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FORMER SOVIET
UNION

U.S. Bilateral Program
Lacks Effective
Coordination



**National Security and
International Affairs Division**

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Congressional Requesters:

In late 1991, the Soviet Union was dissolved, and the newly independent states that succeeded it have been attempting to transform their Soviet-era command economies into more efficient, market-based economies and to establish more democratic governments. The United States has strongly supported this transition process, both diplomatically and financially. The structure that the executive branch established to coordinate, manage, and implement U.S. programs to help with this enormous undertaking is both unique and complex. To help provide an understanding of the programs and process, we undertook this study to (1) identify the size, scope, and status of the various U.S. bilateral programs for the former Soviet Union (FSU); (2) describe the structures established for coordinating and managing these programs; and (3) describe some of the coordination and structural problems the executive branch has faced.

We briefed your staffs on the results of this work during August and September 1994. This report summarizes information in those briefings.

Background

In December 1990, the United States began to provide limited assistance to the Soviet Union to show support for reform efforts. Following the dissolution of the Soviet Union in December 1991, the United States increased its commitments of assistance to the successor states. In October 1992, the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (Public Law 102-511), commonly known as the Freedom Support Act, was enacted, again increasing assistance to the FSU and establishing a multi-agency approach to providing assistance. The act called for the appointment of a coordinator within the Department of State whose responsibilities would include designing an assistance and economic cooperation strategy for the FSU and ensuring program and policy coordination among federal agencies in carrying out the Freedom Support Act policies.

The Freedom Support Act sets forth the broad policy outline for helping the countries of the FSU implement both political and economic reforms. It also authorized a bilateral assistance program that is primarily being implemented by the U.S. Agency for International Development (USAID). Additional bilateral programs, including assistance in dismantling nuclear weapons in the FSU, and credit and credit guarantees to promote the

export of agriculture products and other goods and services were authorized by other legislation.

Results in Brief

This report points out that the coordination process has not always worked smoothly—as could be expected for an undertaking of this magnitude. Disputes have arisen between the Coordinator, USAID, and other federal agencies over the appropriateness of various projects. We have not judged the appropriateness of positions taken by various agencies in these disputes. Although the various parties agree that problems exist in the coordination process, there is no consensus as to how the coordination process should change. We are not making any recommendations in this report.

For fiscal years 1990 through 1993, 19 U.S. government agencies committed a total of \$10.1 billion for bilateral grants, donations, and credit programs to the FSU. During the period, federal agencies obligated \$1 billion and spent \$434 million of the \$1.8 billion authorized by Congress for grant programs, obligated \$1.6 billion, and spent \$1.22 billion for the donation program,¹ and made \$6.7 billion available for direct loans, guarantees, and insurance agreements.

The structure for coordinating and managing U.S. bilateral programs for the FSU starts with the National Security Council's Policy Steering Group chaired by the Deputy Secretary of State. This is the only place where all U.S. government policies and programs involving the FSU come together and where all agencies report. The National Security Council Directorate for Russian, Ukrainian, and Eurasian Affairs, which provides staff support to the Policy Steering Group, has itself played a coordinating role and was key in developing the U.S. package of assistance first presented at the 1993 Tokyo Economic Summit. The Policy Steering Group approved the package but has very limited involvement in grant and credit program implementation.

Pursuant to the Freedom Support Act, in May 1993, the President designated a Coordinator within the Department of State and charged him with (1) designing an overall assistance and economic cooperation strategy for the FSU; (2) ensuring program and policy coordination among agencies implementing the act; (3) pursuing coordination with other

¹The donation program is tantamount to a grant program in that the recipient receives food assistance and other goods without an obligation to repay the donor. Donations generally do not require new appropriations, as they use existing stocks or funds previously made available. Donations include transportation cost, which would generally require new appropriations.

countries and international organizations with respect to assistance to the FSU; (4) ensuring proper management, implementation, and oversight by agencies responsible for assistance programs for the FSU; and (5) resolving policy and assistance program disputes among U.S. agencies participating in the assistance program. The Coordinator reports to the Deputy Secretary of State.

While the Freedom Support Act gives the State Department Coordinator broad responsibility for U.S. bilateral programs with the FSU—and calls on him to coordinate with other countries and international organizations on aid programs to the FSU—we found that, in practice, the Coordinator’s role is much more limited. Other groups within the executive branch have equal or greater influence and authority over assistance to the FSU or function autonomously outside the Coordinator’s purview. In addition, the Coordinator has limited or no authority to direct activities of the Cooperative Threat Reduction program or worldwide programs with the FSU components, such as those of the Export-Import Bank, the Overseas Private Investment Corporation, and Department of Agriculture, and thus has no way of ensuring that all programs for the FSU complement one another.

The only bilateral program wholly within the Coordinator’s purview is the program funded by the Freedom Support Act. All agencies, even those with programs that are not under the purview of the Coordinator, generally report on their activities in the FSU to the Assistance Coordination Group, which the Coordinator chairs. However, the Group is not a decision-making body but is essentially a forum for sharing information and giving greater transparency to the program.

Although the Coordinator has issued strategy papers² on assistance to and economic cooperation with the FSU and Russia, these documents focus primarily on technical assistance. They do not develop a clearly articulated strategy for achieving the overarching goals of the Freedom Support Act or for helping the countries of the FSU achieve their reform objectives. For example, the strategy papers do not discuss what role programs of the Export-Import Bank, the Overseas Private Investment Corporation, or the Department of Defense will play in achieving U.S. objectives in the FSU.

Other participants involved with U.S. assistance to the FSU have at times resisted, hindered, or overruled the Coordinator’s efforts to develop a

²“United States Assistance and Economic Cooperation Strategy for the New Independent States,” U.S. State Department, Jan. 14, 1994, and “United States Assistance and Economic Cooperation Strategy for Russia,” U.S. Department of State, May 19, 1994.

coherent and comprehensive assistance program for the FSU. These include Cabinet and other agencies, the Gore-Chernomyrdin Commission and Congress through congressional earmarks.³ Regardless of the merits of individual cases, the numerous efforts to work outside the coordination process dilutes the Coordinator's ability to coordinate the broad range of the bilateral program and to develop a strategy that covers the full scope of U.S. economic cooperation activities. (See apps. I and II for further information on the coordination structure and process.)

The Coordinator's role has been further complicated by the existence of serious disagreement between agencies over various aspects of the program. USAID, a primary implementing agency for Freedom Support Act programs, has been involved in numerous disputes with other government agencies over money and policy.

Agencies complained that USAID often attempted to hinder their participation in the program despite the Coordinator's instructions, would not cooperate with them, and often ignored or overlooked experience other government agencies had with the issues at hand.

USAID officials disagreed with this characterization. They said that other agencies often want to use Freedom Support Act assistance funds for purposes that are not consistent with priorities USAID believes are appropriate. USAID believes it is responsible for maintaining accountability over the program; however, USAID officials said that sometimes other agencies do not understand USAID's accountability requirements.

According to an official at the Coordinator's Office, disputes between USAID and other agencies have required the Coordinator's Office to spend an excessive amount of time dealing with high-level political battles over small amounts of money instead of spending time developing program goals and objectives. (See app. III for information on implementation problems and app. IV for the status of program obligations and expenditures.)

Scope and Methodology

Our scope included U.S. bilateral programs to the FSU for the period fiscal year 1990 through April 1994, and programs that involved the Soviet Union

³The Gore-Chernomyrdin Commission was created in 1993 to overcome trade barriers in the energy sector, but has expanded into other areas, including business development, space, environment, science and technology, health, and defense diversification.

from 1990 until its dissolution in December 1991.⁴ We identified a number of bilateral U.S. government programs for the FSU; some have a grant or concessional element and fall within the traditional definition of assistance, while others are ostensibly commercial programs. We included in our scope all U.S. government programs such as bilateral grant, donation, and credit programs.

We identified 19 agencies with program activities in the FSU. We interviewed officials about their programs and used a questionnaire to collect detailed information on their programs, including obligations and expenditures covering the fiscal years 1990 through 1993. We developed the questionnaire after preliminary work revealed the paucity of data available about the various program activities. Appendix V contains details of the questionnaire development methodology.

We did not obtain written agency comments on this report. However, we discussed our findings with officials from the Office of the Coordinator, USAID, the Department of Defense, and the Department of Agriculture and incorporated their comments where appropriate.

We conducted our work from July 1993 to December 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretaries of State, Defense, and Agriculture; the Administrator, Agency for International Development; and the Director, Office of Management and Budget. Copies will also be made available to others on request.

⁴The newly independent states of the FSU are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Please contact me at (202) 512-4128 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

A handwritten signature in black ink, reading "Harold J. Johnson". The signature is written in a cursive style with a large, prominent initial "H".

Harold J. Johnson, Director
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Abbreviations

CDC	Centers for Disease Control
CEA	Council of Economic Advisors
CTR	Cooperative Threat Reduction
DNA	Defense Nuclear Agency
DOD	Department of Defense
EPA	Environmental Protection Agency
FAPC	Food Assistance Policy Council
FDA	Food and Drug Administration
FSU	Former Soviet Union
NIS	New Independent States
NSC	National Security Council
OMB	Office of Management and Budget
PASA	Participating Agency Service Agreement
TDA	Trade and Development Agency
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture

Structure for Developing and Coordinating the U.S. Program to the Former Soviet Union

Program Coordination Mechanism Varies According to Type of Program

In general, U.S. government monies¹ are provided to the countries of the former Soviet Union (FSU) through two types of programs: those with a specific FSU focus and those with a worldwide focus, of which the FSU is a part. Coordination responsibilities and structure are different, depending upon the type of program. Programs that focus on the FSU have their own FSU-specific coordination mechanisms, whereas programs that are geographically broader in scope use their regular program-specific coordination mechanisms. There are some minor exceptions to these two types of programs, such as programs to contract for scientific cooperation (National Aeronautics and Space Administration programs) and for technology acquisition (Departments of Energy and Defense programs).

U.S. government programs that focus on the FSU include Freedom Support Act activities and the Cooperative Threat Reduction program. Worldwide programs with the FSU components include the U.S. Department of Agriculture's (USDA) General Sales Manager 102 and Public Law 480, title I programs, the Economic Support Fund financed programs, USDA and Department of Defense (DOD) donations, as well as programs of the Export-Import Bank, the Overseas Private Investment Corporation, and other federal agencies. Between fiscal years 1990 and 1993, Freedom Support Act and Cooperative Threat Reduction (CTR) program obligations made up only 5 percent of the grants, donations, and authorized credits for the countries of the FSU.

