3/27/78 [2]

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Twenty-one months ago, I went before the United States Conference of Mayors in Milwaukee to say that if I became President, the cities of our country would have a friend, an ally, and a partner in the White House.

I come before you today to affirm that friendship -- to cement that alliance -- and to give form and substance to that partnership.

I am convinced that it is in our national interest of the United States not only to save our cities and urban communities, but also to strengthen them and make them more attractive places in which to live and work.

The policy that is embodied in the message I am sending to Congress today is designed to marshal the immense resources of the American government.
and people in a long-term commitment to pursue that goal. It is a comprehensive policy aimed both at making cities healthier and at improving the lives of the people who live in them.

The deterioration of urban life in America is one of the most complex and deeply rooted problems we face. The Federal government has the clear duty to lead the effort to reverse that deterioration. I intend to provide that leadership.

But Federal efforts alone will never be enough. To reach our shared goal, we will need the coordinated and enthusiastic efforts of all the people and institutions that have a stake in the future of urban America—not just the executive branch of the Federal government, but also the Congress, the governors and mayors and county officials, the private sector of our economy, the voluntary and neighborhood associations, and above all the citizens of our nation, a substantial majority of whom live in urban areas.
Everyone in this land has a personal stake in the health of our urban places.

In the complex web of economic, social, and cultural relationships that holds our society together, none of us are immune from the distress of any others. If we are to preserve the special values of urban, suburban, and rural life, we must recognize that those values are interdependent. To a greater extent than ever before, the destiny of our cities and the destiny of our nation are linked.

I believe that this link is now recognized by most Americans. Yet throughout most of our history, America has been ambivalent about her cities.

The Pilgrims chose the biblical metaphor of "a city upon a hill" to describe their vision of the New World. Yet many of those who settled here were fleeing from the upheavals of rapid urbanization in Europe.

Early American leaders like Thomas Jefferson and William Penn were suspicious of what they saw as the
corruption of great cities—yet Jefferson was an innovative urban designer, and Penn was the founder and planner of the city of Philadelphia.

In the nineteenth century, millions of Americans went west in pursuit of the dream of open land—while millions more flocked to cities that were as vital and productive as any in the world.

Reflecting these conflicting attitudes, Federal involvement in urban affairs followed a seesaw pattern. And in formulating our policy, we have had the benefit of what past experience can teach us.

From the experience of the urban renewal program of the 1950's, we learned to be skeptical of what Reinhold Neibuhr once called "the doctrine of salvation through bricks"—the idea that we can bulldoze away our urban problems.

From the experience of the Great Society in the 1960's, we learned—despite many successes—that we
can succeed only if all levels of government work with private citizens and interests together in a fully coordinated way toward common goals.

And from the experience of the 1970's, we learned that the Federal government cannot retreat from its responsibilities and leave State and local governments to go it alone.

The time has come to put an end to these abrupt swings of policy, and to replace them with the kind of comprehensive urban policy I promised in Milwaukee—"a coherent national urban policy that is consistent, compassionate, realistic, and that reflects the decency and good sense of the American people."

We must affirm the value of our urban communities. That value includes a physical plant that must not be allowed to deteriorate further--trillions of dollars invested in buildings, houses, streets and roads, transit systems, water and sewerage networks, factories and offices.
Even more important is the social value of cities and urban communities to those who live in them and to the rest of our people—their services as centers of culture, entertainment and finance; the enormous variety of human exchange they make possible; their creativity and their contribution to our common life; and the role they have always played as homes for people of all circumstances who are searching for the American dream of opportunity.

Yet many of these communities and the people in them are in distress—and others face future hardship if we fail to act.

Today, I call upon all of you, and the institutions and groups you represent, to join me in building a New Partnership to conserve our communities—a working alliance of all levels of government with the private sector of our economy and with our citizens in their communities and neighborhoods.

Mayors hold the toughest elective office in America. It is time that we at the federal level, and leaders in the states and the private sector, fully support their efforts.
to insure that our cities will not merely survive but **prevail**

The New Partnership offers no quick or easy solutions.

No such solutions exist.

But it does give us the tools to build the kind of creative alliance that can produce long-term solutions.

The New Partnership is guided by these principles:

-- Simplifying and improving programs and policy at all levels of government;

-- Combining the resources of Federal, State and local government, and using them as a lever to involve the much greater strength of our private economy to conserve and strengthen our cities and communities;

-- Being flexible enough to give help where it is most needed and to respond to the particular needs of each community;

-- Increasing access to opportunity for those who are disadvantaged by economic circumstances or history of discrimination;
--and, above all, drawing on the sense of community and voluntary effort that I believe is alive in America, and on the loyalty that Americans feel for their neighborhoods.

The Federal contribution to the New Partnership is a long-term commitment involving three major areas of activity:

--first, the very substantial increases we have made and are making in programs that directly benefit urban communities;

--second, the reorientation of Federal activities to make certain that they support our urban goals;

--and third, new initiatives to help urban communities fiscally and economically, and to help their people meet their human and social needs.

This administration has been committed to the future of urban America from the day I took office. That is why
did not wait until the formal announcement of a

national urban policy to propose significant strengthening

to initiate

and new programs that are crucial

to that policy. The Congress has cooperated enthusiastically.

Total assistance to state and local governments

has already increased by some 25 percent, from $68

billion in FY 77 to $85 billion in FY 79. We have had

major increases in such urban-related programs as the

Community Development Block Grant program, the new Urban

Development Action Grant program, and urban education.

I have proposed a doubling in our expenditures for

employment and training to over $12 billion in 1979 and

we have increased the number of public service jobs from

the level I inherited by 150 percent.

In many of these programs, I asked for a change in

the formula to enlarge the share provided to

cities and communities. And I have asked for the
abolition of the present disastrous welfare system
and its replacement with a fair and workable Program
for Better Jobs and Income that will provide immediate
fiscal relief to state and local governments.

But increases in our spending cannot be a
substitute for overall effectiveness. Nor are they
the sole measure of our commitment.

For those who live in our urban areas, the
gravest flaw in past Federal policy was not that we
failed to spend money. It was that too many of the
programs were ineffective and too many that did work
had their benefits cancelled out by other federal and
state activities.

In developing the national urban policy, we
took a long, hard look at the work of every major
agency in the Federal government.

In the process, agencies ranging from the
Defense Department to the General Services Administration
have been made more sensitive to urban concerns.

This is the beginning of a long-term change in government the attitude of the entire bureaucracy toward urban communities.

Our review generated a large number of proposals for changes in existing programs. Some will require legislation; most can be done through administrative action. There are more than 150 of them. Let me mention just a few.

--All agencies will develop goals and time-tables for minority participation in their grants and contracts—five major agencies have already begun.

--The Defense Department will set up a new program to increase procurement in urban areas. The Environmental Protection Agency

--EPA will modify its water and sewer programs to discourage wasteful sprawl.

--And the General Services Administration will have as a goal retaining facilities in urban areas and
If the kind of review that led to these changes had been done on a regular basis in the past, our urban problems would be less severe today.

As a key component of the comprehensive urban policy, I am establishing a mechanism to analyze the effects of new Federal policies and programs on our communities.

Once that mechanism is in place, analysis of the urban and regional impact of new programs will be an integral and permanent part of all policy development throughout our government.

I believe this reorientation of Federal activities to take account of the needs of our communities will be as significant as any action the Federal government could take.

But even with substantial increases and improvements in existing programs, gaps remain. The new initiatives I am proposing today—$4.4 billion in budget authority, $1.7 billion in new tax incentives—
and $2.2 billion in loan guarantees—are designed precisely to fill those gaps in a precise way.

To make government at all levels more efficient, I propose incentives to cities with coordinated economic development plans; a simplification of planning requirements; and a new coordinating mechanism for federal programs.

To help relieve the distress of the most fiscally strained communities, I propose to replace the expiring counter-cyclical aid program with a new fiscal assistance program targeted on those communities with the highest unemployment rates.

To encourage the states to channel additional resources to their distressed areas, I propose a new incentive grant program.

To provide increased opportunities for our unemployed, I propose a new employment tax credit
to encourage private industry to hire jobless young people, whose plight is among the most serious human problems of our society. And I have proposed a new program to encourage private industry, in partnership with mayors, to hire and train more disadvantaged workers.

To strengthen the economic base of cities, I propose major incentives to private investment in urban areas through increased and affordable credit from a new National Development Bank, expanded grants, and a new tax incentive. And I propose an innovative program of labor-intensive public works aimed at repairing and rehabilitating the existing facilities of our communities.

To promote community and human development in our urban areas, I propose an inner city health and social service initiative, together with expanded support for mass transit, housing rehabilitation, an urban parks and recreation initiative, and a new
issue success in implementing the proposed
new. The same might offer can
be seen. Success which this good and
which have ended for many more it
of government officials and present
when being born civilized. However
leadership and equality. And it's
City Navy! Unprecedented

Perry
And to marshal the thousands of Americans who want to contribute their time and energy to the betterment of their neighborhoods, I am proposing neighborhood rehabilitation and anti-crime projects and a new Urban Volunteer Corps.

These programs together recognize that the Federal government does not have the resources by itself to do the job.

But we are ready to provide the leadership, the commitment and the incentives which will encourage all sectors of our country to help in the job of rebuilding and maintaining America's communities.

This job will not be done overnight. Problems which have built up over generations cannot be reversed in a year or even in the term of a President. But let there be no doubt that today marks a turning point. For today we commit the Federal government
TWENTY-ONE MONTHS AGO IN MILWAUKEE, I PLEDGED TO THE UNITED STATES CONFERENCE OF MAYORS THAT IF I BECAME PRESIDENT, THE CITIES OF OUR COUNTRY WOULD HAVE A FRIEND, AN ALLY, AND A PARTNER IN THE WHITE HOUSE.

TODAY I WANT TO AFFIRM THAT FRIENDSHIP -- TO CEMENT THAT ALLIANCE -- AND TO GIVE FORM AND SUBSTANCE TO THAT PARTNERSHIP.

I AM CONVINCED THAT IT IS IN OUR NATIONAL INTEREST NOT ONLY TO SAVE OUR CITIES AND URBAN COMMUNITIES,.... BUT ALSO TO STRENGTHEN THEM AND MAKE THEM MORE ATTRACTIVE PLACES IN WHICH TO LIVE AND WORK.

THE POLICY THAT IS EMBODIED . . .
THE POLICY THAT IS EMBODIED IN THE MESSAGE I AM SENDING TO CONGRESS TODAY IS DESIGNED TO MARSHAL THE IMMENSE RESOURCES OF AMERICA IN A LONG-TERM COMMITMENT TO PURSUE THAT GOAL.

IT IS A COMPREHENSIVE POLICY AIMED BOTH AT MAKING CITIES HEALTHIER AND AT IMPROVING THE LIVES OF THE PEOPLE WHO LIVE IN THEM.

THE DETERIORATION OF URBAN LIFE IN THE UNITED STATES IS ONE OF THE MOST COMPLEX AND DEEPLY ROOTED PROBLEMS WE FACE.

THE FEDERAL GOVERNMENT HAS THE CLEAR DUTY TO LEAD THE EFFORT TO REVERSE THAT DETERIORATION.

I INTEND TO PROVIDE THE LEADERSHIP.
BUT FEDERAL EFFORTS ALONE WILL NEVER BE ENOUGH.


EVERYONE IN THIS LAND HAS A PERSONAL STAKE IN THE HEALTH OF OUR URBAN PLACES.

IN THE COMPLEX WEB OF ECONOMIC...
IN THE COMPLEX WEB OF ECONOMIC, SOCIAL, AND CULTURAL RELATIONSHIPS THAT HOLDS OUR SOCIETY TOGETHER,...NONE OF US ARE IMMUNE FROM THE DISTRESS OF OTHERS.

IF WE ARE TO PRESERVE THE SPECIAL VALUES OF URBAN, SUBURBAN, AND RURAL LIFE, WE MUST RECOGNIZE THAT THOSE VALUES ARE INTERDEPENDENT.

TO A GREATER EXTENT THAN EVER BEFORE, THE FUTURE OF OUR CITIES AND THE DESTINY OF OUR NATION ARE JOINED.

I BELIEVE THAT THIS LINK IS NOW RECOGNIZED BY MOST AMERICANS.

YET THROUGHOUT MOST OF OUR HISTORY, AMERICAN HAS BEEN AMBIVALENT ABOUT HER CITIES.

Reflecting these conflicting attitudes, DIRECT FEDERAL INVOLVEMENT IN URBAN AFFAIRS HAS FOLLOWED A SEE-SAW PATTERN.
IN FORMULATING THIS POLICY, WE HAVE HAD THE BENEFIT OF PAST EXPERIENCE.

