of development.

Wherever possible this section should avoid simply being a justification of previous Peace Corps emphases but rather present a fresh look at the country and the most difficult challenges it is facing and will face during the next few years. Background information on the country, including detailed historical, political and economic data, is not necessary except as it may directly affect Peace Corps programs.

This section should be as specific as possible in its program analysis. For example, if agricultural production is low there are elements of this problem which can be identified for further analysis. Insufficient grain production may be one element. Others might be lack of irrigation, farm-market roads, storage facilities, fertilizers, extension personnel to teach better farming methods, etc. The elements of the problem should be presented and used later in setting objectives and comparing alternative projects.

(2) *What are the Limitations on the Peace Corps?*

This section should contain a frank discussion of the factors which influence the total country program strength, the choice of program areas and the composition of the Peace Corps program at present and within the near future. If the limitations on the Peace Corps are of a host country nature—either political, or bureaucratic, or a matter of resources—they should be pointed out. If the constraint is the Ambassador or the country team position this should be mentioned. If it is clear that the constraint is due to the nature of the Peace Corps, i.e., quality of the Volunteers arriving in-country, staff support, lack of money for program support, or some other relevant point, then discuss those.

(3) *Which of the Major Problems Facing the Country or Which Elements of These Problems Lend Themselves to Peace Corps Programming?*

This section should focus on a discussion of why certain of the particular problems or problem elements outlined in section one are being selected as program areas for the Peace Corps.

Some of the most critical problems may not lend themselves in any way to Volunteer solutions. It is difficult to see how the Peace Corps could help to correct sharp fluctuations in a country's foreign exchange rate, day-to-day political unrest, or crippling strikes. The Peace Corps may not be able to help in certain problem elements, e.g., land reform where legislation by the host country government is the pre-condition for projects in this area, or in general farmer education if Peace Corps would have to work alone without counterparts or agency support.

At the same time, problems new to the Peace Corps need not be ruled out. You should feel free to approach problems which may require cooperation with volunteer programs of other U.S. public and private agencies, organizations of developed and developing nations, and international organizations.

The major needs of the country will have now been indicated and Peace Corps limitations specified. A ranking of Peace Corps priorities in this country will result from your weighing of two factors: 1) the *importance* of the problem area to the country (the degree of "need"), and, 2) the *capability* of Peace Corps to make a significant contribution. The reader should be able to understand your ordering of Peace Corps programming priorities for problem areas and the basis for that ordering.

(4) *Within These Problems Susceptible to Peace Corps Programming What Specific Objectives Can the Peace Corps Set for Itself?*

The objectives should be stated with enough precision so that there is some basis for assessing progress by yourself or others over a reasonable period of time. Hopefully, the objectives will be expressed with enough specificity that it will be clear to any host country national what Volunteers working in that area are attempting to achieve, and whom they are working with, e.g., "to increase grain production by introducing Mexican wheat to 5,000 farmers in the highlands through the Ministry of Agriculture."

Programs should not be distorted by selecting objectives and programs just because they are easily quantified. The objectives set should be responsive to the problems of the country, but they should be stated in terms of recognizable goals which permit assessment of progress made toward the objectives set.

This section should state objectives for each problem area in which activity is contemplated. For purposes of analysis Peace Corps activities fall into seven problem areas:

- (a) Agriculture
- (b) Education
- (c) Health
- (d) Small Business Development
- (e) Professional Services
- (f) Community Development
- (g) Public Works

(5) *What Alternative Projects Would Achieve the Objectives in the Problem Areas and What Are the Project Objectives?*

This section is not intended to list every conceivable alternative, but only those that directly relate to achieving the stated problem area objectives, and which are possible Peace Corps projects given the constraints you have described for programming in your country and Peace Corps capability.

A project is defined as a specific set of related activities with a common objective to be performed by a number of Volunteers who can be trained and assigned as a group. (It's quite possible for two distinct projects to train at the same site but for different purposes.)