Complex Structure Coordinates FSU-Focused Programs

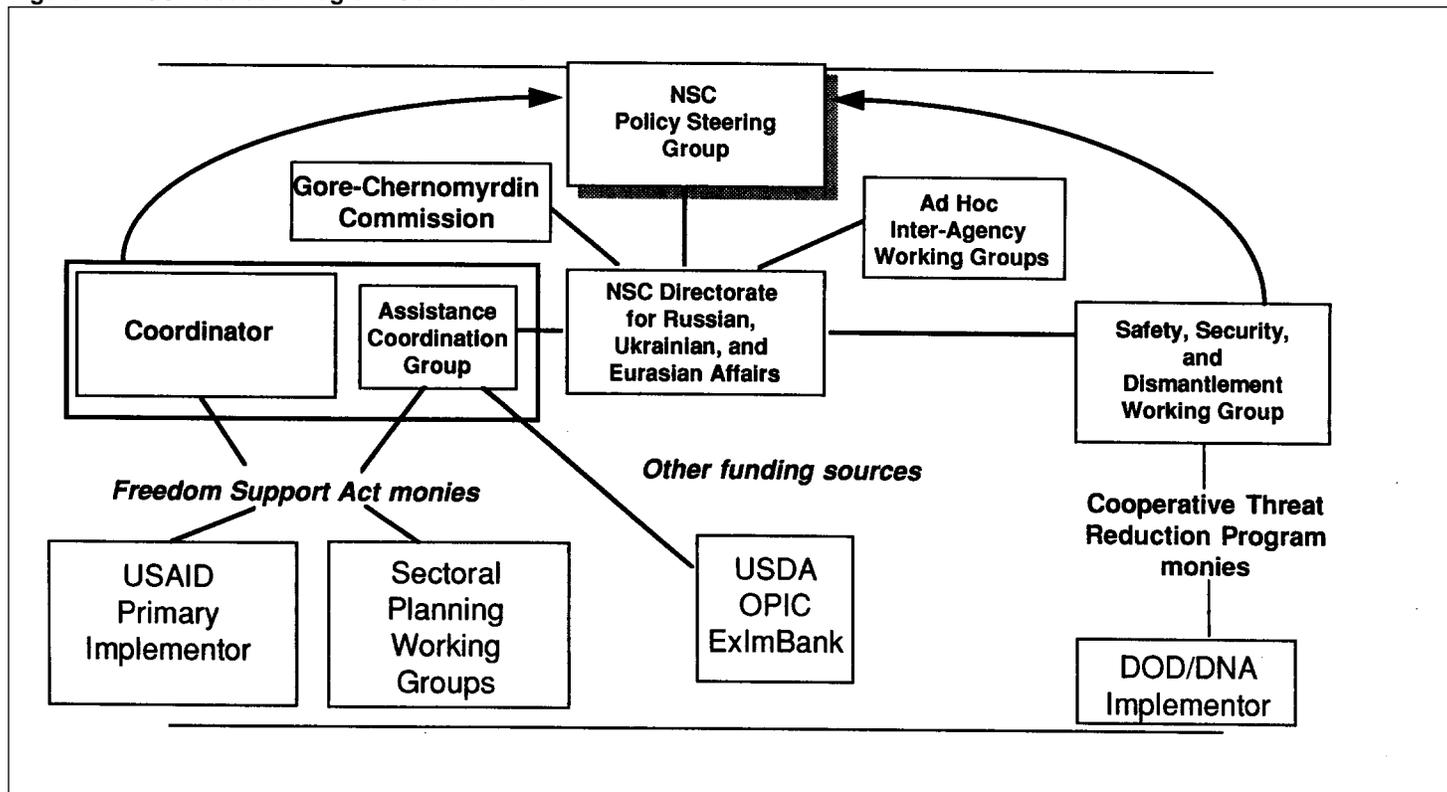
The Policy Steering Group

As shown in figure I.1, the structure for coordinating U.S. agencies' programs for the FSU is complex.

¹Throughout this appendix, the words "money," "monies," "funds," and "funding" are abbreviations for "goods and services provided as assistance through U.S. tax dollars."

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Figure I.1: FSU-Focused Program Coordination



^aU.S. Department of Agriculture (USDA), Overseas Private Investment Corporation (OPIC), Export-Import Bank (ExImBank), Department of Defense (DOD), Defense Nuclear Agency (DNA), U.S. Agency for International Development (USAID), National Security Council (NSC).

Source: GAO, based on information provided by agencies.

The National Security Council’s (NSC) Policy Steering Group, chaired by the Deputy Secretary of State, is at the top of the coordination structure. The Policy Steering Group is the only group that officially has oversight of all FSU programs. The Policy Steering Group’s Presidential charter states that:

In his capacity as chair of the group, Ambassador Talbott will preside over the interagency process for all policies dealing with the FSU.²

²Ambassador Strobe Talbott first chaired this group when he was Ambassador-at-Large for the FSU. Since becoming Deputy Secretary of State in February 1994, Mr. Talbott has remained in this role.

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The President directs all executive departments and agencies to treat the group as the focal point for interagency deliberations on the FSU and the principal channel for bringing policy options to the NSC.

It is the responsibility of the group to consider any executive branch action that has significant implications for policy toward the FSU. Therefore, the department and agency heads shall ensure that all such actions under consideration by their departments and agencies come before the group.

The Policy Steering Group has members representing the following agencies, offices, and councils:

- Office of the Vice President;
- Department of Agriculture;
- Arms Control and Disarmament Agency;
- Central Intelligence Agency;
- Department of Commerce;
- Department of Defense (DOD);
- Council of Economic Advisors (CEA);
- Export-Import Bank;
- Federal Bureau of Investigation;
- U.S. Agency for International Development;
- Joint Chiefs of Staff;
- Office of Management and Budget (OMB);
- National Economic Council;
- National Security Council Directorate for Russian, Ukrainian, and Eurasian Affairs;
- Overseas Private Investment Corporation;
- Department of State;
- Department of Treasury; and
- Coordinator of U.S. Assistance to the New Independent States.

The group meets about once a month and formally reports to the Deputies' Committee of the NSC. Coordination of multilateral assistance takes place through the Treasury Department, which is a member of the Policy Steering Group.

**The NSC Directorate for
Russian, Ukrainian, and
Eurasian Affairs**

The NSC Directorate for Russian, Ukrainian, and Eurasian Affairs plays a key role in developing and coordinating the U.S. programs. The Directorate provides staff support for the Policy Steering Group and

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conducts day-to-day governmentwide business concerning FSU issues. At key points, it has taken the lead in the interagency coordination process. For instance, the Directorate took the lead in an ad hoc group that put together the package of U.S. assistance first presented at the 1993 Tokyo Economic Summit. The Directorate's Senior Staff Director is the vice-chair of the Policy Steering Group and of the Assistance Coordination Group. The Directorate also convenes other interagency bodies such as the Safety, Security, and Dismantlement Working Group. (The NSC Directorate provides some staff support for U.S. members of the Gore-Chernomyrdin Commission, and is itself a coordination mechanism.)

The Coordinator and the
Assistance Coordination
Group

The Assistance Coordination Group received its charter from the National Security Advisor, and reports to the Policy Steering Group. It includes representatives of agencies expending funds in the FSU. The State Department Coordinator, appointed pursuant to the Freedom Support Act, chairs the Assistance Coordination Group. The group ordinarily meets every 2 weeks.

The Assistance Coordination Group has sectoral working groups that report either to the Coordinator directly or to the Assistance Coordination Group. Staff from the Coordinator's Office either chair the sectoral working groups or participate in them. The sectoral working groups are usually focused on some sector or area of activity such as the energy sector or democratization. Agencies working in a sector, or that have an interest in the sector, usually send representatives to the relevant working groups. The following were the active sectoral working groups during 1994:

- Agricultural Technical Assistance Working Group,
- Anti-crime Working Group,
- Caucasus/Tajikistan Working Group,
- Democracy Working Group,
- Energy Working Group,
- Environment Working Group,
- Enterprise Fund Working Group,
- Financial Sector Working Group,
- Food Aid Working Group,
- Law Enforcement Working Group,
- Rule of Law Working Group,
- Trade and Investment Working Group, and
- Russian Officer Housing and Retraining Working Group.

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Some sectoral working groups develop strategies and programs for their sectors, while others are mainly forums for discussions. The strategy design is based on information from U.S. government officials and U.S. contractors.

The Assistance Coordination Group is not a decision-making body but is essentially a forum for sharing information and giving greater transparency to the program. All agencies, even those with programs that are not under the purview of the Coordinator, report their activities in the FSU to the group so that all agencies can see what others are doing. The Assistance Coordination Group's charter seems to grant it more authority to consider issues related to the bilateral assistance programs of the United States than the Coordinator or the Group have exercised. The charter states that

"It is the responsibility of the Group to consider those executive branch actions that have significant implications for bilateral assistance for the new independent states of the FSU. Therefore, the department and agency heads shall ensure that all such actions under consideration by their departments and agencies come before the Group in a timely manner."

The Coordinator from the State Department, in addition to being the chair of the Assistance Coordination Group, is a key player in the U.S. assistance program. The Freedom Support Act instructs the President to designate a coordinator within the State Department responsible for

- (1) designing an overall assistance and economic cooperation strategy for the independent states of the FSU;
 - (2) ensuring program and policy coordination among agencies of the U.S. government in carrying out the policies set forth in the act;
 - (3) pursuing coordination with other countries and international organizations with respect to assistance to independent states;
 - (4) ensuring that U.S. assistance programs for the independent states are consistent with the act;
 - (5) ensuring proper management, implementation, and oversight by agencies responsible for assistance programs for the independent states;
- and

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Union

(6) resolving policy and program disputes among U.S. government agencies with respect to U.S. assistance for the independent states.³

Although the charter seems to give the Coordinator and the Assistance Coordination Group some say in determining how programs like USDA's General Sales Manager program and DOD's Cooperative Threat Reduction programs affect the overall assistance program of the U.S. government. In practice, these and other agencies do not accept the Coordinator's role in their programs.

The Safety, Security, and Dismantlement Working Group

The Safety, Security, and Dismantlement Working Group is an NSC working group that oversees the planning, negotiating, and implementing of projects financed through the CTR program and reports to the Policy Steering Group. CTR projects are dedicated to the dismantlement and destruction of weapons of mass destruction (that is, nuclear, chemical, and biological weapons) located on the territories of the FSU.⁴ The Safety, Security, and Dismantlement Working Group is composed of representatives from the following offices:

- Office of the Secretary of Defense;
- Joint Chiefs of Staff;
- State Department's Office of Politico-Military Affairs;
- Safety, Security, and Dismantlement Delegation for negotiating agreements with FSU countries;
- Department of Energy;
- Central Intelligence Agency's Arms Control Support Staff; and
- Arms Control and Disarmament Agency.

Representatives from USAID and other agencies attend working group meetings as needed.

The Defense Nuclear Agency (DNA), under the Under Secretary of Defense for Acquisitions, is the executive office for CTR projects, and the Office of Special Coordinator for CTR, under the Under Secretary of Defense for Policy, provides guidance to DNA.

³See P.L. 102-511, 102(a), 22 USC 5812(a).

⁴The CTR program is sometimes referred to as the Nunn-Lugar program.