FROM THE EXPERIENCE OF THE URBAN RENEWAL PROGRAM OF THE 1950's, WE LEARNED TO BE SKEPTICAL OF WHAT REINHOLD NEIBUHR ONCE CALLED "THE DOCTRINE OF SALVATION THROUGH BRICKS" -- THE IDEA THAT WE CAN BULLDOZE AWAY OUR URBAN PROBLEMS.

FROM THE EXPERIENCE OF THE GREAT SOCIETY IN THE 1960's AND DURING MORE RECENT YEARS, WE LEARNED -- DESPITE MANY SUCCESSES -- THAT WE CAN SUCCEED ONLY IF ALL LEVELS OF GOVERNMENT WORK TOGETHER WITH PRIVATE CITIZENS AND INTERESTS IN A FULLY COORDINATED WAY TOWARD COMMON GOALS.

THE TIME HAS COME TO PUT AN END . . .
THE TIME HAS COME TO PUT AN END TO THESE ABRUPT SWINGS OF POLICY, AND TO REPLACE THEM WITH THE KIND OF LONG RANGE COMPREHENSIVE URBAN POLICY I PROMISED IN MILWAUKEE -- "A COHERENT NATIONAL URBAN POLICY THAT IS CONSISTENT, COMPASSIONATE, REALISTIC, AND THAT REFLECTS THE DECENCY AND GOOD SENSE OF THE AMERICAN PEOPLE."

WE MUST AFFIRM THE VALUE OF OUR URBAN COMMUNITIES. THAT VALUE INCLUDES A PHYSICAL PLANT THAT MUST NOT BE ALLOWED TO DETERIORATE FURTHER -- TRILLIONS OF DOLLARS INVESTED IN BUILDINGS, HOUSES, STREETS AND ROADS, TRANSIT SYSTEMS, WATER AND SEWERAGE NETWORKS, FACTORIES AND OFFICES.
EVEN MORE IMPORTANT IS THE SOCIAL VALUE OF CITIES AND URBAN COMMUNITIES TO THOSE WHO LIVE IN THEM AND TO THE REST OF OUR PEOPLE -- THEIR SERVICES AS CENTERS OF CULTURE, ENTERTAINMENT AND FINANCE; THE ENORMOUS VARIETY OF HUMAN EXCHANGE THEY MAKE POSSIBLE; THEIR CREATIVITY AND THEIR CONTRIBUTION TO OUR COMMON LIFE; AND THE ROLE THEY HAVE ALWAYS PLAYED AS HOMES FOR PEOPLE OF ALL CIRCUMSTANCES WHO ARE SEARCHING FOR THE AMERICAN DREAM OF OPPORTUNITY.

YET MANY OF THESE COMMUNITIES AND THE PEOPLE IN THEM ARE IN DISTRESS -- AND OTHERS FACE FUTURE HARDSHIP IF WE FAIL TO ACT.

TODAY, I CALL UPON ALL OF YOU . . .
TODAY, I CALL UPON ALL OF YOU, AND THE INSTITUTIONS AND GROUPS YOU REPRESENT, TO JOIN ME IN BUILDING A NEW PARTNERSHIP TO CONSERVE OUR COMMUNITIES -- A WORKING ALLIANCE OF ALL LEVELS OF GOVERNMENT WITH THE PRIVATE SECTOR OF OUR ECONOMY AND WITH OUR CITIZENS IN THEIR COMMUNITIES AND NEIGHBORHOODS.

MAYORS HOLD THE MOST DIFFICULT ELECTIVE OFFICES IN AMERICA.

IT IS TIME THAT THE REST OF US FULLY SUPPORT THEIR EFFORTS TO INSURE THAT OUR CITIES WILL NOT MERELY SURVIVE BUT PROSPER.

THE NEW PARTNERSHIP OFFERS NO QUICK OR EASY SOLUTIONS. NO SUCH SOLUTIONS EXIST.

BUT IT DOES GIVE US THE TOOLS TO BUILD THE KIND OF CREATIVE ALLIANCE THAT CAN PRODUCE LONG-TERM SOLUTIONS.
THE NEW PARTNERSHIP IS GUIDED BY THESE PRINCIPLES:

-- SIMPLIFYING AND IMPROVING PROGRAMS AND POLICY AT ALL LEVELS OF GOVERNMENT;

-- COMBINING THE RESOURCES OF FEDERAL, STATE AND LOCAL GOVERNMENT, AND USING THEM AS A LEVER TO INVOLVE THE MUCH GREATER STRENGTH OF OUR PRIVATE ECONOMY TO CONSERVE AND STRENGTHEN OUR CITIES AND COMMUNITIES;

-- BEING FLEXIBLE ENOUGH TO GIVE HELP WHERE IT IS MOST NEEDED AND TO RESPOND TO THE PARTICULAR NEEDS OF EACH COMMUNITY;

-- INCREASING ACCESS TO OPPORTUNITY FOR THOSE WHO ARE DISADVANTAGED BY ECONOMIC CIRCUMSTANCES OR HISTORY OF DISCRIMINATION;

-- AND, ABOVE ALL, DRAWING ON . . .
-- AND, ABOVE ALL, DRAWING ON THE SENSE OF COMMUNITY AND VOLUNTARY EFFORT THAT I BELIEVE IS ALIVE IN AMERICA, AND ON THE LOYALTY THAT AMERICANS FEEL FOR THEIR OWN NEIGHBORHOODS.

THE FEDERAL CONTRIBUTION TO THE NEW PARTNERSHIP IS A LONG-TERM COMMITMENT INVOLVING THREE MAJOR AREAS OF ACTIVITY:

-- FIRST, THE VERY SUBSTANTIAL INCREASES WE HAVE MADE AND ARE MAKING IN PROGRAMS THAT DIRECTLY BENEFIT URBAN COMMUNITIES;

-- SECOND, THE REORIENTATION OF FEDERAL ACTIVITIES TO MAKE CERTAIN THAT THEY SUPPORT OUR URBAN GOALS;

-- AND THIRD, NEW INITIATIVES TO HELP URBAN COMMUNITIES FISCALLY AND ECONOMICALLY, AND TO HELP THEIR PEOPLE MEET HUMAN AND SOCIAL NEEDS.
THIS ADMINISTRATION HAS BEEN COMMITTED TO THE FUTURE OF URBAN AMERICA FROM THE DAY I TOOK OFFICE. THAT IS WHY WE DID NOT WAIT UNTIL THE FORMAL ANNOUNCEMENT OF A NATIONAL URBAN POLICY TO STRENGTHEN EXISTING EFFORTS AND TO INITIATE NEW PROGRAMS THAT ARE CRUCIAL TO THAT POLICY.

THE CONGRESS HAS COOPERATED ENTHUSIASTICALLY.

TOTAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS HAS ALREADY BEEN INCREASED BY SOME 25 PERCENT, FROM $68 BILLION IN FY 77 TO $85 BILLION IN FY 79.

WE HAVE HAD MAJOR IMPROVEMENTS IN SUCH URBAN-RELATED PROGRAMS AS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM,... THE NEW URBAN DEVELOPMENT ACTION GRANT PROGRAM,...AND URBAN EDUCATION.

I HAVE PROPOSED A DOUBLING IN OUR...
I HAVE PROPOSED A DOUBLING IN OUR EXPENDITURES FOR EMPLOYMENT AND TRAINING TO OVER $12 BILLION IN 1979 AND WE HAVE ALREADY INCREASED THE NUMBER OF PUBLIC SERVICE JOBS BY 150 PERCENT.

IN MANY OF THESE PROGRAMS WE ARE ENLARGING THE SHARE PROVIDED TO CITIES AND COMMUNITIES.

AND I HAVE ASKED FOR THE ABOLITION OF THE PRESENT DISASTROUS WELFARE SYSTEM AND ITS REPLACEMENT WITH A FAIR AND WORKABLE PROGRAM FOR BETTER JOBS AND INCOME THAT WILL PROVIDE IMMEDIATE FISCAL RELIEF TO STATE AND LOCAL GOVERNMENTS.

BUT INCREASES IN OUR SPENDING CANNOT BE A SUBSTITUTE FOR OVERALL EFFECTIVENESS.

NOR ARE THEY THE SOLE MEASURE OF OUR COMMITMENT.
FOR THOSE WHO LIVE IN OUR URBAN AREAS, THE GRAVEST FLAW IN PAST FEDERAL POLICY WAS NOT THAT WE FAILED TO SPEND MONEY.

IT WAS THAT TOO MANY OF THE PROGRAMS WERE INEFFECTIVE AND TOO MANY THAT DID WORK HAD THEIR BENEFITS CANCELLED OUT BY OTHER FEDERAL AND STATE ACTIVITIES.

IN DEVELOPING THE NATIONAL URBAN POLICY, WE TOOK A LONG, HARD LOOK AT THE WORK OF EVERY MAJOR AGENCY IN THE FEDERAL GOVERNMENT.

IN THE PROCESS, AGENCIES RANGING FROM THE DEFENSE DEPARTMENT TO THE GENERAL SERVICES ADMINISTRATION HAVE BEEN MADE MORE SENSITIVE TO URBAN CONCERNS.

THIS IS THE BEGINNING OF A LONG-TERM . . .
THIS IS THE BEGINNING OF A LONG-TERM CHANGE IN THE ATTITUDE OF THE ENTIRE GOVERNMENT BUREAUCRACY TOWARD URBAN COMMUNITIES.

OUR REVIEW GENERATED A LARGE NUMBER OF PROPOSALS FOR CHANGES IN EXISTING PROGRAMS. SOME WILL REQUIRE LEGISLATION; ... MOST CAN BE DONE THROUGH ADMINISTRATIVE ACTION. THERE ARE MORE THAN 150 OF THEM. ..... LET ME MENTION JUST A FEW.

-- ALL AGENCIES WILL DEVELOP GOALS AND TIMETABLES FOR MINORITY PARTICIPATION IN THEIR GRANTS AND CONTRACTS -- FIVE MAJOR AGENCIES HAVE ALREADY BEGUN.

-- THE DEFENSE DEPARTMENT WILL SET UP A NEW PROGRAM TO INCREASE PROCUREMENT IN URBAN AREAS.
-- THE ENVIRONMENTAL PROTECTION AGENCY WILL MODIFY ITS WATER AND SEWER PROGRAMS TO DISCOURAGE WASTEFUL SPRAWL.

-- AND THE GENERAL SERVICES ADMINISTRATION WILL RETAIN FACILITIES IN URBAN AREAS AND WILL PUT NEW ONES THERE.

IF THE KIND OF REVIEW THAT LED TO THESE CHANGES HAD BEEN DONE ON A REGULAR BASIS IN THE PAST, OUR URBAN PROBLEMS WOULD BE LESS SEVERE TODAY.

AS A KEY COMPONENT OF THE COMPREHENSIVE URBAN POLICY, I AM ESTABLISHING A CONTINUING MECHANISM TO ANALYZE THE EFFECTS OF NEW FEDERAL POLICIES AND PROGRAMS ON OUR COMMUNITIES.

ONCE THAT MECHANISM IS IN PLACE . . . .
ONCE THAT MECHANISM IS IN PLACE, ANALYSIS OF THE URBAN AND REGIONAL IMPACT OF NEW PROGRAMS WILL BE AN INTEGRAL AND PERMANENT PART OF ALL POLICY DEVELOPMENT THROUGHOUT OUR GOVERNMENT.

I BELIEVE THIS REORIENTATION OF FEDERAL ACTIVITIES TO TAKE ACCOUNT OF THE NEEDS OF OUR COMMUNITIES WILL BE AS SIGNIFICANT AS ANY ACTION THE FEDERAL GOVERNMENT COULD TAKE.

BUT EVEN WITH SUBSTANTIAL INCREASES AND IMPROVEMENTS IN EXISTING PROGRAMS, GAPS REMAIN.

THE NEW INITIATIVES I AM PROPOSING TODAY -- $4.4 BILLION IN BUDGET AUTHORITY, ....$1.7 BILLION IN NEW TAX INCENTIVES, ....AND $2.2 BILLION IN LOAN GUARANTEES -- ARE DESIGNED PRECISELY TO FILL THOSE GAPS.
TO MAKE GOVERNMENT AT ALL LEVELS MORE EFFICIENT, I PROPOSE INCENTIVES TO CITIES WITH COORDINATED ECONOMIC DEVELOPMENT PLANS; A SIMPLIFICATION OF PLANNING REQUIREMENTS; AND A NEW COORDINATING MECHANISM FOR FEDERAL PROGRAMS.

TO HELP RELIEVE THE DISTRESS OF THE MOST FISCALLY STRAINED COMMUNITIES, I PROPOSE TO REPLACE THE EXPIRING COUNTER-CYCLICAL AID PROGRAM WITH A NEW FISCAL ASSISTANCE PROGRAM TARGETED ON THOSE COMMUNITIES WITH THE HIGHEST UNEMPLOYMENT RATES.