Examples of project objectives in the Health area might be "to introduce nutritional food supplements to 1,000 urban mothers, with counterparts, in cooperation with the Ministry of Health" or "to promote forty viable mothers clubs through the National Welfare Agency." In the Agriculture area the project objective may be "to conduct 25 demonstration plots of Mexican wheat in conjunction with 10 host country extensionists in twenty villages in the highlands, through the Ministry of Agriculture."

(6) *How Do These Alternative Projects Compare in Terms of Effectiveness and Host Country Involvement? Which Alternatives are Better?*

Each alternative project should be compared in terms of its likelihood of achieving the problem area objectives which you set. For example, the objective in the Education area may be "to double the number of qualified teachers in primary education." There are perhaps three ways the Peace Corps can help achieve that objective; by sending primary school teachers; which produce twenty five percent of the domestic supply of primary teachers; by providing Volunteers to set up an Education Television system as a method of in-service teacher training. The feasibility and advantages of the alternatives should be compared, considering for example, whether the alternative which takes twice as many Volunteers is twice as effective as the one which does not.

(7) *List the Problem Area Objectives and the Projects Within Them In Such A Way as to Indicate Priorities.*

In section 3 you gave a priority ranking of problem areas for Peace Corps programming in your country. Section 7 asks for a final ranking at a higher level of specificity. This section should indicate the order of priority of specific individual projects.

Simply stated, your answers to the seven questions of the narrative portion of the PM should give the reader an understanding of your strategy for the next three years and an understanding of your reasoning and evidence for choosing that strategy over alternative ones.

II. PROJECT FORECAST

Appendix A to your Program Memorandum should give your estimate of Volunteers required for the chosen Problem Areas and Projects over the period 1968-1971. A format to use in developing those projections is attached to this memorandum.

A single page has been allowed for each program year projection. (The program year is used for planning purposes.) This is to insure that your projections are not misinterpreted and to allow for precise planning figures for recruiting, selecting and budgeting purposes. The program year runs from September 1 to August 31, thus program year 1969 starts on September 1, 1968 and ends on August 31, 1969. You are requested to forecast the number of Volunteers you want to train in a given season, and the number of Volunteers in-country (not trainees) on two specific dates: June 30 (end of fiscal year) and August 31 (end of planning year). Any forecasts made are meaningless unless they are tied to these two dates as it is impossible to calculate accurately from Washington. To arrive at the planned number of Volunteers in country on those two dates, the number of Volunteers who will have completed their service should be subtracted and those who will have finished training added to the current strength in order to arrive at the number of Volunteers in-country. Give minimum and maximum ranges only if they aid you in forecasting. Always use a Volunteer figure. Do not use the trainee figure in any of the tables.

A comparison of last year's Program Memoranda with each other and with OVS reports revealed a number of inconsistencies in applying category labels to particular problem areas and projects. In order to develop meaningful statistical reports and valid projections it is important that both be consistently labeled. The following pages outline the program structure of the Peace Corps. This listing defines and expands the problem areas previously used. The list includes representative projects within the problem areas for illustrative purposes.

Categories have been grouped so that activities are problem-oriented. To classify a project, you should ask "which problem is the project designed to attack?" To help you, we have defined each of the problem areas and have included pertinent examples from last year's Program Memoranda to illustrate the projects.

In completing Appendix A please note that each of the different problem areas and projects within them should be stated. You will probably find that the examples given cover most of your projects. If not, fit the new category you devise into one of the seven problem areas and avoid such nondescriptive categories as "Other," "Special Projects" or "New Projects."

Some Country Directors have described a project by giving the name of the agency the Volunteers would assist. It is more important to know the function of the Volunteers themselves, not the agency to which they are attached, except as it may be added as clarification. The simplest and clearest procedure is to note the project activity and set off agency titles or other explanation by stroke lines (/) or parentheses, if you feel it necessary. It is important to use the project label and the problem area involved when you are requesting Volunteers in the Project Description (104). This will avoid misinterpreting who is doing what in your country.