The Gore-Chernomyrdin
Commission

The Gore-Chernomyrdin Commission has no direct coordination responsibility for the U.S. program to Russia. However, the Commission does develop policies, and its scope includes areas of activity in which bilateral assistance funds are spent, such as the energy sector. Thus, while not a direct party to the Coordinator's working groups, the Commission and its committees create a framework of policy and U.S. governmental focus that have an impact on bilateral programs with Russia.

The Commission was originally established to advance common interests in energy, space, and science and technology, but it has been expanded into other areas. It now consists of seven committees chaired by agency heads. The committees cover business development, energy, space, environment, science and technology, health, and defense diversification. The committees are managed in a decentralized manner. Each committee has a chair and point of contact within an executive agency. The Office of the Vice President does not get involved in the Commission's daily activities, but depends on the points of contact for each committee to keep informed.

Coordination of the activities of the Commission with the U.S. bilateral program takes place only at the highest levels. The Policy Steering Group provides a key forum for linking the work of the Commission and the U.S. bilateral assistance program. The NSC Directorate for Russian, Ukrainian, and Eurasian Affairs provides some staff support for the Commission. The State Department Coordinator also sits in on the Commission meetings; however, at the committee working level, there is minimal formal interaction between the Commission and the Coordinator's Office. As a result, no one person in either the Coordinator's Office or the Office of the Vice President had complete knowledge of the Commission's ongoing activities. This situation caused some problems for OMB and the Coordinator's Office when they were unable to assemble a comprehensive list of Commission activities prior to the President's visit to Russia in January 1994. The effort was repeated more successfully before the Commission's meetings in June 1994.

Program Development and Implementation

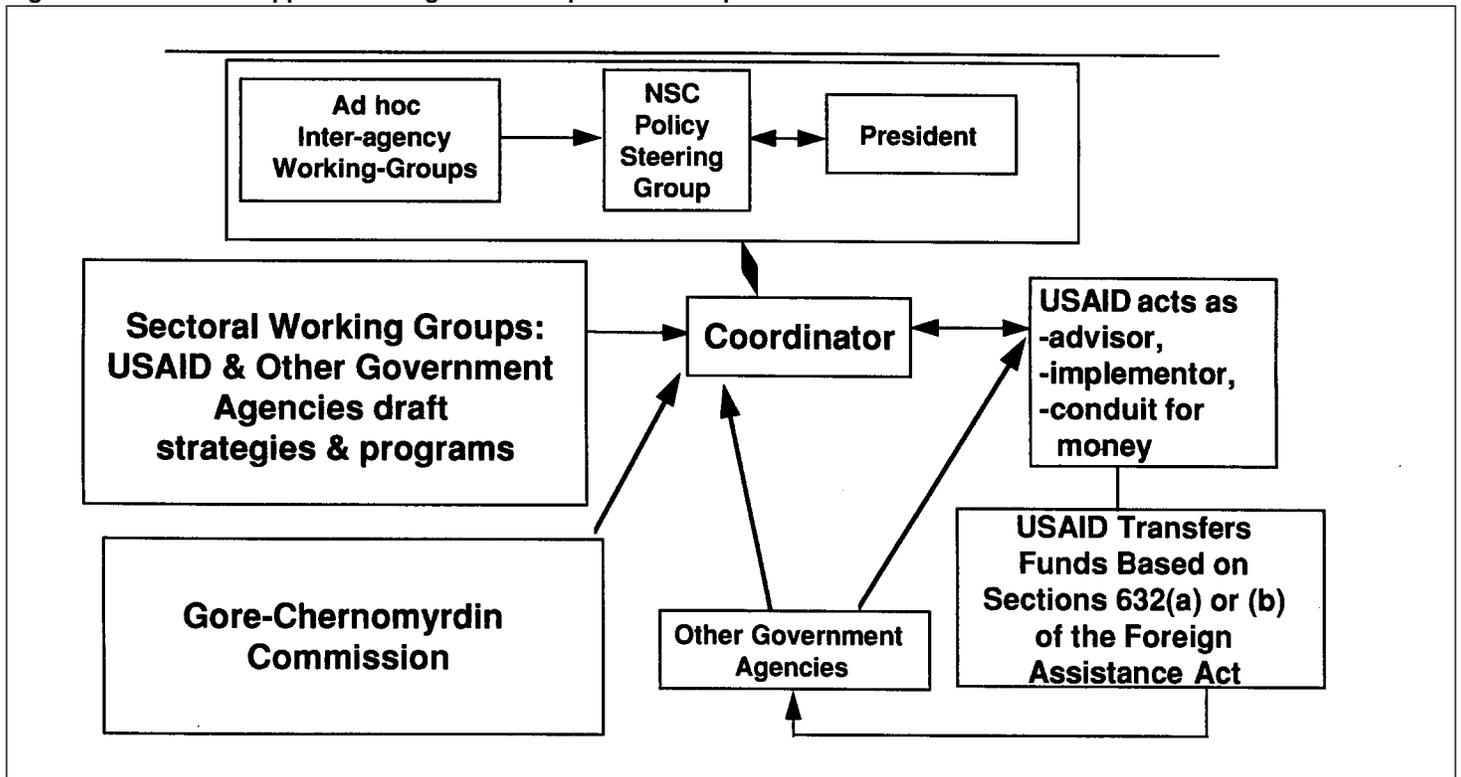
This appendix discusses how programs are developed and implemented for the FSU under the Freedom Support Act, the CTR Program, and USDA's worldwide food programs.

Freedom Support Act Programs

Program Development

As indicated in figure II.1, coordination involves both program planning and implementation.

Figure II.1: Freedom Support Act Program Development and Implementation



^aU.S. Agency for International Development (USAID) and National Security Council (NSC).

Source: GAO, based on information provided by agencies.

To illustrate how program planning occurs, this section discusses the process for planning and developing the package of assistance announced at the July 1993 Tokyo Economic Summit. During the planning process, an ad hoc interagency working group, the Policy Steering Group, and the President selected the general sectors and the funding levels for projects in those sectors. The program planning phase occurred before Congress enacted the fiscal year 1993 supplemental in September 1993. The program implementation phase occurred after OMB apportioned money to USAID and other implementing agencies.

The Freedom Support Act was enacted before the Clinton administration took office, and the Tokyo initiative was the first program for the FSU designed completely by the Clinton administration.¹ The Tokyo initiative illustrates the process used to coordinate planning before proposing the FSU assistance package to Congress. In designing the program, the President wanted a program that would show strong U.S. support for Russia and the other FSU states. In the end, the fiscal year 1993 supplemental that put the package into law amounted to \$1.6 billion.² This, combined with the fiscal year 1994 appropriation for foreign operations of \$904 million, totaled \$2.5 billion for the FSU. The package subsequently has been reduced by \$55 million due to a rescission enacted in the Emergency Supplemental Appropriations for fiscal year 1994.

The coordination process for the Tokyo package was as follows:

- The NSC Directorate for Russian, Ukrainian, and Eurasian Affairs formed an interagency working group to develop additional FSU programs.
- Agencies submitted the FSU program options to the interagency working group for discussion.
- The NSC Directorate and the State Department Coordinator's Office took the lead in developing the final descriptions of the various sector/area programs.
- The Policy Steering Group settled disputes from the working group and determined the contents of the final package, which it submitted to the President.
- The President and his staff were in contact with the NSC Directorate on program components and funding. The President decided on the package sent to Congress.

¹The Clinton administration had also presented an assistance package at the earlier Vancouver Summit with President Yeltsin. This package was largely formulated by the Bush administration.

²See P. L. 103-87, title II, 107 Stat. 931, 974-975.

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- The Tokyo package was submitted to Congress in July 1993. Supplemental information, which filled in details of the program ideas on each sector and/or area in the July package, was submitted in September 1993.

Program Implementation

Once Congress appropriates Freedom Support Act funds, the Coordinator's Office becomes responsible for dividing the money among implementing agencies and designating lead agencies in the various sectors. The Office of Management and Budget apportions the money to USAID, as the U.S. government agency that implements foreign assistance. Apportioning the money to USAID does not mean that the money belongs to USAID. In its banking function (see below), USAID transfers money to other agencies under the direction of the State Department Coordinator.

The detailed program planning process begins in sectoral working groups that are components of the Assistance Coordination Group. The sectoral working groups bring together relevant agencies with staff from the State Department Coordinator's Office to develop detailed program plans for sectors and proposed projects within programs.

The Gore-Chernomyrdin Commission has also generated some project ideas, and at times these ideas have been taken directly to the Coordinator rather than to the sectoral working group. Sometimes members of the Commission have taken ideas for new projects directly to the Coordinator. In one instance, the Commission played a significant role in the bilateral program by identifying areas in which agency actions could promote U.S. interests.

The Coordinator's Role

As noted above, the Coordinator's responsibilities include determining which projects will be implemented, who will implement them, and how much money projects will receive. When the Coordinator cannot resolve a dispute, the Policy Steering Group resolves problems. Occasionally, an issue will remain unresolved after the Policy Steering Group has heard it, and the issue will go to the President for a decision. For example, the President decided that the Export-Import Bank should receive \$300 million from the \$2.5 billion FSU assistance package for programming in fiscal year 1994.

The Coordinator receives input in several ways from all relevant agencies as he makes decisions. Forms of input vary, as the following examples show:

- A sector working group under the Coordinator may define the program scope for the sector and make specific project/program recommendations on agency implementation responsibility and funding to the Coordinator.
- Agencies may propose specific projects directly to the Coordinator as part of a sector program.
- The Coordinator may give responsibility for a program or specific project to an agency and allocate funding for it.

USAID has criticized this program decision-making process. In USAID's view, program decisions have derived mainly from (1) the Coordinator's views on individual agencies or (2) requests for funding from individual agencies. Thus, according to USAID, coordination has been budget-driven, rather than starting from an analysis of the problems to be addressed and judgments about which agencies possess the best capability to serve as lead agencies in solving these problems.

The Agency for International Development

USAID is the primary implementing agency, although it also acts as a bank through which the State Department Coordinator distributes money. USAID participates to varying degrees in all sectoral working groups of the Assistance Coordination Group. It receives and reviews proposed projects from U.S. government agencies and independent contractors and provides advice to the Coordinator in the selection of projects. USAID mission and headquarters officials meet with officials of the FSU to gather information and strongly influence project development. USAID is also accountable for ensuring (1) that funds are properly transferred to other agencies through the appropriate transfer mechanism, (2) that the proper Treasury accounts are being used to effect a transfer, and (3) that transfers are accurately reported. Because of USAID's role in negotiating interagency agreements and transferring money to other agencies under the Coordinator's guidance, it can administratively slow down the work of the Coordinator's office if it disagrees with the Coordinator's office. As discussed later, this situation has occurred on several occasions.