TO ENCOURAGE THE STATES TO CHANNEL ADDITIONAL RESOURCES TO THEIR DISTRESSED AREAS, I PROPOSE A NEW INCENTIVE GRANT PROGRAM.

To provide increased opportunities . . .
TO PROVIDE INCREASED OPPORTUNITIES FOR OUR UNEMPLOYED, I PROPOSE A NEW EMPLOYMENT TAX CREDIT TO ENCOURAGE PRIVATE INDUSTRY TO HIRE JOBLESS YOUNG PEOPLE, WHOSE PLAGUE IS AMONG THE MOST SERIOUS HUMAN PROBLEMS OF OUR SOCIETY.

AND I HAVE PROPOSED A NEW PROGRAM TO ENCOURAGE PRIVATE INDUSTRY, IN PARTNERSHIP WITH MAYORS, TO HIRE AND TRAIN MORE DISADVANTAGED WORKERS.

TO STRENGTHEN THE ECONOMIC BASE OF CITIES, I PROPOSE MAJOR INCENTIVES TO PRIVATE INVESTMENT IN URBAN AREAS THROUGH INCREASED AND AFFORDABLE CREDIT FROM A NEW NATIONAL DEVELOPMENT BANK, EXPANDED GRANTS, AND A NEW TAX INCENTIVE.

AND I PROPOSE AN INNOVATIVE PROGRAM OF LABOR-INTENSIVE PUBLIC WORKS AIMED AT REPAIRING AND REHABILITATING THE EXISTING FACILITIES OF OUR COMMUNITIES.
AN INNER CITY HEALTH AND SOCIAL SERVICE INITIATIVE,
TOGETHER WITH EXPANDED SUPPORT FOR MASS TRANSIT,...
HOUSING REHABILITATION,...AN URBAN PARKS AND RECREATION
INITIATIVE,...AND A NEW ARTS AND CULTURAL PROGRAM
WILL PROMOTE COMMUNITY AND HUMAN DEVELOPMENT IN OUR
URBAN AREAS.

AND TO MARSHAL THE THOUSANDS OF AMERICANS WHO
WANT TO CONTRIBUTE THEIR TIME AND ENERGY TO THE
BETTERMENT OF THEIR NEIGHBORHOODS, I AM PROPOSING
NEIGHBORHOOD REHABILITATION AND ANTI-CRIME PROJECTS
AND A NEW URBAN VOLUNTEER CORPS.

THESE PROGRAMS TOGETHER RECOGNIZE THAT THE
FEDERAL GOVERNMENT DOES NOT HAVE THE RESOURCES BY ITSELF
TO DO THE JOB.

But we are ready to provide . . . .
BUT WE ARE READY TO PROVIDE THE LEADERSHIP,
THE COMMITMENT AND THE INCENTIVES WHICH WILL ENCOURAGE
ALL SECTORS OF OUR COUNTRY TO REBUILD AND MAINTAIN
THE QUALITY OF AMERICA'S COMMUNITIES.

ONLY THROUGH UNPRECEDENTED CONSULTATION AND
COOPERATION HAS THIS URBAN POLICY BEEN EVOLVED.

THOUSANDS OF GOVERNMENT OFFICIALS AND PRIVATE
CITIZENS HAVE WORKED FOR MANY MONTHS TO REACH THIS
GOAL, AND NOW THIS SAME MUTUAL EFFORT CAN INSURE
SUCCESS IN IMPLEMENTING THE PROPOSALS.

THIS JOB WILL NOT BE DONE OVERNIGHT.

PROBLEMS WHICH HAVE BUILT UP OVER GENERATIONS
CANNOT BE REVERSED IN A YEAR OR EVEN IN THE TERM OF
A PRESIDENT.
BUT LET THERE BE NO DOUBT THAT TODAY MARKS A TURNING POINT.

FOR TODAY WE COMMIT THE FEDERAL GOVERNMENT TO THE LONG-TERM GOAL OF MAKING AMERICA'S CITIES MORE ATTRACTIVE PLACES IN WHICH TO WORK AND LIVE -- AND HELPING THE PEOPLE WHO LIVE IN THEM LEAD HAPPIER AND MORE USEFUL LIVES.

#    #    #
THE WHITE HOUSE
WASHINGTON
March 27, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT
LYNN DAFT
SUBJECT: Reaffirmation of Turndown for Major Disaster Assistance Due to Severe Winter Storms - New York

In the attached letter, Secretary Harris recommends that you reaffirm your earlier decision not to recommend major disaster assistance for the State of New York due to a combination of heavy snows, ice, flooding, and shoreline erosion.

We concur with Secretary Harris' assessment and recommend your concurrence in the proposed reply to Governor Carey.
The Federal Insurance Administration has processed 203 claims for flood insurance payments totaling over $800,000. Insurance payments under other policies are estimated by the American Insurance Association to exceed $8.0 million.

I trust that the Federal assistance which is being made available without a major disaster declaration will go a long way toward alleviating damage and hardship caused by these storms.

Sincerely,

William H. Wilcox
Administrator

Concurrence:

Date: March 27, 1978
Hugh Carter

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

PERSONNEL ON BOARD AS OF MARCH 23, 1978
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MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER

SUBJECT: Personnel on Board as of March 23, 1978

Attached is a list of all personnel on board at the White House Office as of March 23. Earlier this week we reached our reorganization level of 351 permanent employees when the last person outplaced by reorganization was moved out. (Note: The actual number on 3/23 was 349 because of turnover, however, the actual number will be 351 when fully staffed.)

The appendix to the table describes the columns.

I might add that there is a good deal of pressure from the staff to add people -- especially temporaries and detailees. I am being very strict on this. I expect requests to add permanent employees. This of course would be your decision. Our budget is closely tailored to 351 employees with a small amount of flexibility. If you receive any requests for more people it will be important to consider the budget implications before a final decision is made.

We plan to hold the volunteers to about 50. If they go any higher we could possibly be criticized for replacing staff with volunteers.
THE WHITE HOUSE OFFICE
PERSONNEL ON BOARD AT 3/23/78

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<th>FULLTIME (1)</th>
<th>PART TIME (2)</th>
<th>OTHER (3)</th>
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<td>Ms. Costanza</td>
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<td>First Lady's Staff</td>
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<tr>
<td>Total Staff</td>
<td>351</td>
<td>349</td>
<td>32</td>
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(See Notes Attached)
NOTES TO 3/23/78 PERSONNEL ON BOARD TABULATION

1. FULL-TIME EMPLOYEES

All offices are at or below their authorized ceilings except Tim Kraft's which has 2 temporary employees (one of which is an intern) whose appointments expire 4/15 and 6/30.

2. PART-TIME EMPLOYEES

(A) Intermittent (Part-time)

Of the total 32 intermittent employees, 3 are members of the Intelligence Oversight Board.

The balance are typists, secretaries and clerical persons used to fill in for absences and peak work loads in the policy and operating staffs.

(B) Consultants

Of the 29 consultants, 21 are Advance and Press Advance persons used only for Presidential trips.

Of the remaining 8 in other offices, 3 serve without compensation.

Typical utilization of consultants averages only a few days a month each.

3. OTHER

(A) Agency Details

Agency detail figures do not include military personnel.

6 of the 11 listed have expiration dates on or before 5/31/78.

5 of the 11 have been here for over 6 months, and we are reimbursing their employing agency for them.

3 of these 5 are holdovers from the prior Administration.

(B) Volunteers

Of the 44 volunteers, approximately one-third are working full-time. The balance work 1 to 4 days a week. Many, but not all, are college students.

The 44 volunteers do not include occasional volunteers working a few hours a week, such as those assisting in Comment or Greetings Office.
THE WHITE HOUSE
WASHINGTON

March 27, 1978

Jim McIntyre:

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

BUDGET COMMITMENTS ARISING FROM FOREIGN VISITS

cc: Stu Eizenstat
Zbig Brzezinski
THE WHITE HOUSE
WASHINGTON

| ACTION FOR STAFFING FOR INFORMATION FROM PRESIDENT'S OUTBOX LOG IN/TO PRESIDENT TODAY IMMEDIATE TURNAROUND |
| MONDALE COSTANZA EIZENSTAT JORDAN LIPSHUTZ MOORE POWELL WATSON McIntyre Schultze |
| ENROLLED BILL AGENCY REPORT CAB DECISION EXECUTIVE ORDER |
| Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day |
| ARAGON BOURNE BRZEZINSKI BUTLER CARP H. CARTER CLOUGH FALLOWS FIRST LADY HARDEN HUTCHESON JAGODA GAMMILL |
| KRAFT LINDER MITCHELL MOE PETERSON PETTIGREW POSTON PRESS SCHLESINGER SCHNEIDERS STRAUSS VOORDE WARREN |
THE WHITE HOUSE
WASHINGTON

Mr. President:

Brzezinski concurs; Eizenstat and Watson have no comment.

Rick (wds)
MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre
Acting Director
SUBJECT: Budget Commitments Arising from Foreign Visits

I have become increasingly concerned about the pressures to make last minute budget commitments in preparation for foreign visits. Despite your instructions of last year (attached) which were designed to insure an orderly OMB/NSC review of proposed new commitments, the tendency to let "tripism" dominate the decision process seems to be getting worse.

My staff have pointed out that President Kennedy, when faced with a similar trend, adopted a policy of not making budget commitments when foreign heads of State visited Washington. The policy was apparently based on his concern that the success of these visits would come to be judged partly on invidious comparisons of how well one visitor did in terms of the others. This policy was apparently never written down and did not preclude making commitments after a short but discrete interval following the visitor's departure.

The policy did not extend to visits by senior U.S. officials overseas, but the logic would be the same. I think a policy which sharply discouraged or prohibited announcing spending initiatives on trips would be sensible. We could avoid the kind of problem frequently associated with last minute decisions only loosely justified on lasting foreign policy grounds:

- Secretary Blumenthal made a rush request to approve the Israeli Agricultural Research Foundation during his visit late last year. Treasury now seems totally uninterested in the program, and has "dumped" it on an unwilling USDA. The results: Congressional resentment, interagency problems, and a potential future difficulty with Israel.

- We recently made an eleventh hour decision to promise President Tito a $7 million special science and technology program. Subsequent review has led us to conclude that the plan is of dubious scientific merit and may necessitate cumbersome administrative procedures, as well as new legislation and a budget amendment.
My concern is that many, if not most, of the initiatives which are approved under the pressure to find something to give away during visits would not pass normal program/budget review. Furthermore, many of the programs so initiated become bureaucratic orphans (the Israeli example above), raise unrealistic expectations, distort or violate our own policy guidelines (e.g., possible approval of PL-480 Title III for Indonesia without clear development objectives), or create problems because of premature decisions and inadequate Congressional liaison (the decision to double foreign aid at the summit). You risk being embarrassed by these initiatives over the long run and the Administration gives the impression of talking first and thinking later.

Recommendation

I believe you should adopt a policy which would limit announcements during visits to absolutely first priority initiatives (aircraft sales to Mid-East) or other initiatives which have been thoroughly reviewed by you (or if delegated, by OMB/NSC and other interested agencies). I would further recommend extension of this policy to trips by U.S. officials abroad.

If you agree, I will work with Zbig to provide a letter from you to department and agency heads which initiates such a policy.

Agree__

Disagree_____
United States participation in international negotiations and organizations often requires the commitment of resources beyond approved budgets and outside the regular annual budget review cycle. Prudent management and effective control of our budgetary resources require that commitments to provide foreign aid or other assistance in such circumstances be subject to the same careful review and competition for resources as are applied to all claims on our resources in the annual budget review.

Future budgetary resources may be committed by formal or informal promises of assistance, even though these promises are qualified as being subject to future authorization and appropriation. Commitments of this kind may preempt decisions on future year budgets and reduce flexibility to respond to new requests. For these reasons, a specific Presidential determination to seek additional funds is essential before promises or commitments are made or implied.

All proposals to provide funds beyond or in addition to approved budgets to foreign governments or international organizations should, therefore, be submitted to me for approval jointly through the Director of the Office of Management and Budget and the Assistant to the President for National Security Affairs before any commitment, formal
or informal, is made. I am further directing the Director of the Office of Management and Budget together with the Assistant to the President for National Security Affairs and the Secretary of State to review existing directives and procedures and make such changes as are necessary to ensure timely and expeditious processing of new commitment proposals.

[Signature]

Jimmy Carter
MEMORANDUM FOR:  THE SECRETARY OF STATE
               THE SECRETARY OF THE TREASURY
               THE SECRETARY OF DEFENSE

FROM:  Bert Lance
         Director

SUBJECT:  Procedures for processing new commitments to foreign governments

1. Purpose. This memorandum implements the President's April 15, 1977, directive to develop procedures for the timely and expeditious processing of new commitment proposals not already provided for in the budget.