The program structure of the Peace Corps includes seven problem areas. This represents a departure from the past. The problem areas and projects are defined as follows:

1. *Agriculture*—The primary job objective is to perform tasks in pro-

ducing, storing, and marketing food for home or school use. Projects in the problem area are as follows:

(a) *Agricultural Extension*—The primary job activity of Volunteers is helping to adopt better ways to grow and use food. Specific responsibilities may focus, for example, on: Livestock, Dairy production, Poultry and pigs, Beekeeping, Food crops, Farmer education, Farm management, Fisheries, Forestry, Wildlife and game conservation, and Disease control.

(b) *Agricultural Cooperatives*—The primary job activity of Volunteers is the establishment, operation, and management of producer and/or marketing cooperatives.

(c) *Agricultural Public Works*—The primary job activity of Volunteers is helping to undertake public works projects principally needed for agricultural development. For example: Water supply (tubewells and irrigation), Farm Machinery maintenance, Construction of farm buildings or structures, Construction of feeder roads.

(d) *Community Development/Agriculture*—The primary job activity of Volunteers is to stimulate attitudinal change, using an agricultural skill as the lead skill. In some cases Volunteers who are Generalists may be supported by Volunteers with agricultural degrees or background. Specific activities may focus on: School Gardens, Rice Production, etc.

2. *Education*—The primary job objective is to perform tasks in teaching, teacher training, administration, and educational technology. Projects in this problem area are as follows:

(a) *Pre-School*—The primary job activity of Volunteers is educating pre-school aged children. The principal function of Volunteers as teachers, administrators, etc., should be indicated.

(b) *Elementary*—The primary job activity of Volunteers is educating host country nationals in an elementary school. The major course content where relevant should be indicated. For example: English (or TEFL, TESL), math, physical sciences, biological sciences, social sciences, history, geography, commercial arts, industrial arts, home arts, physical education, art, music, and special education.

(c) *Secondary*—The primary job activity of Volunteers is educating host country nationals in a secondary education institution. The major course content should be indicated. For example: English (or TEFL, TESL), math, physical sciences, biological sciences, social science, history, geography, commercial arts, industrial arts, home arts, physical education, art, music, special education.

(d) *University*—The primary job activity of Volunteers is educating host country nationals in Universities. The major course content should be indicated. For example: English (TEFL, TESL), math, physical sciences, biological sciences, social science, history, geography, commercial arts, industrial arts, home arts, physical education, art, music, and special education.

(e) *Vocational Education*—The primary job activity of Volunteers is teaching occupational or vocational trades (as contrasted with pre-vocational "industrial arts" which would be listed in one of the preceding categories).

(f) *Adult Education*—The primary job activity of Volunteers is educating adults in special programs once they have left school. For example: Literacy education, Educational radio.

(g) *Teacher-Training*—The primary job activity of Volunteers is training teachers or future teachers. If training is in-service the level of education should be indicated. For example: Pre-school teacher training, Elementary teacher training; Secondary teacher training, Teacher-Training institutes, Curriculum preparation, Utilization of ETV.

3. *Health*—The primary job objective is to help meet the health problems of the host country.

(a) *Environmental Health*—The primary job activity of Volunteers is promoting better health by improving the community environment. Specific responsibilities may focus, for example, on: Water supply, Soil contamination control (sewage), Pest Control.

(b) *Health Education*—The primary job activity of Volunteers is improving the health of the community through education and related activities. For example: Health education/nutrition, Maternal and child health/nutrition.

(c) *Special Disease Programs*—The primary job activity of Volunteers is controlling disease. For example: Malaria, Tuberculosis/BCG, Schistosomiasis, Filariasis, Leprosy.

(d) *Family Planning*—The primary job activity of Volunteers is promoting family planning through promotional campaigns and clinical work.

(e) *Training of Medical and Para-Medical Personnel*—The primary job activity of Volunteers is training doctors, nurses or para-medical personnel. The particular focus of training should be indicated.

(f) *Professional Service*—The primary job activity of Volunteers is to fill professional positions within a medical institution or related agencies.