USAID and officials from the Office of the Coordinator explained that the Coordinator's Office should be primarily concerned with overall policy and program development. After program design has been approved, USAID is responsible for developing and implementing its own programs authorized under the Freedom Support Act. As directed by the Coordinator, USAID also transfers Freedom Support Act funding to other agencies to implement programs. Depending on the type of transfer instrument used, USAID can have a great deal or very little input into the types of program activities undertaken by other agencies receiving

Freedom Support Act funds. When USAID is the lead agency on a project, it may select the project implementor. The implementor may be a U.S. government agency working under interagency agreements or a private sector contractor.

USAID redesigned its regular program development process to accommodate the need to provide assistance rapidly in the FSU. The new process includes developing project memoranda, or project design documents, before issuing a request for proposal for contracts and grants to implement a project's component activities. Contractors write proposals that develop the program concepts and provide specific approaches to implementing activities outlined in the request for proposal. USAID uses a variety of contract and grant mechanisms: technical assistance contracts, grants to nongovernmental organizations, transfers to U.S. government agencies, umbrella contracts, and omnibus contracts, among others.³ Large umbrella contracts provide mechanisms for contractors to provide services in an area under a request for proposal, with specific guidance from USAID provided in delivery orders.

U.S. government agencies also work under greater or lesser degrees of USAID guidance through interagency agreements and other mechanisms. USAID transfers money to agencies by agreements authorized under either section 632(a) or section 632(b) of the Foreign Assistance Act.⁴ When funds are transferred from USAID to other agencies under the authority of section 632(a), the transfer agreements are brief documents that do not obligate funds. Instead, these agreements are simply an allocation of funds from USAID to the recipient agency. The allocated funds are available for direct expenditure by the recipient agency, which may use (1) its own authority, (2) authorities granted by the Foreign Assistance Act, or (3) a combination of these authorities in implementing the agreement. For example, in making procurements, an agency may follow its own or USAID's regulations. Funds transferred by USAID under such agreements are obligated by the recipient agency pursuant to its own obligation process, and USAID has minimal management responsibility for approving the activities.

³The terms "omnibus contract" and "umbrella contract" are not official USAID terminology but are used internally within USAID's Europe and the Newly Independent States Bureau. The Bureau uses omnibus contract when a solicitation results in several contracts with different contractors to cover a large region for the same types of activities; umbrella contract is used to describe a contract for a specific type of work, with one contractor only and which is accessed through task orders or amendments.

⁴See 22 U.S.C. 2392(a) and (b).

When USAID transfers funds to another agency under the authority of section 632(b), it essentially retains detailed control over how the funds are used and accounted for. Funds transferred under these agreements are directly obligated by USAID. The preparation of a section 632(b) agreement between USAID and the recipient agency involves detailed negotiations as to what the recipient agency is to do under the program, and the agreement usually includes a requirement that the recipient agency follow USAID's procurement and reporting rules. The recipient agency "bills" USAID either by a request for an advance or for reimbursement for the actual services rendered.

As of September 30, 1993, most of the money transferred from USAID to other agencies had followed the section 632(b) mechanism. Officials stated that beginning in fiscal year 1994, more of the money would be transferred through the section 632(a) mechanism.⁵

Cooperative Threat Reduction Program Has an Independent Coordination Process

As previously discussed, the NSC's Policy Steering Group heads the structure for policymaking and guidance for U.S. relations with the FSU. The Safety, Security, and Dismantlement Working Group of NSC oversees the planning, negotiating, and implementing of programs financed through the Nunn-Lugar transfer authority. The CTR program is dedicated to the dismantlement and destruction of weapons of mass destruction, that is, nuclear, chemical, and biological weapons, on the territories of the FSU. The Safety, Security, and Dismantlement Working Group reports to the Policy Steering Group.

Through the end of fiscal year 1993 and into the beginning of fiscal year 1994, the planning and implementation process for CTR projects can be divided into three somewhat overlapping phases.

Project Development

Project development is a complex, iterative process in which technical teams of experts from the U.S. government meet with officials of the governments of the newly independent states to identify potential projects. Officials from the Office of the Assistant Secretary for International Security Policy, Office of the Secretary of Defense policy staff, usually accompany the technical teams to guarantee that the projects suggested

⁵In fiscal year 1992, a total of 21 section 632(b) agreements were signed, obligating \$64 million. In fiscal year 1993, 23 were signed, for a total of \$93 million. In fiscal year 1994, nine were signed, for a total of \$36 million. In fiscal year 1992, one section 632(a) agreement was signed, allocating \$40,000. In fiscal year 1993, four were signed, totaling \$24 million. In fiscal year 1994, 13 agreements were signed, for a total of \$208 million.

by the teams of the FSU officials are within the parameters of the Nunn-Lugar legislation, which inaugurated the CTR program.

The technical teams are staffed by U.S. government experts selected by the CTR office in DNA. DNA reports to the Assistant Secretary for Atomic Energy, which, in turn, reports to the Under Secretary for Acquisition and Technology in the Office of the Secretary of Defense. The selections are approved by the Secretary's Special Coordinator for CTR in the Office of International Security Policy, which reports to the Under Secretary for Policy. The teams report their findings to the Special Coordinator for CTR. The Office of the Special Coordinator reports the technical teams' findings to the Safety, Security, and Dismantlement Working Group. The Safety, Security, and Dismantlement Working Group assesses proposals submitted based on information gathered by the technical teams and comments received from each agency. The Safety, Security, and Dismantlement Working Group then chooses the proposals to be funded, sets the funding priorities, and determines the funding amount for each area. In this connection, we recently reported that:

“Although the [CTR] program has thus evolved into a multiyear effort, program officials have yet to adopt the planning tools needed to guide such a program. These officials have not established a process to ensure that annual budget requests are driven by a long-range assessment of tasks that need to be accomplished and have not estimated total requirements for achieving CTR priority objectives.”⁶

We recommended that the Secretary of Defense institute a proactive, long-term CTR planning process, which DOD has agreed to do; however, we have not yet verified what steps DOD intends to take to establish such a process.

The Safety, Security, and Dismantlement Working Group works separately from the Assistance Coordination Group. The Coordinator, who is appointed under the Freedom Support Act, occasionally attends meetings of the Safety, Security, and Dismantlement Working Group, but the Coordinator is not a regular member and has no authority over CTR funds. Some of the DOD personnel involved in the various phases of the CTR program participate in the Assistance Coordination Group.

⁶Weapons of Mass Destruction: Reducing the Threat From the Former Soviet Union (GAO/NSIAD-95-7, Oct. 6, 1994).

Project Negotiation and Implementation

The Safety, Security, and Dismantlement Working Group approves written instructions for the Safety, Security, and Dismantlement Delegation to use while negotiating agreements with the countries of the FSU that have weapons of mass destruction on their territories.

Once project agreements have been negotiated, DOD's DNA, as the designated executive agency, implements them, using project managers and contract officers that are assigned to individual projects. For much of the money, DNA acts as a conduit, transferring the money on to other agencies such as the U.S. Army Corps of Engineers and the Department of Energy. The Department of Energy also serves mainly as a conduit for transferring money to the national laboratories. DOD's Special Coordinator for CTR oversees the DNA's implementation work.

Worldwide Programs Have Independent Coordination Mechanisms

Several U.S. government agencies have worldwide programs of which the countries of the FSU are a part. These agencies include the Export-Import Bank, the U.S. Information Agency, and USDA. We will illustrate the interagency coordination issues by describing how USDA's food programs for the FSU are coordinated with the overall U.S. effort.

USDA's General Sales Manager 102 program is a large, market-rate export credit guaranty program that could potentially affect the economic performance of a recipient country. Program registrations for the FSU totaled \$5.007 billion for fiscal years 1990-93. The program is an export promotion program, not food assistance. The USDA General Sales Manager identifies countries for the program, and the process for deciding to extend the program's guaranties to any country is internal to USDA. The program manager stated that it would not be appropriate for the State Department Coordinator for the FSU to have direct purview over the program. USDA keeps the Coordinator's Office informed by reporting at meetings of the Assistance Coordination Group, but does not engage in policy discussions with that group. The Coordinator stated that the informal consultations with USDA on individual FSU country programs is necessary and has been effective. A subgroup of NSC reviews the decisions of USDA regarding the extension of General Sales Manager 102 program credits to the FSU countries.

The General Sales Manager loan guaranties are reviewed by the National Advisory Council on International Monetary and Financial Policies. The Council is chaired by Treasury and consists of representatives from State, Commerce, the U.S. Trade Representative, the Federal Reserve, the

Export-Import Bank, and USAID, with each agency having one vote. The Council advises U.S. agencies on proposals to provide credits, guaranties, or loans to foreign countries.

Another example of a worldwide program that involves the FSU is the Public Law 480 title I program. It is a long-term, concessional loan program that also has a market development objective. In addition, it promotes economic development through a development plan agreed to by the recipient as part of the title I loan agreement.

Initial proposals for title I allocation are developed by USDA. Countries must request a title I allocation and meet USDA's Foreign Agricultural Service eligibility requirements. The proposed allocations are submitted for approval to the Food Assistance Policy Council (FAPC), consisting of representatives from USAID, OMB, USDA, and the State Department. The FAPC determines initial country allocations for Public Law 480 titles I and III resources and approves transfers among titles and between countries. The State Department representative on the FAPC is from the Economic Bureau. In 1993, after lengthy negotiations, the Coordinator's Office was included in the FAPC as an ex-officio representative at meetings dealing with the FSU. Previously, the FAPC simply informed the Coordinator of its decisions. The Coordinator stated that he is satisfied with the current coordination mechanism, but acknowledged that he is not the final authority on specific country allocations. According to the Coordinator, the informal arrangement gives him input into food aid program decisions. He said that this was a successful way of resolving overlapping coordination responsibilities.

Coordination Problems

This appendix describes some of the coordination process and structural problems we observed. In general, officials from the Coordinator's Office, USAID, and the other U.S. government agencies involved in the FSU program expressed frustration with the coordination of U.S. programs. Despite widely varying perspectives on the problems, officials agreed that the existing process needs improvement. There was also consensus that overall program coordination is better now than in the first year of the program. Among the problems, we noted the following:

- The Coordinator comes to the coordination task from a weak position and finds his authority frequently challenged by various other participants.
- There were money and policy conflicts between USAID and the other agencies participating in the program.
- The Coordinator and USAID had differing perspectives on their respective program policy and implementation roles.

The Coordinator's Real Authority Is Limited

Although the Freedom Support Act gives the Coordinator the primary responsibility of designing a strategy for bilateral assistance and economic cooperation activities and for coordinating all of these activities, his role in practice is largely limited to the Freedom Support Act bilateral programs; thus, he has no way of ensuring that all programs for the FSU complement one another. Large portions of U.S. programs with the FSU, not addressed in the Freedom Support Act, are outside the purview of the Coordinator. For example, the Coordinator has only nominal influence over the worldwide programs with FSU country components and the CTR program. The Freedom Support Act states that the Coordinator is responsible for coordinating U.S. government activities and policies with respect to the states of the FSU; however, the Freedom Support Act also gives responsibility to the Secretary of Commerce for coordinating export promotion, and to the Secretary of the Treasury for coordinating activities related to U.S. participation in international financial institutions.