2. Presidential policy. In his April 15 memorandum, the President directed that all proposals to provide funds beyond or in addition to approved budgets to foreign governments or international organizations should be submitted to him for approval jointly through the Director of the Office of Management and Budget and the Assistant to the President for National Security Affairs before any commitments, formal or informal, are made.

3. Definitions. A commitment means any communication between a United States official acting within the scope of his responsibility and an official of a foreign government or international organization which could reasonably be interpreted as obligating the United States Government to provide funds, goods, or services requiring additional authorizations or appropriations from the Congress.

Such commitments relate both to proposals which would require increases over current budget requests and to proposals which entail future year funding not already approved. The new commitments procedures do not apply to reprogramming of current year funds which can be accomplished within approved budget totals. The procedures apply to all U.S. funding sources, not just foreign aid.

4. Preliminary discussions. The requirement for Presidential approval of new commitment proposals does not preclude preliminary planning and discussions with other governments regarding possible programs prior to review by the President. Agency officials should, however, make it clear that no commitment can be made until approved by the President.
5. Basic principles.

a) Wherever possible, new commitment proposals should be submitted to the President during the course of the annual budget review in line with the procedures set forth in OMB Circular A-11, "Preparation and submission of budget estimates." This principle is intended to permit orderly and comprehensive review by the President and the Congress.

b) When circumstances do not permit the submission of a new commitment proposal during the annual budget cycle, the proposal will still be reviewed in the same manner as in the annual budget process. Accordingly, the review process for such proposals should parallel as closely as possible the steps in the annual budget review.

c) Any new commitments should be funded to the extent possible by reducing lower priority programs within existing budget levels.

6. Identification of existing commitments. Agencies responsible for programs involving future commitments to foreign governments should review and update the existing list of commitments that have already been made or approved by the President. The specific programs, amounts, years covered, date, form, and authority for the commitment, and the status of the commitment where dependent upon congressional action or action by the recipient should be provided in each case. The revised list should be submitted to OMB prior to September 1, 1977.

7. Identification of possible new commitments. During each annual budget review, agencies will include in their budget requests estimates of any likely new commitments for which specific proposals are not yet available. Whenever possible, funds required to support such commitments should be included in the President's budget. In cases where negotiations are not yet concluded or it would otherwise be inappropriate to include specific amounts in the budget, agencies will provide estimates and justifications in sufficient detail for the President to consider the contemplated commitments during the annual budget review and to approve budget targets as guidance for negotiations.

8. The review process for proposals not included in regular budget submissions.

a) Agencies will submit to OMB in a timely manner all future commitment proposals in order to permit staffing for Presidential decision. Normally, commitment proposals should reach OMB at least 30 days in advance of the desired decision date. Agencies should review their internal procedures governing the preparation of instructions for negotiations, official visits, and conferences where new commitment situations arise in order to provide adequate time for OMB and NSC staff review and Presidential decision. The procedures should also provide for keeping OMB and NSC staff informed of evolving future commitment situations.
b) The proposal should begin with a letter from an appropriate agency official to the President through the Director of OMB and include the following supportive material: (1) projected program level, budget authority, and outlays for each year of the proposed commitment; (2) justification of the proposal; (3) other forms of assistance or other U.S. actions that should be considered in evaluating the need for a particular commitment; (4) discussion of alternatives, including reprogramming options to absorb all or part of the costs within budget or planning ceiling totals; and (5) where negotiating latitude is required, the range of negotiating authorities being sought and discussion of factors that would warrant going to higher levels.

c) Upon receipt of the proposal, OMB will prepare or see that the appropriate Executive Office agency prepares a memorandum for the President which presents options for his consideration and a summary of all relevant agency views.

d) The OMB Director will obtain the President's decision, inform the agencies, and provide an opportunity to appeal if it should be appropriate.

9. Conclusion. There will undoubtedly be circumstances where ongoing negotiations or other events may force quick decisions by the President and require some abbreviation of the review process. OMB will process these requests as rapidly as possible. However, the basic elements of the process must be adhered to.

cc: THE SECRETARY OF AGRICULTURE
    THE SECRETARY OF COMMERCE
    ASSISTANT TO THE PRESIDENT
    FOR NATIONAL SECURITY AFFAIRS
ID 784630

THE WHITE HOUSE
WASHINGTON

DATE: 23 MAR 78

FOR ACTION: STU EISENSTAT
ZBIG BRZEZINSKI
JACK WATSON

INFO ONLY: THE VICE PRESIDENT
HAMILTON JORDAN
JODY POWELL

SUBJECT: MCINTYRE MEMO RE BUDGET COMMITMENTS ARISING FROM FOREIGN VISITS

++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 11200 PM SATURDAY 25 MAR 78 +
++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
THE WHITE HOUSE
WASHINGTON
March 27, 1978

Jim McIntyre:

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

PLANS FOR THE 1980 BUDGET
cc: Stu Eizenstat
Charles Schultze
Zbig Brzezinski
Tim Kraft
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Mr. President:

Eizenstat, Schultze and Kraft concur; the Vice President has no comment.

Brzezinski generally concurs but believes that the review during the third and fourth weeks in May should also include Senior White House Advisors.

He also recommends that the Fall Budget Review session on DOD should NOT necessarily be done in precisely the same manner as last year because the new DOD budget process should limit the number of issues (half-dozen or so) you should address yourself.

Rick (wds)
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
MAR 20 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr.
SUBJECT: Plans for the 1980 Budget

This seeks your approval of general plans for the 1980 budget process.

The special needs for information and Presidential direction that occur during the first year of a new Administration are behind us now. The process outlined here aims to take less of your time than last year. Another change is that the 1980 budget will be the first developed under the three-year budget planning process established by your January 12, 1978 memorandum to the department and agency heads.

Spring Planning Review

The Spring Planning Review will be designed to accomplish three principal objectives. The first is to establish the preliminary economic and fiscal policy goals and related spending and deficit totals for the three-year planning period within which the 1980 budget will be developed. The second is to determine a policy direction for the issues that will have significant effect on the planning period and the 1980 budget. The third is to fix planning ceilings for 1980 through 1982 for use by the agencies in developing their next budget requests.

The first major element of this plan is a series of meetings involving OMB and the departments and major agencies to discuss significant emerging issues that need resolution in connection with the preparation of your 1980 budget. Then there would be a meeting between you, me, Charlie Schultze, Mike Blumenthal, Stu Eizenstat, Zbigniew Brzezinski, and key members of my staff on about April 10 to review economic assumptions and to obtain fiscal and other policy guidance. During the following five weeks, OMB plans to review agency plans and develop a small number of critical budget issues that warrant your review. The Domestic Policy staff and the National Security Council should participate in this review.

Discussions between myself and members of the Cabinet and agency heads will be held to clarify the critical issues to be discussed with you and to reach agreement on less significant matters.

During the third and fourth weeks of May, we would like to meet with you again, together with those agency heads concerned with the major issues identified earlier. Since the purpose of these meetings would be to
establish Presidential policy direction for only the major 1980 budget issues, there would not necessarily be discussions with every Cabinet officer. We envision six two and one-half hour meetings for this purpose.

Around June 5, a final session with you, me, your other senior economic and White House advisers, and members of my staff would be used to seek your decisions on the ceilings to be given to the agencies.

Fall Budget Review

The fall budget process that we are planning is different in several ways from the procedure used to produce the 1979 budget. We plan to obtain your initial guidance on appropriate economic and fiscal policies in mid-October. That meeting would be followed by a series of OMB Review sessions, from late October to late November. The Domestic Policy staff and the National Security Council would be invited to participate in these meetings and would be consulted on OMB's major budget recommendations.

We would not involve you -- as was appropriate last year -- in detailed budget review meetings for the domestic agencies. Rather, we would propose to schedule regular meetings with you each week during late October and November to go over significant conclusions that we and the other Executive Office staff have reached in our reviews. We would then inform the agencies of those conclusions as you may have modified them.

We propose to handle the Defense budget in the same manner as last year. That is, we would have an initial briefing for you with Zbigniew Brzezinski attending. This would be followed by a decision meeting with you, attended by Secretary Brown, Brzezinski and OMB.

The agencies would be given an opportunity to appeal to you the decisions on significant issues. These Presidential appeal meetings, to include the agency heads, key members of my staff, and me, would be held from late November through mid-December. The total amount of time needed for the appeal meetings might be around 24 hours in 10 to 12 sessions. While this exceeds the number of hours used last year on budget appeals, it is considerably less than the aggregate of time used last year for both Presidential Review and agency appeals (about 45 hours over 23 meetings).

Conclusion and Recommendation

The plan described above provides for your participation in the 1980 budget process beginning at an earlier point and in a less time-consuming manner than last year. I recommend that you agree.

Decision

Agree [ ]

Disagree [ ]
DATE: 20 MAR 78

FOR ACTION: STU EISENSTAT

INFO ONLY: THE VICE PRESIDENT

SUBJECT: MCINTYRE MEMO RE PLANS FOR 1980 BUDGET PROCESS

RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) BY: 1200 PM WEDNESDAY 22 MAR 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
THE WHITE HOUSE
WASHINGTON

ACTION March 25, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI
SUBJECT: McIntyre Memo re Plans for 1980 Budget Process

I agree with the thrust of Jim McIntyre's memo (Tab A), with the following exceptions.

1. The Spring review meetings on major budget issues, which are described in the paragraph beginning at the bottom of the first page, omit senior White House advisers. I feel such advisers should be included in the meetings since major budget issues are also major policy issues.

2. OMB proposes "to handle the Defense budget in the same manner as last year." While I agree that Presidential review of major defense budget issues is needed, I doubt that precisely the same manner is necessary: the new DOD budget process should help limit considerably the number of issues that you should address yourself.

The changes I would accordingly propose to make to the memo are marked into the copy at Tab A.

RECOMMENDATION

That you approve Jim's memo as I have revised it.

_____ Approve       _____ Disapprove
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 26 1973

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr.
SUBJECT: Plans for the 1980 Budget

This seeks your approval of general plans for the 1980 budget process.

The special needs for information and Presidential direction that occur during the first year of a new Administration are behind us now. The process outlined here aims to take less of your time than last year. Another change is that the 1980 budget will be the first developed under the three-year budget planning process established by your January 12, 1978 memorandum to the department and agency heads.

Spring Planning Review

The Spring Planning Review will be designed to accomplish three principal objectives. The first is to establish the preliminary economic and fiscal policy goals and related spending and deficit totals for the three-year planning period within which the 1980 budget will be developed. The second is to determine a policy direction for the issues that will have significant effect on the planning period and the 1980 budget. The third is to fix planning ceilings for 1980 through 1982 for use by the agencies in developing their next budget requests.

The first major element of this plan is a series of meetings involving OMB and the departments and major agencies to discuss significant emerging issues that need resolution in connection with the preparation of your 1980 budget. Then there would be a meeting between you, me, Charlie Schultze, Mike Blumenthal, Stu Eizenstat, Zbigniew Brzezinski, and key members of my staff on about April 10 to review economic assumptions and to obtain fiscal and other policy guidance. During the following five weeks, OMB plans to review agency plans and develop a small number of critical budget issues that warrant your review. The Domestic Policy staff and the National Security Council should participate in this review.

Discussions between myself and members of the Cabinet and agency heads will be held to clarify the critical issues to be discussed with you and to reach agreement on less significant matters.

During the third and fourth weeks of May, we would like to meet with you again, together with those agency heads concerned with the major issues identified earlier. Since the purpose of these meetings would be to
establish Presidential policy direction for only the major 1980 budget issues, there would not necessarily be discussions with every Cabinet officer. We envision six two and one-half hour meetings for this purpose.

Around June 5, a final session with you, me, your other senior economic and White House advisers, and members of my staff would be used to seek your decisions on the ceilings to be given to the agencies.

Fall Budget Review

The fall budget process that we are planning is different in several ways from the procedure used to produce the 1979 budget. We plan to obtain your initial guidance on appropriate economic and fiscal policies in mid-October. That meeting would be followed by a series of OMB Review sessions, from late October to late November. The Domestic Policy staff and the National Security Council would be invited to participate in these meetings and would be consulted on OMB's major budget recommendations.

We would not involve you -- as was appropriate last year -- in detailed budget review meetings for the domestic agencies. Rather, we would propose to schedule regular meetings with you each week during late October and November to go over significant conclusions that we and the other Executive Office staff have reached in our reviews. We would then inform the agencies of those conclusions as you may have modified them.