4. *Small Business Development*—The primary job activity of Volunteers is to help increase monetary profit or savings for host country participants through efficient and effective entrepreneurship. For example:

- (a) Consumer cooperatives
- (b) Credit cooperatives
- (c) Small industry counselling
- (d) Tourism Development
- (e) Handicrafts

5. *Professional Services*—The primary job activity of Volunteers is performing a skilled job in an agency which enables the agency to carry out or extend its activities. For example: City planning, Architecture, Legal services, Public Administration, Accounting, Meteorology, Librarianship, Secretarial service, Museum curator.

6. *Community Development*—The primary job activity of Volunteers is to stimulate attitudinal change and encourage self-help, support community institutions or extend the resources of the national government by employing CD techniques. For example:

- (a) Rural Community Development
- (b) Urban Community Development

7. *Public Works*—The primary job activity of Volunteers is in surveying, designing, maintaining, or building public non-agricultural infrastructure or equipment. For example:

- (a) Surveys
- (b) Design of Public Works
- (c) Maintenance of Public Works
- (d) Construction of Public Works

III. SKILL FORECAST

Appendix B to your Program Memorandum should illustrate your estimate of the skills required for the projects you will be requesting for the Spring of 1969, the Summer of 1969 and the Fall of 1969 only. We are attempting to make a realistic appraisal of skill needs prior to the start of the 1969 Recruiting effort so as to plan accordingly.

You should recall the same realistic assumptions that were mentioned in the instructions for the narrative portion of the PM in completing this table. Under no circumstances will you be held to your projections when you submit an actual project description. These should just be your best and most realistic estimates. The skill projections should be identified by the same project name used in Appendix A. Give minimum and maximum ranges if possible.

IV. STAFF FORECAST

The PM should include an Appendix C which outlines your staffing needs through June 30, 1971. The analysis should indicate:

(1) the number of Direct Hire personnel presently on board June 30, 1968, by function, e.g., Director, Deputy Director, Associate Director, Program/Training Officer, Administrative Assistant, PTR Agriculture, Medical Doctor, etc.

(2) the number and the function of staff needed to support the number of Volunteers in country on June 30, 1969, June 30, 1970 and June 30, 1971.

If your projections anticipate a lower or higher ratio of Volunteers to the present staff level in the country indicate the reasons for the change in the narrative portion of the PM under question 2. (Do not include local hire in this table unless HCNs are filling PTR or APCR positions.)

V. DOCUMENTATION SCHEDULE

May 15. Final date for draft 104s for Fall Matrix to be submitted to OPR by Regions.

June 3. Fall Matrix issued.

July 1. Draft Program Memoranda due in OPR where they are reviewed, evaluated and discussed with Director, Recruiting, Selection, Regional Directors, Financial Management and Administration.

July–August. Review and comments on draft PM presented to Country Directors throughout July and August.

July 30. Submission of selected Program Memoranda to the Bureau of the Budget.

August 5. Regional strategy papers based on Country Program Memoranda due in OPR.

August 30. Submission of selected Program Memoranda to the Bureau of the Budget.

September. Final Agency-wide review on Program Memoranda, Special Studies and Regional strategy papers.

September 9. Final date for draft 104s for Spring Matrix to be submitted to OPR by Regions.

September 30. Issuance of Spring Matrix.

September 30. Final submission to Bureau of the Budget of Program Memoranda and Special Studies.

October 14. Issuance of conditional Summer Matrix built on the Program Memoranda to the field for concurrence.

November 18. Final date for draft 104s for projects on the conditional matrix to be submitted to OPR by the Regions.

November 18. Final date for draft 104s for pre-July 4 starts (to be considered for first part of Summer Matrix) to be submitted to OPR by the Regions.

December 1. First part of Summer Matrix issued, incorporating revised conditional matrix and pre-July 4 starts approved.

APRIL 22, 1968.

Memorandum to: All Field Representatives
From: Paul Sack, OPR
Subject: Program memorandum revision

Unfortunately the following paragraph was omitted when the 1968 PM guidelines were reproduced. The following paragraph should be inserted at the bottom of page 2.