The strategy documents for the FSU and for Russia reflect the limitations of the Coordinator's authority. The Coordinator's "United States Assistance and Economic Cooperation Strategy for the New Independent States," issued in January 1994, focuses on the role of assistance in reaching U.S. objectives. The strategy document notes that economic cooperation is essential, but does little to develop in depth an economic cooperation strategy. The Russia strategy document also focuses on programming technical assistance and does not address in depth economic cooperation activities such as the programs of the Export-Import Bank or the Overseas

Private Investment Corporation. Even for bilateral assistance, the Russia strategy document specifically excludes any discussion of DOD programs such as the CTR program.

It is important that the Coordinator remain informed about the issues within those programs because some projects parallel bilateral assistance projects that are clearly under the Coordinator's authority. For example, the Defense Conversion project of the CTR program is outside of the Coordinator's authority but related to projects within his authority. Also, DOD plans to set up an enterprise fund under the CTR program similar to funds being set up by other U.S. government agencies to enable former Soviet enterprises to move from manufacturing weapons of mass destruction to civilian production. According to the Coordinator, the defense conversion enterprise fund is discussed within the Enterprise Fund Working Group; nonetheless, the Coordinator has no authority for program development or coordination.

Coordinator's Success Varied by Sector

Not surprisingly, given the limitations of the Coordinator's authority, we found his role constantly challenged by agencies and other participants with their own agendas. Executive agencies, the Gore-Chernomyrdin process and congressional earmarking have at times resisted, hindered, influenced, or overturned the Coordinator's efforts. It is not our intention to judge the efficacy of individual attempts to work outside the Coordinator's authority; however, in aggregate, the numerous efforts by other participants to resist the Coordinator or work outside the coordination process he oversees dilutes the Coordinator's ability to focus scarce resources on a limited number of program objectives.

Food Aid: Sector Strategy Helps Coordinator Bring USDA Into Coordination Process

Coordination of food aid policy is an example of how the Coordinator's efforts, along with the various agencies working together to develop a sector strategy paper, worked well.

During the first year of the U.S. program, USDA formally coordinated food aid decisions through two interagency bodies (as mentioned earlier) rather than through the Coordinator's Office. According to an official from the Coordinator's Office, the Coordinator would hear about USDA food aid decisions only after they were made. For example, Public Law 480, title I food assistance decisions for FSU countries were made without input from the Coordinator's Office. To help improve this situation, the Coordinator's Office, in conjunction with USDA, OMB, CEA, and Treasury, produced a food

aid strategy paper after a series of lengthy and difficult interagency debates. A USDA official told us that the Coordinator had to intervene personally to get the strategy written, due to differences between USDA and some of the other agencies. The strategy clarified the role of USDA and the Coordinator's Office in food aid decisions for the FSU.

During the process of developing the strategy, USDA and the Coordinator were able to define the role of the Coordinator's Office by developing an informal coordination process. USDA officials did not think they could give the Coordinator a formal role in the FAPC created by an executive order implementing Public Law 480 and remain within the law. However, the informal process allows officials from the Coordinator's Office to attend Council meetings, which satisfied the Coordinator. The Coordinator did not seek final say over specific title I allocations to FSU countries. However, regular consultation with USDA gives the Coordinator real input into food aid program decisions.

The strategy also spelled out a series of policy objectives for FSU food aid, but did not resolve each issue. For example, Treasury, OMB, CEA, and USDA were unable to reach agreement on a policy for monetization of proceeds from food aid commodities.¹ More significantly, given the potential macroeconomic implications of the money involved, issues regarding USDA's General Sales Manager program were not included in the strategy because USDA did not want the program included under the rubric of a food aid strategy. The Coordinator has not sought to extend his formal authority over the FSU component of the program; however, USDA now informally discusses potential program decisions with the Coordinator.

Despite the sometimes contentious interagency process and the inability to resolve differences between agencies on key policy issues, developing a sector strategy paper helped form the basis for improved coordination between agencies on food aid to the FSU. USDA and State officials agree that coordination of food aid has improved since the strategy was finalized in October 1993.

¹The local currency generated by the recipient government from the sale of U.S. commodities is referred to as monetized proceeds. Treasury, OMB, and CEA support the use of monetized proceeds to finance budgetary expenditures to reduce inflation. USDA believes such proceeds would be better used to fund economic and agricultural development or social support programs.

Agricultural Technical Assistance: Coordinator Unable to Resolve Interagency Differences

Agricultural technical assistance illustrates situations where the Coordinator's Office was unable to resolve widely divergent policy views among agencies. The ability of agencies to block consensus resulted in a series of programs that, as the Coordinator said in November 1993, "lack both concept and coherence" with "no consistent rationale in terms of either policy or possibility." He said that this remained the case through the early spring of 1994, but noted the situation has improved since then, although tensions remain.

The three main implementing agencies in agricultural technical assistance are the USAID-New Independent States (NIS) Task Force (now the Bureau for Europe and NIS),² USAID-Office of Private and Voluntary Cooperation, and USDA. Each has its own source of funds and policy approach for its programs. USAID's Task Force had available \$89 million to promote its primary goal: improving the agricultural input and output distribution elements of the food system by developing agribusiness linkages between U.S. firms and FSU private farms. USAID's Office of Private and Voluntary Cooperation used \$30 million set aside from the fiscal years 1992-94 Public Law 480 funds for a Farmer-to-Farmer program, to send U.S. volunteers to assist in privatizing farms and agricultural enterprises. USDA, acting under authorization from the Food, Agriculture, Conservation, and Trade Act of 1990, budgeted \$15.2 million in Commodity Credit Corporation funds from fiscal years 1992-94 for a variety of programs ranging from market development and model farms to policy advisers in FSU agriculture ministries.

Officials from USDA, State, and the Coordinator's Office criticized the USAID-NIS Task Force's exclusive focus on private-sector linkages. In their opinion, U.S. agricultural technical assistance should place greater emphasis on a person-to-person level, through exchanges, extension, and technical assistance rather than relying exclusively on U.S. private agribusiness. The Coordinator in particular supported the use of linkages, but not as the sole focus of U.S. agricultural technical assistance. USDA, State Department's New Independent States Desk, and Coordinator's Office officials also thought that USAID's Task Force attempted to exclude other agencies from becoming involved in the program and was not taking full advantage of expertise within the U.S. government.

²USAID's Private Sector Initiatives Office in the NIS Task Force managed the Food Systems Restructuring Project until early 1994. Under recent reorganization, this project has been moved to the Agriculture and Agribusiness Division within the Bureau for Europe and NIS, with new people in charge.

However, USAID noted that its Food Systems Restructuring Project was subject to an interagency review that included USDA and State. USAID also contended that USDA does not submit the programs it funds to interagency review. USAID-NIS Task Force officials thought the State Department Coordinator was too involved in program implementation details such as reviewing project proposals from contractors. They also criticized USDA's extension program in Armenia as a slow process, with questionable success at market development.

The Coordinator's Office made numerous attempts to build some degree of consensus on these issues, but to no avail. In early 1993, the Coordinator's Office chaired an interagency Agricultural Technical Assistance Working Group, which developed a concept paper as an interim step to a formal strategy paper. Subsequent attempts through the spring of 1994 to develop a sector strategy paper foundered because (1) the various agencies could not reach agreement and (2) the Coordinator could not forge consensus.

The Coordinator recognized these problems. In November 1993, the Coordinator stated: "I see no consistent rationale in terms of either policy or possibility . . . none of us has a clear view of where to go from here . . . [we need] to define where we should be going." Attempts to resolve the interagency policy differences by involving higher-level officials were not successful during the fall of 1993.

The merger of the USAID-NIS Task Force with USAID's Europe Bureau presented new opportunities for improved coordination. The Coordinator's Office told us that coordination on agricultural technical assistance has improved since the reorganization. However, USDA officials reported that coordination problems with the USAID-Europe and NIS Bureau have continued even after the reorganization.

Energy: Congressional Earmark Increases Program Dispersion

The energy sector illustrates how congressional earmarks can complicate the Coordinator's efforts to implement a coherent strategy.

In fiscal year 1993, the development of the planned International Science and Technology Center was delayed because of bureaucratic delays in Russia. The purpose of the Center was to help Russian weapons scientists find peaceful work. Faced with delayed operations of the Center, three U.S. national laboratories (Sandia, Los Alamos, and Lawrence Livermore) decided to undertake their own support of scientists in the FSU's weapons institutes. The Department of Energy confirmed this decision. The NSC

Directorate for Russian, Ukrainian, and Eurasian Affairs was informed of the arrangements.

The support of scientists was paid for in the following manner. The U.S. laboratories continued to work on their assigned projects as usual, following the usual financing procedures. When a procurement or experiment was required under a specific project and the laboratories believed the weapons institutes of the FSU could do the work, the work was purchased from the institutes and the cost charged to the assigned projects under the usual financing procedures. Projects were also designed specifically for former Soviet scientists. According to State Department and Department of Energy officials, these were generally satisfactory relationships because the U.S. laboratories accomplished necessary and valuable work at a lower price, and the FSU scientists remained together without selling their expertise to countries and agents of whom the U.S. government would disapprove. The laboratories and the Department of Energy paid for the contracts out of laboratory funds.

However, to satisfy the needs of the laboratories the Conference Report on fiscal year 1994 foreign operations appropriations included a provision specifying that \$35 million from Freedom Support Act funding should go for these contracts and for their expansion to include the U.S. private sector. According to the Coordinator's Office, they had not intended to provide funding for this activity. They expressed concern that congressional designations such as this contribute to diffusion of the overall program and limit funding flexibility. They also feared that the funding was an example of the Department of Energy supplementing its regular appropriation at the expense of other aspects of the U.S. program in the FSU. USAID told us that funding of such Department of Energy contracts reduced funding for activities that contributed to U.S. assistance objectives such as energy efficiency and alternatives to nuclear power.

**Environment:
Gore-Chernomyrdin
Process Overrides
Coordination Efforts**

The environmental sector illustrates how other participants, such as those running the Gore-Chernomyrdin process, can affect the Coordinator's control over a sector, and how the emergence of the Commission's influence in this sector has complicated the program planning process.

As in other sectors, the Coordinator's Office chaired an interagency working group to discuss environmental sectoral assistance issues for the entire FSU, to discuss specific assistance projects, and to resolve interagency differences. Participation in this working group generally

included USAID, the Environmental Protection Agency (EPA), and the Coordinator's Office.

The Coordinator's working group on the environment essentially stopped working as a result of the creation of an environmental working group as part of the Gore-Chernomyrdin process, which focuses on relations with Russia. EPA and some Coordinator's office officials told us that the Coordinator's working group has essentially been preempted by the Gore-Chernomyrdin process.