We propose to handle the Defense budget in the same manner as last year. That is, we would have an initial briefing for you with Zbigniew Brzezinski attending. This would be followed by a decision meeting with you, attended by Secretary Brown, Brzezinski and OMB. We would, however, discuss only the most important half-dozen or so defense issues.

The agencies would be given an opportunity to appeal to you the decisions on significant issues. These Presidential appeal meetings, to include the agency heads, key members of my staff, and me, would be held from late November through mid-December. The total amount of time needed for the appeal meetings might be around 24 hours in 10 to 12 sessions. While this exceeds the number of hours used last year on budget appeals, it is considerably less than the aggregate of time used last year for both Presidential Review and agency appeals (about 45 hours over 23 meetings).

Conclusion and Recommendation

The plan described above provides for your participation in the 1980 budget process beginning at an earlier point and in a less time-consuming manner than last year. I recommend that you agree.

Decision

Agree

Disagree
MEMORANDUM

NATIONAL SECURITY COUNCIL

March 22, 1978

MEMORANDUM FOR:  RICH HUTCHESON
FROM:  CHRISTINE DODSON
SUBJECT:  McIntyre Memo re Plans for 1980 Budget Process

The NSC staff agrees with the thrust of the McIntyre memo, with the following exceptions.

1. The Spring review meetings on major budget issues, which are described in the paragraph beginning at the bottom of the first page, omit senior White House advisors. We feel such advisors should be included in the meetings since major budget issues are also major policy issues.

2. OMB proposes "to handle the Defense budget in the same manner as last year." While we agree that Presidential review of major defense budget issues is needed, we doubt that precisely the same manner is necessary: the new DOD budget process should help limit considerably the number of issues that the President should address himself. This problem could be fixed by simply adding the clause "though we expect that in this and future years there would be considerably fewer issues that require your review" to the end of the first sentence of the third paragraph under "Fall Budget Review."
DATE: 20 MAR 78

FOR ACTION: STU EIZENSTAT
ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT
JODY POWELL

SUBJECT: MCINTYRE MEMO RE PLANS FOR 1980 BUDGET PROCESS
REVISION OF MCINTYRE MARCH 1 MEMO

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RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
BY: 1200 PM WEDNESDAY 22 MAR 78

ACTION REQUESTED: YOUR COMMENTS
STAFF RESPONSE: (✓) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
DATE: 20 MAR 78
FOR ACTION: STU EIZENSTAT
ZBIG BRZEZINSKI
JACK WATSON
TIM KRAFT

INFO ONLY: THE VICE PRESIDENT
JODY POWELL
HAMILTON JORDAN
CHARLIE SCHULTZE

SUBJECT: MCINTYRE MEMO RE PLANS FOR 1980 BUDGET PROCESS
REVISION OF MCINTYRE MARCH 1 MEMO

RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) 
BY: 4200 PM WEDNESDAY 22 MAR 78

ACTION REQUESTED: YOUR COMMENTS
STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
DATE: 20 MAR 78
FOR ACTION: STU EIZENSTAT
ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT
JODY POWELL

SUBJECT: MCINTYRE MEMO RE PLANS FOR 1980 BUDGET PROCESS
REVISION OF MCINTYRE MARCH 1 MEMO

++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++
RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052)
BY: 1200 PM WEDNESDAY 22 MAR 78
++++++++++++++++++++ +++++++++++++++++++++ +++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS
STAFF RESPONSE: I CONCUR ( ) NO COMMENT. ( ) HOLD.
PLEASE NOTE OTHER COMMENTS BELOW:
THE WHITE HOUSE
WASHINGTON

DATE: 02 MAR 78

FOR ACTION: STU EIZENSTAT
JACK WATSON
ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT
FRAN VOORDE

JODY POWELL

SUBJECT: MCINTYRE MEMO RE PLANS FOR THE 1980 BUDGET

RESPONSE DUE TO RICK HUTCHESON
STAFF SECRETARY (456-7052)

BY: 1100 AM SATURDAY 04 MAR 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
THE WHITE HOUSE
WASHINGTON

Bill —
CEA concurs
w/ McIntyre 1980
Budget memo
DATE: 02 MAR 78
FOR ACTION: STU EIZENSTAT
           JACK WATSON
           ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT
           JODY POWELL
           FRAN VOORDE

SUBJECT: MCINTYRE MEMO RE PLANS FOR THE 1980 BUDGET

RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052)
BY: 1000 AM SATURDAY 04 MAR 78

ACTION REQUESTED: YOUR COMMENTS
STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
DATE: 02 MAR 78

FOR ACTION: STU EIZENSTAT
JACK WATSON
ZBIGNIEW BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT
FRAN VOORDE

HAMILTON JORDAN
CHARLES SCHULTZE
TIM KRAFT
JODY POWELL

SUBJECT: MCINTYRE MEMO RE PLANS FOR THE 1980 BUDGET

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RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052)
BY: 1400 AM SATURDAY 04 MAR 78

++++++++++++++++~+++ ++++++++++++++++++++++ ++++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Rick - I urge Jim McIntyre to try
1-2 week appeals (late Nov. thru
mid-Dec.) to 20 hrs., 10 sessions -
Also 1st mtg. should be Tued.
April 11 (not Monday the 10th) -
This seeks your approval of general plans for the 1980 budget process.

The special needs for information and Presidential direction that occur during the first year of a new Administration are behind us now. The process outlined here aims to take less of your time than last year. Another change is that the 1980 budget will be the first developed under the three-year budget planning process established by your January 12, 1978, memorandum to the department and agency heads.

Spring Planning Review

The Spring Planning Review will be designed to accomplish three principal objectives. The first is to establish the preliminary economic and fiscal policy goals and related spending and deficit totals for the three-year planning period within which the 1980 budget will be developed. The second is to determine a policy direction for the issues that will have significant effect on the planning period and the 1980 budget. The third is to fix planning ceilings for 1980 through 1982 for use by the agencies in developing their next budget requests.

The first major element of this plan is a series of meetings involving OMB and the departments and major agencies to discuss significant emerging issues that need resolution in connection with the preparation of your 1980 budget. Then there would be a meeting between you, me, Charlie Schultze, Mike Blumenthal, Stu Eizenstat, and key members of my staff on about April 10 to review economic assumptions and to obtain fiscal and other policy guidance. During the following five weeks, OMB plans to review agency plans and develop a small number of critical budget issues that warrant your review. The Domestic Policy Staff and the National Security Council Staff, as appropriate, will be invited to participate in this review.

Discussions between myself and members of the Cabinet and agency heads will be held to clarify the critical issues to
be discussed with you and to reach agreement on less significant matters.

During the third and fourth weeks of May, we would like to meet with you again, together with those agency heads concerned with the major issues identified earlier. Since the purpose of these meetings would be to establish Presidential policy direction for only the major 1980 budget issues, there would not necessarily be discussions with every Cabinet Officer. We envision six two-hour meetings for this purpose.

Around June 5, a final session with you, me, your other senior economic advisers, and members of my staff would be used to seek your decisions on the ceilings to be given to the agencies.

Fall Budget Review

The fall budget process that we are planning is different in several ways from the procedure used to produce the 1979 Budget. We plan to obtain your initial guidance on appropriate economic and fiscal policies in mid-October. That meeting would be followed by a series of OMB Review sessions, from late October to late November. The Domestic Policy Staff and the National Security Council Staff, as appropriate, would be invited to participate in these meetings and would be consulted on OMB's major budget recommendations.

We would not then involve you—as was appropriate last year—in a series of Presidential budget review meetings. Rather, within general guidance provided by you in October, each agency would be informed of the conclusions reached by OMB on 1980 budget amounts. During this process, I will want to keep you advised of significant issues and our actions. The agencies would be given an opportunity to appeal to you the decisions on significant issues. These Presidential appeal meetings, to include the agency heads, key members of my staff, and me, would be held from late November through mid-December. The total amount of time needed for the appeal meetings might be around 24 hours in 10 to 12 sessions. While this exceeds the number of hours used last year on budget appeals, it is considerably less than the aggregate of
time used last year for both Presidential Review and agency appeals (about 45 hours over 23 meetings).

Conclusion and Recommendation

The plan described above provides for your participation in the 1980 budget process beginning at an earlier point and in a less time-consuming manner than last year. I recommend that you agree.

Decision

Agree

Disagree
THE WHITE HOUSE
WASHINGTON

March 7, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT
SUBJECT: General Plans for 1980 Budget Process

I am somewhat concerned by the procedure suggested by Jim McIntyre for formulating the FY 80 budget. While I agree that your personal involvement need not be as extensive as was necessary this year, I believe the sharply curtailed approach Jim proposes may be disadvantageous both in terms of your personal understanding of major issues facing the departments and in terms of public perception of your involvement in the budget process.

In my own view, you should:

- Meet briefly with each department head during the Spring review process to demonstrate your personal interest and concern. A number of minor agencies, however, might be excluded, and every effort should be made to sharpen the presentations and limit your time requirements.

- Hold a series of budget review meetings in the fall before OMB gives the agencies their budget guidance. OMB's initial responses to the agencies -- even though subject to appeal -- have major policy and political significance. The willingness of the agencies to accept much of this guidance without exhaustive appeals to you and "leaks" to the press and Congress will, to a large extent, depend on their perception that you have been personally involved in developing the budget guidance. In addition, this initial budget guidance inevitably involves a number of "fights" with Congressional and other interests. I think it is important for you to have a preview of these issues.
In summary, I believe the budget process used last year was an important indication to the agencies and to the public of your concern for the working of the federal establishment. While the process need not occupy as much of your time this year, and while much can be done to eliminate less critical issues, it is too important in practical and political terms for treatment as restricted as OMB proposes.
MEMORANDUM

THE WHITE HOUSE
WASHINGTON

CONFIDENTIAL - GDS

INFORMATION

March 9, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI
SUBJECT: Jim Mcintyre's Memo of March 1 Concerning Plans for 1980 Budget

Jim Mcintyre has sent you a memo asking for your approval of his plans for handling the development of the FY 80 Budget. While adoption of his plans may reduce the amount of time that you will spend in meetings discussing the budget, it will also result in a narrowing of the perspectives from which you will get advice on the various budget issues.

My biggest difficulties with Jim's plans are:

-- Setting budget levels is not simply a question of economics. The level of the defense budget, for example, influences not only our actual military capabilities, but also our arms control negotiations, and how our friends and enemies view us. I believe that advice on how various budget levels affect these factors should be heard at the meetings in which you consider budget levels.

-- OMB proposes that the NSC be omitted from the Spring Review and suggests that it would consult with the NSC and Domestic Policy staffs, "as appropriate" in the Fall Review with the exception of Stu Eizenstat's participation in the meetings to set overall budget levels, there is no provision for getting national security or domestic policy advice on particular budget issues directly to you in the crucial November-December period.

-- There is no mention whatever of the two new meetings between you and Harold Brown to discuss defense issues -- specifically, your meeting in March to discuss the Consolidated Guidance, and your August meeting to review
Finally, last year's experience shows that you found NSC recommendations useful in resolving a number of disputes between the agencies and OMB. Moreover, you instructed me to inject the NSC into early discussions of budgetary matters, especially dealing with defense.

Accordingly, I recommend that:

1. I be included in the Spring Review and the meetings with you during the Fall Review, October, November and December.

2. You ask Harold Brown for his comments on the proposed OMB procedural changes.
THE WHITE HOUSE
WASHINGTON

March 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:        JACK WATSON  BRUCE KIRSCHENBAUM

SUBJECT:     McIntyre Memo Re FY 80 Budget Plans

We have only two overall comments on Jim's suggested plans for your involvement in the budget process:

1. **Budget Trade-offs**

   There is still no mechanism for developing overall budget "trade-offs" for your consideration. For example, you have often indicated you would like to see the Federal Government take more responsibility on some issues, while States and localities assumed greater responsibility for others, i.e., welfare versus education, or health insurance versus transportation. In short, there is no zero based budgeting procedure across agency or functional lines. While we do not think such trade-offs are easy to accomplish politically, we do recommend you be presented with some alternatives.

   An analogy which ACIR is working on in response to Congressional mandate, is a functional reallocation among various levels of government.

2. **Long Range Policy Plans**

   Since the Vice President's "executive committee" worked out a policy priority schedule for this year on a political basis, perhaps the same process should be developed in conjunction with Jim's budget process. If you decide you do not want to press National Health Insurance as a political matter in FY 80, that should be reflected in OMB's discussions with HEW.
Close consultation with congressional leaders about what subject areas they see coming up next year would also be helpful in setting the budgetary framework.
THE WHITE HOUSE
WASHINGTON

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Dr. Brzezinski/Henry Owen

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

SECRETARY BLUMENTHAL'S MEMO TO YOU REGARDING IFI REPLENISHMENTS

CC: The Vice-President
Frank Moore
Jim McIntyre
THE WHITE HOUSE
WASHINGTON

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND

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MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY OWEN
SUBJECT: Secretary Blumenthal's Memo to You Regarding IFI Replenishments

I. Purpose. In the attached memorandum (Tab A), Secretary Blumenthal:

   a. discusses his general strategy regarding IFI replenishments, for your background information;

   b. recommends specific replenishments for the Asian and African development banks.