"The processing of this information is done at two points in the year. Every June the Peace Corps Director is expected to make an estimate to the Bureau of the Budget regarding the size of his budget request. Jack Vaughn will have to estimate the size of his fiscal 1970 budget request in June, 1968. In October, 1968 the June estimates will be refined and spelled out in lengthy detail with supporting documents."

APPENDIX A

PROJECT FORECAST FOR _____
(Country)

Problem Area	Project Name	No. Volunteers who started trng. 9/1/67 thru 12/31/67	No. Volunteers who started trng. 1/1/68 thru 5/30/68	No. Volunteers to start trng. in June 1968	No. Volunteers in-Country 6/30/68 ¹	No. Volunteers to start trng. July-Aug. 68	No. Volunteers in-Country 8/31/68 ²

1/ Indicate which Spring training projects are included in the 6/30/68 strength figure
 2/ Indicate which June training projects are included in the 8/31/68 strength figure.

APPENDIX A

PROJECT FORECAST FOR _____
(Country)

Problem Area
Project Name

No. Volunteers to start trng. 9/1/68 thru 12/31/68	No. Volunteers to start trng. 1/1/69 thru 5/30/69	No. Volunteers to start trng. in June 1969	No. Volunteers in-Country 6/30/69 ^{1/}	No. Volunteers to start trng. Jul-Aug. 1969	No. Volunteers in-Country 8/31/69 ^{2/}

1/ Indicate which Spring training projects are included in the 6/30/69 strength figure.
2/ Indicate which June training projects are included in the 8/31/69 strength figure.

APPENDIX A

PROJECT FORECAST FOR _____
(Country)

Problem Area	Project Name	No. Volunteers to start trng. 9/1/69 thru 12/31/69	No. Volunteers to start trng. 1/1/70 thru 5/30/70	No. Volunteers to start trng. in June 1970	No. Volunteers in-Country/ 6/30/70-	No. Volunteers to start trng. July-Aug. 1970	No. Volunteers in-Country 8/31/70-

1/ Indicate which Spring training projects are included in the 6/30/70 strength figure.
 2/ Indicate which June training projects are included in the 8/31/70 strength figure.

POLICY AND CRITERIA FOR PEACE CORPS PROGRAMMING

General Statement of Principles:

The Peace Corps provides Americans with the opportunity to work together with people of other nations in meeting important problems which affect their hosts' lives and well being. The Peace Corps is built on the premise that people achieve better understanding when they are working together toward common goals. When Peace Corps Volunteers share the daily lives and aspirations of their hosts and neighbors, true mutual cross-cultural understanding occurs. Peace Corps programs should provide the framework within which these processes may occur. Programs are judged mainly on the basis of whether they bring Peace Corps Volunteers and host country nationals together to work in an effective way on important problems and whether they provide Volunteers and host country nationals with the opportunity to come to know and understand one another.

Volunteers are action and problem oriented people who volunteer for the Peace Corps with mixed motives. One overriding motive is clear. Volunteers seek and desire involvement in areas of real need to the people of the host country. The Peace Corps should seek involvement in areas of high priority to the host country, and in those programs which the host country is actively working to overcome recognized problems. A vital criterion for Peace Corps programs is that they be addressed to problems seen as being of priority importance by the Peace Corps Volunteer, the host country people and their government.

The Peace Corps is people-oriented. Volunteers should come to know host country people in a real and meaningful way. It is also an important criterion for Peace Corps programs to provide the Volunteer with the opportunity to come to know and be known by host country nationals in ordinary daily living without the sort of artificial barriers which preclude mutual understanding.

A. THE PROGRAM

1. Peace Corps programs should be integrated as closely as possible with host country work. Ideally, there are no Peace Corps programs, but host country programs with Volunteer assistance. All program development should involve Volunteers and host country nationals to the maximum possible extent.

2. Peace Corps programs should reflect the experience of Peace Corps and other agencies working in the problem area, either in the host country or elsewhere.