Larger environmental policy issues are now discussed within the Gore-Chernomyrdin working group on the environment. Although chaired by the EPA Administrator, the working group agenda, according to EPA, is driven by NSC, the Office of the Vice President, and elements of the State Department outside the Coordinator's Office.

An EPA official told us the Coordinator's Environmental Working Group had stopped meeting. According to the EPA official, the Coordinator's Environmental Working Group ceased to meet before the Gore-Chernomyrdin process got underway due to factors unrelated to the Gore-Chernomyrdin Commission working group, such as time demands on participants and the resolution of outstanding issues, but an official from the Coordinator's Office said that once a U.S. working group on the environment was created to serve U.S. participants in the Gore-Chernomyrdin Commission's Environment Committee, the Coordinator's interagency working group on the environment "withered on the vine" and now meets only on an ad hoc basis. Both the Coordinator and USAID stress that the Coordinator's Environmental Working Group still exists; however, an official at EPA and another official at the Coordinator's Office said that the working group does not meet.

According to EPA, early in 1994, the Gore-Chernomyrdin working group identified promoting biological diversity in the environment as a priority. However, an official from the Coordinator's Office told us that promoting biological diversity is not a program priority for the U.S. assistance program. In addition, the Coordinator's "Environmental Strategy for the NIS" does not mention promoting biological diversity. Instead, the strategy calls for programs to provide immediate environmental and health benefits and to assist in the long-term development of an effective environmental management structure. The Gore-Chernomyrdin working group initiated a series of interagency discussions in which the Coordinator's Office and USAID participated. Through those discussions, a small amount of fiscal

year 1994 funds was made available for biological diversity programs in Russia.

Perspectives on the Commission's impact vary: An EPA official stated that the Commission is broadly representative of various U.S. agencies with experience and interests in Russia. USAID's Europe and NIS Bureau, on the other hand, has noted a lack of coordination (1) within the NSC and with the Office of the Vice President (two of the principal U.S. participants in the Commission) in setting priorities for the environmental program broadly and (2) between the NSC and the Office of Vice President in working with the Coordinator and USAID to set priorities in environmental programming.

USAID and Other Agencies Have Numerous Disputes Over Policy and Money

Agency officials provided numerous examples of frequent and lengthy disputes between USAID and other agencies over money and policy. Many of the agencies we spoke with were highly critical of USAID and expressed strong reservations and concerns about their relationship. USAID in turn told us that although the Freedom Support Act creates opportunities for other agencies to participate in the program, USAID was concerned that other agencies were using FSU assistance monies in lieu of funds from their own budgets. USAID also indicated that other agencies do not understand the USAID process or USAID's need for accountability. Officials at the Coordinator's Office were (1) frustrated with the amount of time spent arbitrating these battles and (2) concerned that this detracted from their ability to focus on policy and planning issues.

We found that the disputes between USAID and other agencies were rooted in three general areas: USAID's attempts to exclude other agencies from areas despite the Coordinator's instructions, poor relationships between USAID and other U.S. government agencies, and USAID's use of private contractors rather than other agencies.

USAID Attempts to Exclude Other Agencies

In several instances, despite the Coordinator's instructions, USAID attempted to exclude other U.S. agencies from taking part in FSU programs by not providing funds. The Coordinator could eventually force USAID to transfer funds to other agencies, but only after much struggle and high-level pressure. USAID officials see other agencies as using political clout to obtain funds for questionable projects. USAID's resistance to transferring funds came despite the Coordinator's instructions and sometimes continued even after interagency agreements were signed. In

Coordinator Applies Pressure
on USAID to Fund USDA
Program in Armenia

addition, a number of agencies expressed concerns that USAID developed program guidelines and objectives without consulting with agencies that had technical expertise in the relevant area. We found examples of such disputes at USDA, Commerce, and the Trade Development Agency (TDA).

In late 1991, the government of Armenia asked the Secretary of Agriculture for assistance in establishing an agricultural extension service. Later that year, the President announced that the U.S. government would do extension work in Armenia. USDA proposed using some of USAID's recently reprogrammed fiscal year 1992 Economic Support Funds for this activity. USAID officials opposed giving funds to USDA for this program. In their view, USDA's approach to agricultural extension was long-term in nature and would not assist in a quick conversion to a market economy. USAID officials also thought the USDA's program would not meet an emergency situation. However, high-level officials at State and USDA backed the Armenian extension program. USDA, the Coordinator's Office, and USAID officials told us that State had to force USAID into providing funds for the program.

In May 1992, USAID signed a project authorization under which USAID authorized the transfer of \$3.75 million to USDA. With high-level pressure from State, USAID actually transferred roughly a third of this amount to USDA in June 1992. Under the terms of the interagency agreement between USAID and USDA, additional funding from USAID was contingent on availability of funds and the willingness of both USAID and USDA to proceed with the program.

Implementation of USDA plans to help Armenia develop an extension service was slow, in part because the Armenian government failed to pass a budget to support the program. In April 1993, USAID officials urged USDA to change the focus of the program from extension infrastructure development to providing assistance to Armenian farmers to increase food production. USDA changed the focus of the program to providing survival assistance, in response to USAID's concerns that the program address the emergency situation.

By late 1993 USDA was concerned that USAID would not provide additional funds in time to get personnel into the field for the 1994 planting season. In fact, according to one USDA official, USAID twice tried to kill the program over program management disputes. High-level USDA officials intervened to keep the program alive. What USDA saw as USAID's opposition to providing additional funds came despite support for the program from a variety of

places. Personnel from the USAID mission and the Coordinator's Office gave the program high marks.

Despite the positive reaction to the program, USAID resisted providing USDA additional funds for the program. Before USAID would provide additional funds for the program, it wanted to review the program. Two reviews were conducted, one by USDA and one by USAID, both in November 1993. The USAID mission official who reviewed the program recommended some changes but found that "the project is a most cost-effective use of USAID's limited resources and . . . the effects are sustainable." USDA and the Coordinator's Office pushed USAID to provide the funds, which meant the dispute kept getting pushed upward. USDA was successful in obtaining an additional \$1.245 million from USAID for the program in February 1994, but only after pressure from a USDA Under Secretary and the Coordinator. USAID's perspective was that, rather than opposing provision of additional funds for the program, it was simply waiting for USDA to submit a project proposal acceptable to USAID before agreeing to provide any additional funds. USDA submitted a proposal acceptable to USAID in January 1994.

An official from the Coordinator's Office told us the Armenia case is an example of the amount of time the Coordinator's Office spends dealing with high-level political battles over small amounts of money. In this official's opinion, the time spent forcing USAID to comply with policy decisions detracts from the Coordinator's ability to focus on developing program goals and objectives. USAID's perspective is that USAID ensured that the program complied with U.S. regulations.

USAID Delays Funding Commerce's Business Centers

The Freedom Support Act authorized the appropriation of up to \$12 million in fiscal year 1993 for American Business Centers in the FSU, which is a Commerce Department program. The fiscal year 1993 Foreign Operations Appropriations Act provided for the use of up to \$12 million for this purpose. The Freedom Support Act also required USAID to conclude a reimbursement agreement with Commerce within 90 days after enactment, for Commerce's establishment and operation of the centers. Commerce Department documents describe these as "nerve centers" for U.S. public and private sector activities related to business development, privatization, and defense conversion.

Officials from the Commerce Department put forward a project proposal with a \$12-million budget. USAID took the position that they did not have to transfer any funds because Congress did not require that USAID make funding available; however, they agreed to give \$5 million. According to a

Commerce official, a mid-level USAID official countered Commerce's \$12 million proposal by verbally proposing that USAID give \$5 million for the first year and \$6.6 million in out years, contingent upon program success and funding availability. USAID officials told us that Commerce should have been responsible for providing the additional \$7 million from its own funds.

The Department of Commerce was frustrated by what it viewed as delays on the part of USAID. USAID, in turn, was concerned about the substance of the project and Commerce's implementation record. USAID officials questioned the merits of having the U.S. government provide 100 percent of the funding for business centers that duplicated what the private sector was setting up. While not fully satisfied with USAID's offer, Commerce agreed to this position.

On January 21, 1993, Commerce officials learned that a higher-level USAID official had overturned the decision to add the \$6.6 million in out years. USAID instead returned to its initial \$5 million proposal. USAID transmitted this decision to Commerce via a draft Memorandum of Understanding delivered at 6:30 p.m. on the last day of the congressionally mandated deadline. This proposal covered only \$5 million with no additional funding provided. Commerce officials rejected the USAID proposal and informed the Secretary of Commerce of USAID's refusal to fund centers for the full \$12 million. The Commerce Secretary discussed the matter with the Secretary of State. However, USAID continued to resist transferring the full \$12 million. The Secretary of Commerce then spoke with the Ambassador-at-Large for the FSU and received his support for the \$12-million transfer. It was only after the Ambassador-at-Large for the FSU intervened that USAID agreed to transfer the money to Commerce.

USAID officials believed the Coordinator could have been used to address these issues. Instead, USAID pointed out that the Secretary of Commerce spoke directly with the Ambassador-at-Large to obtain the \$12 million for the project.

USAID Nearly Cuts Off TDA Funds

TDA funds feasibility studies for the energy and private sector portions of the U.S. program. TDA initially submitted proposals to the Coordinator's Office describing their projects and indicating the amount of funding needed to support their projects. Although the Coordinator approved the project proposal, USAID did not provide TDA the funds. USAID believed that the major share of TDA's proposed activities were intended to strengthen the government rather than the private sector. USAID continued to refuse

funding for the TDA proposal despite a personal appeal by the then Coordinator. After the new administration came into office, the then Ambassador-at-Large also approved funding for the TDA proposal. USAID relented.

With their program seemingly funded, TDA officials traveled to Moscow to sign a trade project agreement with the Ambassador and high-ranking Russian officials. Although it was supposed to fund the program, at the 11th hour USAID discovered a problem with a clause in the interagency agreement related to environmental issues, and withheld funds for the program. According to a USAID official, as a general rule, the FSU Task Force did not invoke the “notwithstanding authority” to waive the applicability of USAID’s environmental regulation under Interagency Agreements.³ The USAID officials said that TDA officials viewed this as a USAID excuse to delay the transfer of funds, whereas they believed this was necessary to comply with USAID’s environmental regulations.

The then Ambassador-at-Large had to intervene personally and told USAID’s FSU program director to fund the TDA program. USAID released the funds but the incident placed TDA in a potentially embarrassing situation. A number of Russian officials had traveled from other cities to sign the project agreement. If USAID had not funded the agreement, the signing ceremony would have been canceled.

Agencies Complained of Poor Working Relationship With USAID

Agencies that worked with USAID told us that, in general, USAID does not cooperate with them and relegates to them the role of contractor rather than collaborator. Agencies across the government reported problems with lack of interaction with USAID, inability to get phone calls returned, delays in responding to project proposals, and lack of substance during meetings. USAID officials, in turn, told us that other agencies do not understand the USAID process or USAID’s need to maintain accountability for funds being well spent. They also told us that USAID was overwhelmed with the responsibilities of program implementation and lacked the time and staff to work with other agencies. We found examples of poor relations between USAID and the Department of the Treasury, EPA, and the Food and Drug Administration (FDA).