My memorandum defines alternative responses for your consideration, and records the views of other agencies.

II. General Strategy

2. Overall Level. Treasury describes three overall strategies regarding IFI replenishment, and favors the middle option: that the IFIs should be replenished at a rate that would increase their real lending resources by an average of 3-5% annually. The upper end of this range would be consistent with your November decision that there should be a substantial increase in multilateral aid between now and 1982 (as would the high option: 7-9% real annual growth). Treasury is not now asking you to choose among these options.

3. World Bank and Inter-American Development Bank. This average conceals a marked divergence between what Treasury believes should be done to replenish individual IFIs. For example:

   a. Treasury favors a larger percentage increase for the World Bank's soft loan window (IDA) than for the World Bank, since it considers that soft lending is more needed than hard lending in most developing areas.

   b. Treasury favors a substantial increase for the Inter-American Development Bank's hard lending window, and a cut in its soft lending window, since it considers that there is little need for soft lending in Latin America.
Treasury is not now making recommendations regarding either of these banks, since the staff work and international negotiations are not sufficiently advanced. Treasury says that its recommendations on the World Bank Group and the Inter-American Development Bank will come to us in July or later. Some idea of the magnitudes involved can be gained from this range of rounded annual appropriations, which would have to be secured in FY 1982 for the World Bank and Inter-American Development Bank under the high and low strategies described by Treasury:

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II. Specific Recommendations

4. Timing. Treasury recommends that you now make decisions concerning replenishment of two smaller banks:

a. The Asian Development Fund, on which we need to make our decision known at a Board meeting April 22.

b. The African Development Fund, on which a decision is required before April 30. You may wish to make our decision known during your African trip. Nigeria is the Fund's strongest supporter in Africa and you may have an opportunity to meet briefly with Kwame Fordwor, President of the African Development Bank, in Lagos.

Treasury will carry forward Congressional consultation about each of these replenishments as soon as you have made your decisions. Treasury is confident that, by phoning and meeting members during the recess, it could complete the African Fund consultation in time to permit you to announce this decision while you are in Africa. The Asian Fund consultation will take longer, since a good deal more money is involved and there has been less preparatory Congressional consultation; if we begin immediately, Treasury indicates that we will be able to meet the April 22 deadline.

OMB recommends in a memo at Tab B that you not make decisions on these two banks until Treasury can develop fuller alternative strategies for the IFIs as a whole, which you can review upon your return.

Cy Vance, Mike Blumenthal, and I recommend that you make this decision now. While the discussion of alternative strategies
in Treasury's memo could be amplified, I doubt this would contribute greatly to your decision since the differences among options that you will be reviewing in these two cases are not so large as to hinge on later decisions you will be making regarding much larger World Bank and Inter-American Development Bank replenishments. Delay would prevent you from announcing the African Fund decision during your trip and could make it difficult to complete Congressional and international consultation regarding the Asian Bank before the April 22 Board Meeting.

I share, however, OMB's desire to secure early Treasury recommendations concerning the general magnitude of World Bank and Inter-American Development Bank replenishments. I recommend that you authorize us to indicate to Treasury that you wish its recommendations on these two larger banks to be submitted in time to be considered during OMB's mid-May budget reviews.

Defer decision on Asian and African Development Funds. (OMB)

Decision on these Funds, as indicated below (Vance, Blumenthal, Owen) ___/ and request Treasury to prepare strategy and recommendations on World Bank and Inter-American Bank before spring budget review.

5. Asian Development Fund

a. Treasury recommends US support for a four-year $1.8 billion overall replenishment, requiring annual US appropriation requests of $100 million for each of the fiscal years 1980-83, inclusive. Treasury believes that this option strikes the best balance between international and Congressional concerns.

Approve ___

b. The Vice President (who is interested because of his forthcoming Asian trip), State, AID, and I recommend authority to agree to a four-year replenishment of up to $2 billion, which would imply an annual US appropriation request of $111 million annually. This course would be more responsive to the desire of other donor countries (Japan, Germany, UK, and Australia), who favor the $2.15 billion ADB replenishment recommended by its management, which is efficient and could put the money to good use. The difference between $100 and $111 million annually would not be of great amount on the Hill, where we have been told that any increase over the $60 million annual level will cause problems.

Approve ___

CONFIDENTIAL GDS
6. **African Development Fund**

   a. Treasury and I recommend that the US offer a three-year contribution of $125 million toward a three-year replenishment of $625-750 million. This is larger than the overall 5% IFI replenishment rate discussed under I, above, or than suggested by a sense of the Senate resolution, which called for a US contribution of 10.6% to this Bank. Treasury believes the money can be well spent and is needed, since the Bank is new; it also believes that the Congress will be receptive, since the Black Caucus and other House and Senate supporters of aid to Africa are favorable. My reason for opposing the larger US contribution suggested below is that I am not clear more money could be put to good use.

   Approve

   b. State and AID recommend that the US offer to take a 20% share of any replenishment of up to $750 million, which would result in a US three-year contribution of up to $150 million. They support this option because it would be more responsive to other countries' desires and would assure a US share roughly equivalent to that in other multilateral banks.

   Approve

   In case you make decisions on the Asian and African Development Funds now, OMB has no preference among or objection to any of the above options, all of which it considers consistent with a middle-of-the-road strategy.
MEMORANDUM FOR THE PRESIDENT

SUBJECT: Upcoming Replenishments of the International Development Banks

The Setting

During 1978 you will have to make decisions on U.S. participation in replenishments of all four international development banks. Two of these replenishments involve relatively small U.S. contributions, but require your approval at this time: the Asian Development Fund (ADF) and the African Development Fund (AFDF), the soft loan windows of the Asian and African Development Banks.

The replenishment of the Inter-American Development Bank (IDB) and the World Bank's general capital increase (GCI) are further off, but the attached table gives you an idea of their likely size so that you can put U.S. contributions to each bank into an overall context.

The international development banks are fundamental elements of our foreign assistance policy and our overall North/South strategy. Sizable increases in our contributions to them are necessary to meet your objective of increasing the real level of U.S. aid by 50 percent by 1982.

Because of their multilateral and apolitical character, the banks are able to assert leverage for LDC economic policy reforms which cannot be carried out through bilateral aid programs without arousing charges of intervention. The banks also assure burdensharing between the United States and other donors -- others contribute $3 for every $1 of U.S. money. Moreover, since virtually all of our contributions to the banks' ordinary capital windows are callable capital which requires no outlays but enables the banks to borrow in financial markets, they generate considerable resources for development at almost no cost to the U.S. Government.
In carrying out a commitment which you made last year, Treasury has completed a review of the development banks, the rationale for U.S. participation, and the ways in which U.S. influence in them can be maximized. The principal conclusion of the review, which was delivered to key Congressmen on February 23 in draft form, was that we cannot expect to increase our influence in the banks unless we can deliver on our replenishment pledges. To do that, we need to obtain a consensus between the Congress and the Administration on the rationale for U.S. participation and on the priority issues toward which our influence will be directed. However, we expect considerable resistance from the Congress to the funding of this year's $3.5 billion request, which includes commitments of $835 million from previous years.

Given your objective to increase U.S. aid levels, one of the key issues in our review was how rapidly the lending levels of the banks should grow. They clearly must decline from the average annual real growth of 10-15 percent of the past five years, because of the increasing Congressional opposition to larger appropriations requests. Our growth "floor" was essentially determined by your commitment at the May Summit to increased lending in real terms.

We thus looked at three strategies. A high growth strategy (7-9 percent in real terms) would: (1) give the banks a marginally greater role in the LDCs; (2) provide additional cushion for the upper and middle income LDCs against the possibility of decreased private capital flows; and (3) increase resource transfers to all LDCs. It would also increase the relative IFI share in our overall assistance program.

At the other extreme, a low growth strategy (1-2 percent in real terms) would: (1) focus future lending on basic human needs projects, which require greater staff resources per lending dollar; (2) force a faster phase down in lending to the upper income countries such as Brazil and Mexico; and (3) free fewer bank resources for energy and raw materials development -- a priority objective of U.S. policy.

Our conclusion was that an intermediate growth option of 3-5 percent would best balance U.S. objectives, reconciling those considerations favoring rapid growth.
(resource transfer, LDC growth, significant IFI role, protection against uncertain private flows, energy development) with those favoring low growth (Congressional pressures, more BHN lending, concentration on poorer countries). We are thinking of a number toward the lower end of this range for the Inter-American Development Bank, because most of its borrowers no longer need soft loans. The Asian Fund should go toward the top of the range for reasons spelled out below. A higher number seems appropriate for the African Development Fund because (1) it is a relatively new institution starting from a low lending base; (2) it would reflect our greater foreign policy emphasis on Africa; and (3) there is strong support in the Congress for the African Fund. No decision is needed yet on the World Bank, by far the biggest of all the replenishments; I have told McNamara that our decision must await Bank responses to some of our and Congress' major concerns.

We need your approval now for U.S. positions on the replenishments of the ADF and AFDF because these two funds will be running out of money at the end of 1978. Even though our appropriations for them will not occur until FY 80, early agreement by the U.S. is essential so that other donors can provide funds for lending in 1979. If we fail to act, we would incur serious criticism and adversely affect our overall foreign policy objectives in Africa and Asia.

When we know your views, we shall consult with the Congress. If Congressional reaction is satisfactory, we will proceed to negotiate internationally with other member countries. If Congressional reaction is unsatisfactory, we shall return to you with options that include Congressional preferences. It should be noted that these two replenishments, combined, will result in appropriations requests of only $140-160 million annually during the early 1980s.

Asian Development Fund

The Asian Development Fund has proposed a $2.15 billion replenishment to finance its concessional lending during the four-year period 1979-82. The ADF lends to the poorest countries of Asia, with per capita incomes below $300. Its clientele thus meets our desire to channel assistance to the poorest, and most of them have good human rights records as well. (India gets no ADF money because of its massive borrowing from the World Bank/IDA.)
Most other donors favored the suggested $2.15 billion figure, although Canada and Belgium indicated that the replenishment figure should be somewhat lower -- around $1.8 billion. Japan, the largest donor, came down hard in favor of $2.15 billion.

The U.S. has not taken a position on the size of the replenishment. We have, however, indicated that the U.S. share could not exceed our 22.2 percent share of the previous ADF replenishment -- as also stipulated in a sense of the Senate provision of the FY 1978 Appropriations Act.

Because most countries have already supported the $2.15 billion figure, it would be difficult to obtain international agreement on less than the $1.8 billion suggested by Canada. A replenishment of $1.8 billion would result in a real annual increase in ADF lending of 5 percent during the replenishment period, the norm developed in our internal studies. It would require annual U.S. appropriations of $100 million during FY 80-83.

For political reasons, however, the United States might wish to be more forthcoming -- perhaps agreeing to a replenishment of up to $2 billion. On the other hand, we have been told by some of our Congressional supporters that any increase in appropriations for the ADF above the current $60 million annual level -- which implies either a total replenishment of less than $1.1 billion, or a sharply reduced U.S. share -- would be very difficult to sustain on the Hill.

Options:

1. That you approve U.S. support for a $1.8 billion overall replenishment, with a U.S. share of 22.2 percent, resulting in annual appropriations requests of $100 million for the four years FY 1980-83. The U.S. share would decline below 22.2 percent to the extent the overall size of the replenishment exceeds $1.8 billion. I recommend this option, which strikes the best balance between international and Congressional concerns.
2. That you approve U.S. preference for an overall replenishment in the $1.8-1.9 billion range, with a U.S. share of 22.2 percent, but grant U.S. negotiators the authority to agree to an overall replenishment of up to $2 billion without any decrease in the U.S. share. A $2 billion replenishment would imply an annual U.S. appropriation of $111 million. State and AID support this option because it would give us more flexibility in negotiating with other donors, avoid any implication of waning U.S. interest in Asia, and should not cause significantly greater problems on the Hill.

3. That you approve a "no increase" U.S. contribution of $60 million per year, leaving it up to the other countries whether to cut the total replenishment accordingly (to under $1.1 billion) or cut the U.S. share (to about 13.3 percent if they stuck to even a $1.8 billion total). This approach would meet Congressional concerns, but would be regarded as a major U.S. withdrawal of interest in Asia. Treasury and State oppose this option strongly.