3. Programs should be within the realistic capabilities of Volunteers. Country or regional program strategy should be based on careful review of alternate means of reaching chosen objectives in the problem area.

4. Program objectives should be clearly understood by Peace Corps Volunteers and staff, host country government and people.

5. Before completing their service, the Volunteers together with the staff should evaluate in writing what the group has accomplished. This discussion should take note of the original objectives of the program and, if possible, should include appropriate host country nationals.

B. THE VOLUNTEER

1. The Volunteers' jobs should involve them with host country nationals on a daily working basis. Volunteers should be living in circumstances which afford opportunities of coming to know host country neighbors and friends in normal day-to-day situations. Volunteer housing, living allowances, job assignments, vehicle and travel policy, and other facets of Volunteer life should have as a priority object the maximum possible Volunteer-host country national contact.

2. The Volunteer should be assigned to a job whose nature and objective is clear to himself, his Peace Corps staff, host country supervisors, co-workers, and the host country nationals among whom he is living.

3. Thorough site surveys are essential, based on predetermined criteria for Volunteer assignment and acquainting job supervisors and counterparts with the nature, skills, and goals of the Volunteer. The Peace Corps should ensure that necessary professional job and material support will be available.

4. Volunteers should be able to see achievement during their two years in their assignment. They desire it.

C. PARTICIPATION BY HOST COUNTRY NATIONALS

1. The more complete the involvement of the host country and its citizens in the Peace Corps program, the more productive is the Peace Corps likely to be. Success in promoting mutual understanding and receptivity of the host country toward the project depend in large measure upon the degree of host country participation.

2. Each project must be requested by the government or approved agency of the host country and must be responsive to the needs of that country.

3. Preference is given to programs in which Volunteers work within host country institutions, both private and public, and are supervised by host country nationals.

4. Programs should involve maximum contact and involvement with host country counterparts. The Peace Corps should encourage the training of host country counterparts to perform the work now being done by the Volunteers.

5. Host country nationals should participate in the training of Volunteers whenever possible. This will normally be done during in-country training, but, in addition, it is desirable to use nationals during U.S. training to the extent possible. Their value will be maximized if arrangements are made for them to live with and participate in the informal activities of the Volunteers, in addition to their formal teaching duties.

D. PROGRAM REVIEW PROCESS

1. Once a program is developed through the interaction of Volunteers, staff and host country nationals, it is necessary to describe the program in a Project Description (104).

The better Project Descriptions are not necessarily the ones that are well written. On the contrary, those that truly reflect the field situation in meeting the criteria described above for good programming are the best.

2. The purpose of the program review process is to assure that Peace Corps Volunteers are assigned to the best programs available. Almost always, there are more program requests than there are qualified trainees. Competition is keen. There is no substitute in this process for a true description of the field realities. If a thorough job has been done of developing this program as outlined above, the document will be easy to write and to understand. Success is not defined as getting a project approved. Rather, success lies in assigning all Volunteers to the best jobs we can develop on the basis of seven years of Peace Corps experience.

3. The Director of the Peace Corps has delegated the preparation of the matrix allocation of the Peace Corps' scarcest resource, the Volunteer, to the Office of Planning, Program Review, and Research. The culmination of the program review process is the releasing of an Approved Program Plan (matrix) four times

a year to cover the training seasons, Spring, Summer I, Summer II, and Fall. A flow chart indicating the steps in the process is as follows:

Volunteers - Staff - Host Country Nationals

Project Description (104)

Regional Review of all Project Descriptions

--Regional Review determines whether proposed project is forwarded to OPR

OPR - Review of all Project Descriptions

- ascertaining that projects meet criteria for good programs
- matching of programs to Selection's estimates of trainee availability
- consultation with Operations Officers, Regional Program Officers, and overseas staff
- OPR recommended matrix issued to Regional Directors for comment and consultation

Matrix Presented to Director for Approval With Summary of any Unresolved Issues

Director Issues Matrix