Five-Month Dispute Over Funds for a Treasury Program

Treasury has received funds from USAID since fiscal year 1992 to place resident advisers in finance ministries or central banks in FSU states. In

³The Freedom Support Act, section 201 amends the Foreign Assistance Act, chapter 11, section 498B to allow USAID to waive provisions of law in providing assistance to the FSU using funds authorized by the act for fiscal year 1993.

October 1993, Treasury submitted a request to USAID for \$10.8 million in additional funds for its resident adviser program. This request was based, in part, on discussions Treasury had with FSU officials about their need for resident advisers. In its request, Treasury said it needed the additional funds by November 1993 to ensure that advisers already placed in countries would not be repatriated. According to a Treasury official, USAID did not respond to Treasury's request until the Coordinator's Office intervened.

In a November 1993 memorandum to the Coordinator, USAID expressed concern about Treasury's request for additional funds for the program. In particular, USAID was concerned that Treasury was slow in implementing the program and had a low expenditure rate of funds already transferred. By the end of fiscal year 1993, Treasury had expended \$1.98 million of the \$5 million transferred from USAID.

After a series of meetings, USAID agreed in December 1993 to provide \$2.1 million in new funds via an amendment to the existing interagency agreement with Treasury. USAID transferred these funds in January 1994. Treasury viewed this as an interim solution to keep the existing program going and sought \$8 million to expand the program under another amendment to the interagency agreement. In addition, three Treasury advisers already in the field did not sign on for a second year with the program, in part because of the uncertainties involved in the future of the program.

After a series of delays, meetings, and memorandums, USAID did not formally respond to Treasury's request until February 1994. USAID proposed giving Treasury \$3 million and access to USAID's contractors. Treasury still sought \$8 million for its fiscal year 1994 program. The issue was finally resolved in March 1994 at a meeting brokered by the Coordinator between the Treasury Under Secretary for International Affairs and USAID's Assistant Administrator for Europe and the NIS. Faced with high-level pressure from Treasury, USAID agreed to transfer \$8 million to Treasury. Actual transfer of the funds did not take place until July 1994 due to delays in the congressional notification process.

The 5-month negotiation between Treasury and USAID over funding for the expanded financial adviser program strained relations between the two agencies. Treasury wanted to quickly take advantage of opportunities to place financial advisers with the FSU governments. Instead, in Treasury's opinion, these opportunities were lost due to the months-long negotiations

with USAID, and program implementation was delayed. In USAID's opinion, Treasury had sufficient funds to place advisers and continue program implementation. This lengthy process took place, in part because, although USAID officials did not think further funding for the program was warranted, it could not make this decision stand due to pressure from Treasury.

USAID Resists Using EPA's Expertise

Determining EPA's role in the FSU environmental program and under what conditions EPA would function was a source of significant conflict in the start-up of the environmental program in the FSU. EPA saw itself as having a strong and substantial role with considerable independence based upon its expertise, while USAID emphasized its own expertise and programwide responsibilities as reasons to limit EPA's role. USAID's close management of EPA's program development within the context of USAID's own management start-up problems in the FSU led to friction and delays.

The EPA has been doing environmental work in the Soviet Union, and later the FSU, under scientific cooperative agreements for the past 20 years. It had also more recently managed environmental assistance programs in the industrialized countries of Central and Eastern Europe. EPA officials suggested that this expertise should have given the agency a strong and substantial role in implementing environmental projects in the FSU. A USAID official countered that while USAID did see a role for EPA in the FSU environmental program and agreed that EPA did have experience in the FSU, EPA did not have extensive experience managing technical assistance projects in the FSU. A USAID official cited USAID's experience in the environmental area in industrializing countries such as Indonesia and Thailand as a basis for USAID's lead role in building an environmental program in the FSU.

EPA agreed that it was USAID's and the State Department's responsibility to set the context for developing specific projects with a statement of major foreign policy and assistance objectives. However, once EPA's participation in the program was set, according to officials from EPA and the Coordinator's Office, USAID was reluctant to give up program design and implementation responsibilities. EPA officials and officials from the Coordinator's Office described USAID as trying to use EPA as a contractor. For instance, an EPA official stated that when EPA and USAID were originally negotiating EPA's involvement in environmental programs in the FSU, USAID wanted to closely manage EPA's input through a Participating Agency Service Agreement (PASA). A PASA essentially makes USAID responsible for initiating requests for services on the part of the participating agency.

According to the EPA official, EPA resisted USAID's offer for a PASA because, in its opinion, EPA would have less independence under a PASA than would a USAID contractor. The final arrangement between USAID and EPA included both a PASA and an interagency agreement.

A USAID official said that the agency does not try to use EPA as a contractor. USAID stated that since USAID has management oversight responsibilities, it must require monitoring and approval of the use of funds appropriated through USAID. USAID did not disagree that it originally tried to use EPA's expertise through a PASA, but it denied that a PASA is more restrictive than a normal USAID/contractor relationship.

At USAID's request, EPA eventually put together a \$15-million proposal, and with the help of the Coordinator, obtained agreements from USAID for \$13.2 million in funding. However, USAID continued to closely manage EPA's program development. A USAID official stated that, based upon its experience in Central and Eastern Europe with EPA, USAID was concerned that EPA's project management capabilities were weak and that EPA did not cooperate effectively with USAID field offices. EPA asserted that evaluations of its Central and Eastern Europe program found no such flaws.

USAID's close management of EPA in the context of its own management problems slowed the implementation of EPA's programs. According to one EPA official, implementation of environmental activities was delayed for over a year while USAID searched for a contractor to review EPA's plans. Additional delays resulted from EPA's need to negotiate project approval both with the USAID-NIS Task Force in Washington and the USAID Mission in Moscow. A USAID official explained that the USAID-NIS Task Force environmental office responsible for negotiating with EPA was understaffed, and that this may have led to delays in reviewing EPA's submissions. A USAID official acknowledged that a contractor had to be found to review EPA's proposals and that EPA also had to negotiate with the USAID mission in Moscow. However, the USAID official blamed some of the delay on EPA's mistakes in following USAID's procedures for submitting project work plans.

By spring 1994, USAID believed it had dealt with the understaffing problems in its environmental office and had cleared up EPA's confusion on how to submit project documents for review, and an EPA official said their relations with USAID had improved. An EPA official stated that USAID had accepted EPA, if not as a partner, then as an independent agency with much to contribute.

USAID Delays Transfer to FDA
for 6 Months

In September 1993, the FDA entered into discussions with the Russian government on Russian registration of U.S. drugs. Under a Memorandum of Understanding finalized in February 1994, all FDA-approved, U.S.-produced drugs will have an expedited (90-day) registration procedure in the Russian Federation. This would make it easier for the Russians to obtain much-needed drugs from the United States. FDA, Commerce, and the State Department Coordinator's office thought this was a good idea for trade and humanitarian reasons.

FDA conditioned its involvement in the negotiations on USAID's agreement to provide the necessary funds. USAID had already transferred \$900,000 to FDA under a PASA for other activities. USAID informed FDA in September 1993 that these would be the only funds available for the negotiations. On October 8, 1993, FDA informed USAID it had already committed the funds from this PASA for other activities. FDA said it would be willing to use funds from the PASA to carry out the negotiations, provided USAID made additional funds available to replace those used for the negotiations. FDA did not want to scale back the activities it had already committed to cover the costs for the negotiations. Later that month, FDA sent a revised budget to USAID requesting \$289,000 in additional funds for carrying out the negotiations.

On October 20, 1993, USAID agreed to allow FDA to use funds from the existing PASA for the negotiations, thereby displacing already planned activities. USAID also asked FDA for a list of the planned activities under the PASA that would be displaced by the costs of conducting the negotiations. USAID said it was their "intention to consider" providing funding at a later date to cover the displaced activities. Although FDA had told USAID the funds from the PASA had already been committed, USAID officials told us that their records at that time showed that FDA had sufficient funds available to conduct negotiations without displacing other activities. USAID planned to let FDA use funds from the existing PASA to cover the immediate costs of the negotiations and later reimburse FDA through a new PASA.

However, FDA had been reporting actual expenditures, not accrued expenditures, to USAID, and in a February 7, 1994, letter to USAID, FDA reported it had actually exhausted the available funds. USAID was unable to use fiscal year 1994 money to cover FDA's displaced activities, due to a Senate Appropriations Committee hold. According to USAID and FDA officials, FDA successfully pressured USAID to come up with the money.

When FDA, with the support of the Commerce Department and the Coordinator's Office, asked for additional funds to conduct time-sensitive

Memorandum of Understanding negotiations for medical devices and food products, USAID agreed to provide funds, provided that FDA submit additional documentation to meet USAID's internal requirement. USAID also cautioned FDA against undertaking any new Memorandum of Understanding negotiations until a new PASA was developed. In response, on April 21, 1994, the Coordinator wrote a memorandum to USAID's Assistant Administrator for the Bureau for Europe and the NIS asking that "inherent bureaucratic delays . . . be avoided," noting the time sensitive nature of such discussions. The Coordinator also questioned the relevance of USAID's request for further documentation from FDA. USAID noted that their contracting office requires a statement of scope of work and budget to negotiate an agreement with any agency.

FDA and USAID officials we spoke with expressed deep frustration with the discussions between the agencies regarding funding for Memorandum of Understanding activities. USAID officials said they resented pressure from FDA and other agencies on USAID to provide the funding. FDA officials in turn told us that USAID treated FDA "worse than a contractor." Officials from both agencies said these differences were not resolved at the Health Sector Working Group chaired by the Coordinator's Office.

USAID Denies Centers for Disease Control's Funding Request

In 1992, the Ukrainian Ministry of Health asked the United States to provide assistance to deal with the growing number of diphtheria cases. The Centers for Disease Control (CDC), at USAID's request, conducted a quick, 10-day assessment of Ukrainian vaccine needs in October 1992. CDC officials came away from the trip realizing there was an urgent need for epidemiological investigations in Ukraine and requested additional funds from USAID for this purpose. USAID funded a second trip in February 1993 but, according to a CDC official, did not express much interest in continuing to use CDC. USAID focused its resources on emergency support for the Caucasus nations and Tajikistan. USAID cautioned CDC not to initiate activities in Ukraine unless funding was secured.

Meanwhile, the number of diphtheria cases in Ukraine increased nearly 30-fold from 1990 to 1993. CDC officials were concerned about this rapid increase, both for humanitarian reasons and the fear that diphtheria in the FSU might spread to the United States. To address these issues, CDC used its own funds to send a team to Ukraine in February 1994. During the visit, a member of the CDC team met two USAID officials who were also in Ukraine to examine the Ukrainian health situation, clarify conflicting and confusing information about health needs in Ukraine, and recommend possible courses of action. The officials incorporated CDC data into their

report to USAID, which eventually formed the basis for a USAID request for applications from private voluntary organizations to address health problems in Ukraine with hepatitis B, diphtheria, and diabetes.