   Option 1: ____________________
   Option 2: ____________________
   Option 3: ____________________
   Other: ____________________

African Development Fund

The African Development Fund has proposed a $1 billion replenishment for the three-year period 1979-1981. The AFDF lends to the poorer half of Africa's 48 independent nations. It is by far the newest of the IFIs, and U.S. participation in it was minimal under previous Administrations -- contributing a total of only $25 million, about 6 percent of its total resources.

The actual replenishment is expected to be in the $625-750 million range. This would permit annual AFDF lending to rise by 4.5 to 14.5 percent in real terms.
The high end of this range exceeds our norm of 5 percent, but this is appropriate due to the infancy of the institution.

The United States has taken no position on the replenishment. In view of the increased U.S. interest in Africa and the probable overall size of the APDF replenishment, a U.S. contribution in the range of $125-150 million, with a share in the range of 15-20 percent, would seem appropriate. This would exceed the 10.6 percent share suggested in the sense of the Senate resolution, but we have discussed the matter with key members and believe that Congress will be flexible on the figure. Appropriations of $42-50 million would be sought during the three years FY 1980-82. The Black Caucus and other Congressional supporters of Africa back a U.S. contribution in this range.

Options:

1. That the United States offer a contribution of $125 million, on the assumption that this would place the U.S. share in the 15-20 percent range. I recommend this option.

2. That you authorize the United States to agree to take a 20 percent share of any replenishment up to $750 million. This would result in a U.S. contribution of up to $150 million. State and AID support this option, which would be more forthcoming, allow further U.S. flexibility in the negotiations, and assure a U.S. share roughly equivalent to those in other regional banks.

Option 1:  
Option 2:  
Other:  

W. Michael Blumenthal

Attachment
Schedule of Estimated Appropriations for the International Development Banks
(By U.S. Fiscal Year -- Millions of $)

<table>
<thead>
<tr>
<th>Year</th>
<th>IBRD SCI</th>
<th>IBRD GCI</th>
<th>IDA IV</th>
<th>IDA V</th>
<th>IDA VI</th>
<th>IFC</th>
<th>IDB Capital</th>
<th>FSO</th>
<th>ADB Capital</th>
<th>ADF II</th>
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<td>1979</td>
<td>666.0</td>
<td>--</td>
<td>750.0</td>
<td>800.0</td>
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<td>40.0</td>
<td>588.8</td>
<td>325.3</td>
<td>239.6</td>
<td>70.5</td>
<td>--</td>
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<td>1980</td>
<td>523</td>
<td>--</td>
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<td>--</td>
<td>--</td>
<td>33</td>
<td>450-750</td>
<td>100-225</td>
<td>204</td>
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<td>--</td>
<td>--</td>
<td>2,312-2,755</td>
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<td>1981</td>
<td>--</td>
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<td>967-1,450</td>
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<td>450-750</td>
<td>100-225</td>
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<td>1,446-1,606</td>
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--- Amount requiring budgetary outlays ---

$3,505.14

1/ Assumes General Capital Increase in the $30-40 billion range and U.S. share of 24.1%. U.S. contribution to a $30 billion GCI would be $7,230 million and is assumed to be appropriated over 5 years (FY 82-86). U.S. contribution to a $40 billion GCI would total $9,640 million and is assumed to be appropriated over 6 years (FY 82-87).

2/ Negotiations on IDA VI will begin in fall of 1978. Illustrative figures imply a total replenishment in the $10-15 billion range and a 29% U.S. share (a further reduction from our 31.4% share of IDA V).

3/ Illustrative.

4/ Includes shortfalls of $834.7 million from FY 1977 and 1978 as follows:
   IBRD -- $143; IDA IV -- $375; IFC -- $6.6; IDB -- $138.8; IDB/FSO -- $125.3; ADB/Capital -- $35.6; ADF -- $10.5.

5/ Contributions to concessional loan windows (IDA, IDB/FSO, ADF, AFDF) are fully paid-in and entail budgetary outlays. Contributions to non-concessional windows (IBRD, IDB) consist either entirely of callable capital (requiring no budgetary outlays) or callable capital and a small percentage (typically 10%) of paid-in capital. Excluding already negotiated capital increases, table assumes a 0-10% range for paid-in contributions to non-concessional windows in FY 80-83.

OASIA: IDD: 2-2-78
Negotiations on multiyear replenishments for nearly all the International Financial Institutions (IFIs) will begin, and in most cases must be completed, in 1978. Decisions on U.S. contributions to these replenishments will be a major determinant of your foreign aid program through the early 1980s.

In the attached memorandum, Secretary Blumenthal is seeking your decision on U.S. contributions to upcoming replenishments of two IFI soft-loan funds, the Asian Development Fund (ADF) and the African Development Fund (AFDF). He proposes annual contributions of $141 million for both together for the period 1980-82 and believes that you should make the decisions now so that you and the Vice President can announce them on your international trips next month.

Given the other replenishment decisions pending, I have strong reservations about your making these two decisions in a piecemeal fashion. The entire group of IFI decisions raises the fundamental problem with foreign development assistance. On the one hand, you have indicated your desire for U.S. leadership in foreign aid with substantial increases in the more effective programs, such as the IFIs. On the other, Congress has shown strong hostility toward large foreign aid budget increases, particularly for the IFIs, and may undercut your initiatives. Given this major dilemma, these IFI replenishment decisions deserve your most careful consideration as a package with the implications for bilateral aid also taken into account.

For months, my staff has been asking the Treasury Department to prepare a paper on the important considerations affecting IFI replenishments, and to design broad strategy options for you before presenting any IFI contribution for your decision. I do not, however, believe that the attached Treasury memorandum is an adequate response.
Recommendation

Despite pressure for a quick approval prior to your trip, I recommend deferring decisions until after you return. Treasury should be asked to develop alternative overall strategies and indicate how your decisions on the ADF and AFDF would be influenced by your strategy choice. Such an approach should assess carefully the domestic and international implications of the alternative IFI strategies, and should be completed in time for U.S. pledges at the annual bank meetings in late April.

Approve___________ Disapprove___________

If you do not believe you can afford to delay a decision due to the upcoming trips, OMB does not have a strong preference for the alternatives being presented -- any of which is consistent with a "middle-of-the-road" strategy of providing more than Congress is likely to appropriate, but less than desired by most donors and bank managements.
DATE: 24 MAR 78
FOR ACTION: FRANK MOORE (LES FRANCIS) ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT STU EIZENSTAT 
JACK WATSON CHARLIE SCHULTZE

SUBJECT: MCINTYRE MEMO RE FUNDING OF IFI'S

RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052)
BY: 

ACTION REQUESTED: IMMEDIATE TURNAROUND REQUESTED
STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.
PLEASE NOTE OTHER COMMENTS BELOW:
THE WHITE HOUSE
WASHINGTON
March 27, 1978

Dr. Brzezinski/Henry Owen

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

FOREIGN AID REORGANIZATION

CONFIDENTIAL

CC: The Vice President
    Stu Eizenstat
    Frank Moore
    Jim McIntyre

DECLASSIFIED
E.O. 12356, SEC. 3.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY NARS, DATE 3/11/78
**FOR STAFFING**
**FOR INFORMATION**
**FROM PRESIDENT'S OUTBOX**
**LOG IN/TO PRESIDENT TODAY**
**IMMEDIATE TURNAROUND**

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ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY OWEN
SUBJECT: Foreign Aid Reorganization

1. Purpose. You promised Mrs. Humphrey that you would communicate your position soon to the Congress on the Humphrey bill reorganizing foreign aid. The PRC has met to discuss that bill. Its recommendations are set forth in the attached paper which describes the views of the various agencies and seeks your decisions. A separate memo (Tab C) sets forth Stu Eizenstat's views; for your convenience, I have also incorporated his positions in the attached options paper so that you won't have to refer back and forth between separate papers.

2. My Views. I concur with the PRC agreed recommendations. On the key split issue, I favor deferring a decision about whether to transfer IFI responsibilities from Treasury to the new aid agency until 1979, when experience with improved coordination will provide a better basis for that decision.

I suspect the most useful thing in the attached memo is the proposal for creation of a semi-autonomous foundation for technological cooperation with LDCs that will encourage and improve private and public research in the US and in LDCs, on problems of concern to LDCs. This proposal by Frank Press is strongly supported by Agriculture, AID, State, and other PRC agencies, and is acceptable to the bill's authors. It will help to meet the desire that you once expressed to see greater involvement of the private sector in our aid program.
Memorandum
THE HUMPHREY BILL

Introduction. S.2420, the Humphrey bill, attempts to consolidate most foreign economic assistance functions in one new International Development Cooperation Agency (IDCA) under an upgraded Administrator who would report directly to you; it proposes other reforms (e.g., removing present legislative restrictions), which I believe would do more to improve aid effectiveness than the bill's organizational changes. Reports differ widely on Congressional attitudes toward the bill, depending partly on which agency in the Executive Branch does the reporting. All agree, however, that its fate hinges on the Executive Branch's position.

1. General Posture. The PRC recommends that you endorse the bill as the vehicle for legislative mark-up this year, without precluding needed changes such as discussed below. There are many good features to the bill; the bad features can be corrected. If we oppose the bill, this will antagonize the bill's supporters; they may be few, but we need them.

   V Approve    _____ Disapprove

2. IFIs. The bill would transfer responsibility for backstopping the International Financial Institutions (IFIs) in relation to development policy from Treasury to IDCA. There are three alternatives:

   Option #1: Treasury, supported by State, recommends that you reject this proposal -- arguing that a division of these functions between Treasury and IDCA would be unworkable, and would prejudice Congressional and investor support for the multilateral banks. Treasury and State recommend that the need for greater aid integration be met through the improved coordination mechanism proposed at Tab A, under which the IDCA Administrator would become the chief adviser on development policy to you and the Secretary of State and the chief spokesman for development aid on the Hill.

   V Approve

   Option #2: AID, supported by ACTION, Peter Bourne, and Frank Moore, recommends that you approve the transfer of IFI responsibilities to IDCA -- arguing that this would strengthen the effectiveness of aid by ensuring that one person makes the
key US decisions on both bilateral and multilateral aid. AID and others point out that this position would be welcome to the bill's authors, who consider the IFI transfer a key feature of aid reform and who would strongly object to its deletion.

Option #3. OMB and the Domestic Policy Staff recommend going forward with the new coordination mechanism suggested at Tab A, as well as with other features of the Humphrey bill endorsed in this memorandum — while postponing a decision on IFI transfer until experience with improved coordination has provided a better basis for deciding whether IFI transfer is really needed. Since improved coordination could only be fully tested after IDCA has been created, this would mean putting off the IFI decision until at least 1979 — a postponement that would probably be welcomed by some in the Congress.

3. Presidential Authority. OMB and the Domestic Policy Staff recommend that we ask the Congress to make the language of the bill in respect of IFIs and coordination more general, so that your decisions on these issues can be made, and changed as necessary in the future, under your existing powers. No agency disagrees.

4. Agriculture. The bill leaves existing Executive Branch PL-480 arrangements unchanged, because of jurisdictional problems in the Senate.

The bill's authors hope that the Executive Branch and the House will transfer some PL-480 responsibilities from the Department of Agriculture to IDCA. AID and OMB favor this, in order to ensure PL-480's more effective competence in this area.

The Department of Agriculture wants to continue the existing arrangements, which give it a dominant role, because of its unique competence in this area.

Both these arguments have merit; but neither of these courses seems satisfactory. We need improved arrangements which will permit IDCA and Agriculture each to play strong roles in programming PL-480, so that we can get both better coordination with development aid and access to Agriculture's unique competence. The Domestic Policy Staff and I recommend that we ask the agencies concerned to come up with specific proposals, for White House review, as to how PL-480 might be handled, within the coordination arrangements described at Tab A in such a way as to have this effect.

Approve Disapprove
5. Department of State. The bill would remove foreign economic assistance activities from the Department of State; the Administrator would report directly to you. The bill's authors want to ensure that bilateral concessional development assistance is not diverted to meet short-term political needs. We agree, but want to ensure an effective relation between State and IDCA. There are two alternatives:

Option #1: The PRC recommends that the Administrator report to you and the Secretary of State. This does not mean that the Secretary can instruct the Administrator as to what countries should receive what amounts of development aid or of PL-480 to meet short-term foreign policy needs. It does mean, for example, that he can instruct the Administrator about how much Supporting Assistance should go to what countries to meet political needs, and that he can provide the Administrator with general foreign policy guidance, while respecting the development purposes of IDCA programs. The Administrator would submit his budget to you via the Secretary -- with the understanding that any differences between the Secretary and him would be resolved by you.

Option #2: OMB and the Domestic Policy Staff accept the above, but recommend that the IDCA budget go directly to you, leaving it to OMB to obtain State comments. This procedure is suggested both to save time and to strengthen IDCA's statute and independence, as desired by the bill's supporters. This procedure is opposed by State; since the budget is an important policy document, State considers the procedure described under (a), above, an important element of its support for the proposed new relation between State and IDCA.

6. Coordination. The bill provides that coordination should be accomplished through the existing Development Coordination Committee. This Committee's work has been uneven; some improvement is needed. There are two alternatives:

Option #1: The PRC recommends that, if increased IFI and PL-480 responsibilities are not both transferred to IDCA, we should institute the improved coordination arrangement described at Tab A, which would streamline the maze of committees coordinating development assistance programs and ensure an integrated approach to the Congress about foreign aid programs. If IFI and PL-480 responsibilities are transferred to IDCA, a less ambitious coordination mechanism would suffice.
Option #2: OMB accepts the coordination arrangements described at Tab A and recommends that, in addition, a White House coordinator be appointed to provide symbolic evidence of your interest and to deal with problems that fall between the cracks -- particularly problems that arise during this period of transition. State and AID are opposed, considering this an unnecessary complication and preferring to see coordination accomplished largely through arrangements in which the Administrator would play a central role. Domestic Policy Staff also opposes this course, arguing that it would not accomplish much and would add to the Executive Office staff.

________ Approve

7. Agreed Issues. There are a number of issues on which the PRC members are agreed:

   a. A semi-autonomous Foundation for Technological Collaboration with developing countries should be set up in IDCA to improve US support for private and public research, in the US and LDCs, on problems of concern to developing countries. Details are at Tab B.

   b. IDCA should be responsible for reviewing and advising on the policies and proposed budgets for all UN activities with development missions; activities financed by voluntary assessments would continue to be managed by State. This would involve modest change in the bill.

   c. Changes should be sought in the bill to ensure that it does not interfere with existing security assistance programs.

   d. Personnel transferring from AID to IDCA should be screened; this would require change in the bill. Everything possible should be done to fulfill your commitment that employees will not lose their jobs as a result of government reorganization.

   e. An International Development Institute should be set up in IDCA to support the Peace Corps and Private Voluntary Organizations that assist LDCs, as provided in the bill.

   f. The Overseas Private Investment Corporation should be transferred to IDCA, as provided in the bill.
g. The Peace Corps should be transferred to IDCA with substantial autonomy (and should be named the International Development Service) -- if IDCA is created as a new agency and given substantial autonomy from State, as recommended in this memorandum.

☐ Approve all of the above

☐ Disapprove items:

8. Next Steps. After you have made the above decisions, we will submit to you recommendations as to how to advise the Congress of your position. It is important that, in so doing, we be seen as responding positively to the Hill's perception of the need for a more effective and better coordinated aid program.
PROPOSED IMPROVED COORDINATION

The following coordination arrangements are proposed by the PRC, in the event that increased IFI and PL-480 responsibilities are not transferred to IDCA, in order to enhance the role and leadership of the IDCA Administrator, and make development aid more effective:

1. The Administrator would be designated as principal advisor to the President and the Secretary of State on development programs and policies; he would be the Executive Branch's chief spokesman to the Congress on development assistance; and he would have a voice in all economic decisions having a major impact on developing countries.

2. The Administrator would prepare annually, in close consultation with other agencies, an aid policy statement showing how the different types of aid to be sought from the Congress in the years immediately ahead would be related to each other and would be used, in conjunction with non-aid policies affecting LDCs, to advance US purposes and policies. This statement would take account of the projected policies of other donor and recipient countries, as analyzed in the IBRD's World Development Review and elsewhere.

3. This statement would be reviewed by the PRC, generally under the chairmanship of the Administrator, and submitted to the President for approval. If approved, it would constitute general guidance for agencies in preparing their budget requests and managing their programs. And it would provide the basis for a comprehensive and coordinated approach to the Congress concerning all requests for funding of resource transfers to developing countries, which would be directed and led by the Administrator.

4. Major policy issues that need to be resolved in carrying out the broad policies projected in this annual statement would be addressed periodically by the PRC. Where non-aid issues were involved, the PRC would meet under the chairmanship of the Vice President; where aid issues were involved, it would meet generally under the chairmanship of the Administrator.

5. Operational issues that need to be resolved in carrying out policies approved by the PRC would be decided in a new body, the Council on Development Policies and Programs (CDPP), consisting of the departments and agencies concerned. The CDPP would replace the present Development Coordination Committee; it would be chaired by the Administrator, and would meet at a Deputy or Assistant Secretary level, with staff-level and other subordinate bodies as required. The CDPP would be supported by a small high-quality staff, drawn in part from other agencies.
a. A subcommittee of the CDPP would be established to handle multilateral aid: Review of individual IFI and PL-480 loans, now handled through the NAC, would be shifted to the CDPP. Along with bilateral loans, individual loans would be submitted to the CDPP by the responsible agency, and advice would be provided by the Committee to the approving official, i.e., for IFI projects to the Secretary of the Treasury, who would continue to instruct our executive directors in the banks.

b. The CDPP would also periodically review multi-year program plans and development strategies for important recipient countries, considering both bilateral and multilateral programs and guiding action by all agencies involved.

c. A sub-group of the CDPP would coordinate PL-480 programs, replacing the existing Working Group on Food and Agricultural Policy; the CDPP would also consider other international food issues that are primary developmental.

d. Another sub-group of the CDPP would advise on developmental programs of international organizations which the United States supports through voluntary and/or assessed contributions.

e. The National Advisory Council on International Monetary and Financial Policies (NAC) would continue to advise the Secretary of the Treasury on policy toward the IFIs, including replenishments, and be chaired by Treasury. The Administrator would be made a member of the NAC.

f. As at present, most decisions in these committees would be made by consensus, and on loans would be advisory to the responsible agency. In case of disagreement within the CDPP, the Administrator would be expected to resolve issues unless they involved major policy questions, in which case they would go to the PRC and, if necessary, to you for decision.
Steps to mobilize the large private and public potential for research, in both developed and developing countries, on problems of concern to developing countries are urgently needed. The recent report to you of the National Academy of Sciences estimated that increased and more effective US support for agricultural research could help to eliminate malnutrition and undernourishment in the developing world. Large opportunities also exist in other fields, e.g., health and education.

The vast majority of US technology as represented in government departments (HEW, NASA, DOI, DOE, DOC, USDA), in universities, in foundations, and in industry is under-utilized in responding to this need for technological collaboration with developing countries. Existing programs are uncoordinated, erratic, and uneven in quality and distribution. Although technology transfer activities of US industry are a powerful mechanism, only limited steps have been taken to exploit its effectiveness.

One of the reasons is that AID, as an operating agency, tends to give research and development low priority, and domestic US agencies emphasize research to meet domestic needs. A number of studies of US foreign assistance, including the recent report of the Brookings Institution, have concluded that substantial organizational change is required to mobilize adequately US and other countries' scientific and technological resources for development purposes. Although the Humphrey bill does not provide for such change, the bill's authors have indicated a willingness to receive proposals from the Executive Branch.

The PRC unanimously recommends creation within the IDCA of a semi-autonomous Foundation for Technological Cooperation. This Foundation would complement and support IDCA development assistance operations in poor countries, and would provide a much-needed capability for cooperation with middle-tier developing countries through cost-sharing and reimbursable programs.

The Foundation's emphasis would be on development or adaptation of technology appropriate for developing countries' problems -- not on finding new ways to subsidize generalized research by US universities. In this respect, it would differ from current Title XII operations. The Foundation would, however, embrace many of the current Title XII activities for agricultural research and related technological responsibilities. Title XII of the current Foreign Assistance statutes was conceived as a means to extend to developing countries the great strength in US university agriculture service, much as that strength has been extended to American farmers. The Foundation would extend this concept to other fields, and makes it implementation more responsive to specific LDS needs.
As an integral part of IDCA, the Foundation's work could be readily coordinated with the Administration's other activities. We considered making the Foundation an independent unit but rejected this as leading to undesirable bureaucratic growth. Situated within the IDCA, the Foundation would be structured to provide both a reasonable degree of autonomy in selection of personnel, determination of program activities, and allocation of funds, and a good coupling with other IDCA programs, particularly those involving bilateral assistance. The Foundation's Director would report directly to the IDCA Administrator and have the rank of Deputy Administrator. The Foundation's budget would be separate within that of the IDCA, but would be submitted to OMB through the IDCA Administrator.

The Foundation's primary mission would be to establish a continuing mechanism for transfer of technology rather than concessional aid, food shipments, loans, and grants. To this end, it would:

-- serve as lead agency for coordinating, reviewing, evaluating, and helping to fund US agencies' science and technology efforts relevant to developing countries needs;

-- manage and help to fund development-related technology and training programs by non-governmental entities, in the US and abroad;

-- coordinate the government and private sector activities described under (a) and (b), above.

Two features of the proposed Foundation could help to ensure that it focuses on the agenda of real development problems:

1. An International Advisory Council of knowledgeable people from developing countries should periodically advise the Board of the TDF as to program priorities.

2. Thorough reviews of the research priorities in major fields of development, such as the World Food and Nutrition Study conducted by the Academy of Sciences, should set the agenda for the Foundation's effort. (A major shortcoming of these studies has been the absence of an agency with responsibility for acting on its recommendations.)
THE WHITE HOUSE
WASHINGTON

March 22, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT
LYNN DAFT

SUBJECT: Henry Owen's Memorandum on the Humphrey Bill

This is in response to your request for comments on the options described in the Henry Owen memorandum of March 11 on the Humphrey bill.

On balance, we question whether reorganization is the answer to our international development problems. From our vantage point, these problems seem to be more a function of ineffective management and the absence of appropriate technical expertise. To the extent reorganization further separates and isolates the responsibility for development programs from this expertise, as it exists in other parts of the Government, the problem could be made even worse.

Though improved coordination of our foreign aid programs is clearly needed, it is not at all clear that this can best be achieved by building on top of the current AID organization. Our soundings on the Hill indicate that many members haven't yet taken a position on the bill and the speed with which it is considered will depend a great deal on how the Administration reacts. Though most members feel that "something" must be done to improve the functioning of our foreign aid programs, there is also apprehension over this approach. Some members are concerned that a new unit such as this could become a "step child" and that political support could be eroded in the process.

Since it would be politically difficult not to support this bill, we recommend that you support it as the vehicle for mark-up, but with the several changes indicated in Henry Owen's memo.
With regard to the specific decisions you are asked to make, we would offer the following comments:

1. Transfer of IFI Responsibility

We understand there have been comparatively few coordination problems with the IFI's and that the professional, non-political character of Treasury's support has been a major source of strength for these Institutions. Removing the responsibility from this hospitable environment could prove costly. On balance, we are persuaded by the arguments for leaving the IFI responsibility with Treasury. However, there is need for closer coordination between Treasury and AID. We would therefore recommend adoption of the OMB suggestion that any decision be deferred until further experience has been gained with the new coordination mechanism.

2. Presidential Authority

We agree with the OMB recommendation.

3. State Department Role

We support the OMB position for the reasons set forth in the memorandum.

4. Role of the Department of Agriculture in the Administration of P.L. 480

We believe it would be unwise to remove the administrative responsibility for P.L. 480 from the Department of Agriculture for the following reasons:

(1) From an institutional viewpoint, it is desirable that the Department of Agriculture's role in the formulation and execution of policy be broadened rather than narrowed;

(2) The P.L. 480 program has an important impact on the domestic agricultural economy and must be administered with those impacts clearly in mind;

(3) Most of the technical expertise required for administration of the program is housed within the Department; and
(4) The considerable political support for P.L. 480 that has been built-up over the years could easily be undermined by such reorganization.

Though we oppose the transfer of these authorities out of the USDA we do not feel that the existing arrangements are satisfactory either. It is generally agreed that the present P.L. 480 decision-making process lacks policy direction. The Food and Agriculture Act of 1977 directs the Secretary of Agriculture to undertake a review of the administration of the program and report to the Congress. This report is to be completed within the next 2 to 3 weeks. A preliminary assessment by the Department of Agriculture made earlier this year also outlined changes in the system that we believe merit consideration.

For these reasons, we support Henry Owen's suggestion that USDA, State, and AID be asked to propose coordinating arrangements for P.L. 480.

5. Coordination

We approve of the coordination arrangement suggested by the PRC, but do not agree with OMB's recommendation for a White House or Executive Office of the President coordinator, since we do not think that it would accomplish much and it would add to the Executive Office staff.

6. Other Issues

We agree with the recommendations under "Agreed Issues" on pages 13 through 17 of the memorandum. With regard to the recommendation on personnel screening, though we support screening as a means of upgrading the quality of personnel employed in the foreign development field, we are not particularly sanguine that it will be effective. We understand a similar policy was adopted when AID was created -- without notable effect. Civil Service reform is probably a better means to this end.