On April 1, 1994, USAID released the request for application to implement the humanitarian assistance portion of the \$15-million humanitarian health assistance activity in Ukraine. A second portion of the activity will focus on fostering local production of essential drugs. CDC requested \$8,100 of the humanitarian assistance funds from USAID for a follow-on May 1994 visit. On April 25, 1994, USAID informed CDC it would not support the proposed trip, but would consider funding later visits under the authority of a PASA then being negotiated. On April 28, 1994, a representative from a private voluntary organization called CDC and told them his group had just been awarded a \$10-million cooperative agreement with USAID. The private voluntary organization representative asked CDC if it could provide any assistance on diphtheria in the Ukraine.

In May 1994, at USAID's request, the Department of Health and Human Service's Office of International Health provided funding for the follow-on CDC visit from money previously transferred from USAID to support USAID activities in the FSU. USAID also provided some of its own funds to support a CDC official taking part in the private voluntary organization's assessment visit on hepatitis B in July 1994.

While CDC eventually received money for additional trips, the larger issue of USAID and CDC's relationship remained. CDC was concerned about the way USAID utilized expertise within the U.S. government and the perceived reliance on private contractors. CDC officials questioned why USAID used private organizations when expertise already exists within the U.S. government. CDC officials also expressed concern that USAID does not work with CDC when selecting contractors. In their view, USAID lacks the expertise to understand technical medical areas, yet awards contracts in these areas without any input from CDC.

USAID officials said that the agency's continued commitment to fund CDC activities in diphtheria and other areas demonstrates that USAID values CDC's capacity and expertise. USAID points to recently signed or pending agreements with CDC worth \$8.2 million for work in the FSU as examples of this commitment. USAID officials also told us that officials from other agencies do not fully appreciate the processes and requirements USAID has to adhere to, particularly when it comes to selecting a contractor.

The Coordinator and USAID Have Different Perspectives on the FSU Program

The Coordinator's Office and USAID have different views on a variety of issues regarding the U.S. program that are at the core of their relationship. The Coordinator has authority in areas where USAID used to have purview, for example, in setting project funding levels. Until USAID and the Coordinator's Office define their roles and come to agreement on policy issues such as use of contracts, the length of the program, and utilization of other U.S. agencies, the coordination of U.S. programs for the FSU will continue to be difficult.

USAID officials define the agency's role as implementing the assistance program financed under the Freedom Support Act. They see the Coordinator's role as setting overall policy governing the implementation of the program. The Coordinator's Office agrees that, theoretically, they should leave implementation to USAID and the other implementing agencies. However, some of the actions USAID has taken to implement the program, such as using large contracts or relying on private contractors, raises apprehensions in the Coordinator's Office. In particular, Coordinator's Office officials were concerned that USAID's implementation of the program may, in some instances, be at odds with U.S. policy. For example, Coordinator's Office officials pointed to programs in commodity storage and rule of law where actions by USAID or its contractors may have been at odds with U.S. policy. Although frustrated with the amount of time spent arbitrating interagency battles, Coordinator's Office officials felt their involvement was necessary to ensure that implementation matched policy. USAID officials expressed concern that the continued intervention of the Coordinator's Office in implementation disputes amounted to micromanagement, which delayed program decisions and implementation and led to the inefficient use of management resources.

The Coordinator's Office sees the FSU program as short term and transitional. Officials there expressed concern that the actions of USAID and some of USAID's contractors could draw the United States into a long-term program. The Coordinator's Office is also apprehensive about the role and impact of USAID's contractors in politically sensitive areas such as democratization activities. The result is that the Coordinator's Office attempts to closely monitor and on occasion regulate what USAID considers its normal implementation activities. For instance, until recently, the Coordinator's Office insisted upon approving all travel to the FSU by USAID or its contractors. The Coordinator's Office also cleared USAID's cable traffic to the FSU and has become involved on occasion in the contract award process. According to the Coordinator, recent efforts to work out more flexible clearance processes have met with mixed success.

Appendix III
Coordination Problems

USAID and the Coordinator's Office agreed that decisions on whether to use U.S. agencies or the private sector should depend on program objectives and the skills needed to carry out those objectives. In practice, USAID and the Coordinator's Office differed at times when making these decisions. On several occasions, USAID proposed rejecting or partially funding requests from other agencies only to have its position overturned by the Coordinator. The Coordinator was more willing to use U.S. agencies than was USAID. Officials from the Coordinator's Office told us that the FSU program is a U.S. governmentwide program, not a USAID program. Therefore, USAID should work more closely with other U.S. agencies. In USAID's opinion, funding is not an entitlement for any agency.

Size, Scope, and Status of Program for the FSU

Table IV.1: U.S. Obligations and Expenditures by Each Agency Implementing Grant Programs in the FSU (Fiscal Years 1990 Through 1993 as of 9/30/93)

Dollars in thousands				
Agency	Obligated dollars	Percent of total obligations	Expended dollars	Percent of obligation expended
USAID ^a	\$ 507,490	48.5	\$160,448	31.6
USDA	123,599	11.8	50,080	40.5
Department of Energy	102,654	9.8	45,386	44.2
DOD ^b	100,094	9.6	48,801	48.8
U.S. Information Agency	90,645	8.7	61,461	67.8
Department of State	27,530	2.6	15,645	56.8
National Aeronautics and Space Administration	25,281	2.4	8,603	34.0
Peace Corps	15,114	1.4	12,948	85.7
TDA	15,043	1.4	6,727	44.7
Department of Health and Human Services	13,122	1.3	12,505	95.3
Department of Commerce	10,873	1.0	2,423	22.3
Treasury Department	3,747	0.4	2,096	55.9
National Science Foundation	3,614	0.3	3,614	100.00
EPA	3,564	0.3	1,889	53.0
Nuclear Regulatory Commission	1,899	0.2	716	37.7
Overseas Private Investment Corporation	1,055	0.1	362	34.3
Arms Control and Disarmament Agency	515	0.0	175	34.0
Department of Transportation	30	0.0	30	100.0
Department of Justice	24	0.0	24	100.0
Total	\$1,045,891	100.0	\$433,932	41.5

^aOf the \$702 million available to USAID for the FSU during the period fiscal years 1990 through 1993, it obligated \$507 million for its own program. Of this amount USAID expended \$160 million. USAID transferred \$135 million to other agencies, which in turn obligated the funds to implement projects in the FSU. Of the \$135 million, \$79 million was expended. This does not include the \$1.6 billion supplemental for fiscal year 1993.

^bCongress authorized DOD to transfer up to \$400 million for the CTR Program in fiscal year 1992 and fiscal year 1993. DOD lost access to \$212 million of the 1992 CTR program transfer authority at the end of fiscal year 1993 because it did not transfer the funding within the allotted time. In addition to the CTR program, DOD implemented two other programs in the FSU—the International Military Education and Training Program and a science and technology acquisition program. These two programs obligated \$34 million.

Appendix IV
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Table IV.2: Agency Appropriations for FSU Programs Excluding USAID and DOD (Fiscal Years 1990 Through 1993)

Dollars in thousands		
Implementing agency	Obligations	Expenditures
Department of Agriculture	\$ 80,045	\$ 8,380
U.S. Information Agency	54,080	41,490
Department of Energy	48,035	19,255
National Aeronautics and Space Administration	25,281	8,603
Peace Corps	14,802	12,698
Department of State	13,945	7,947
Department of Health and Human Services	10,958	10,958
TDA	7,012	3,947
National Science Foundation	3,514	3,514
EPA	1,484	1,484
Arms Control and Disarmament Agency	185	125
Department of Justice	24	24
Total	\$259,364	\$118,424

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Table IV.3: Obligations and Expenditures in the FSU by Program Area (Fiscal Years 1990 Through 1993)

Dollars in thousands				
Program area	Obligated dollars	Percent of total obligated	Expended dollars	Percent of total expended
Private-sector development	\$ 179,416	17.2	\$ 53,154	12.2
Emergency humanitarian assistance	111,859	10.8	85,917	19.8
Nuclear weapons and non-nuclear defense equipment	102,746	9.8	38,146	8.8
Exchanges and training	99,954	9.6	62,179	14.3
Other	88,111	8.4	56,369	13.0
Food systems improvement	75,285	7.2	18,052	4.2
Democratic reform	72,665	6.9	21,624	5.0
Food aid	66,928	6.4	4,821	1.1
Environment	56,726	5.4	20,535	4.7
Energy efficiency and energy market reform	42,510	4.1	11,807	2.7
Economic restructuring and finance	38,111	3.6	9,344	2.2
Health care improvement	28,494	2.7	12,366	2.8
Space research	25,281	2.4	8,603	2.0
Housing sector initiatives, including military resettlement	23,300	2.2	7,732	1.8
U.S. export market development	15,043	1.4	6,727	1.6
Scientific research awards	14,521	1.4	14,091	3.2
Defense conversion	2,570	0.2	1,092	0.3
Military education and training	1,372	0.1	1,372	0.3
Total	\$1,045,891	100.0	\$433,923	100.0

**Appendix IV
Size, Scope, and Status of Program for the
FSU**

**Table IV.4: Grant Program to the FSU:
Expenditures by Geographical
Location (Fiscal Years 1990 Through
1993)**

Dollars in thousands		
Country	Dollars expended	Percent of expenditures
Russian Federation	\$ 213,255	49.1
FSU-wide	80,602	18.6
Armenia	39,642	9.1
Ukraine	26,788	6.2
Georgia	13,710	3.2
Soviet Union	12,527	2.9
Kazakhstan	11,145	2.6
Belarus	7,378	1.7
Kyrgyzstan	6,125	1.4
Tajikistan	5,644	1.3
Uzbekistan	5,354	1.2
Moldova	5,118	1.2
Turkmenistan	2,540	0.6
States with nuclear weapons	2,429	0.6
Azerbaijan	1,673	0.4
Total	\$433,929	100.0

Appendix IV
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Table IV.5: Expenditures^a of U.S. Donations of Food and Excess Stocks to the FSU by Geographical Location (Fiscal Years 1992 Through 1993)

Dollars in thousands		
Country	FY 92-93 expenditures	Percentage of FY 92-93 expenditures
FSU-wide	\$ 39,019	3.2
Armenia	149,204	12.2
Azerbaijan	10,112	0.8
Belarus	95,327	7.8
Georgia	11,909	9.2
Kazakhstan	41,561	3.4
Kyrgyzstan	85,745	7.0
Moldova	33,942	2.8
Russian Federation	525,424	43.1
Tajikistan	12,072	1.0
Turkmenistan	51,036	4.2
Ukraine	53,565	4.4
Uzbekistan	11,547	0.9
Total	\$1,220,461	100.0

^aOnly two agencies made donations to the FSU—DOD and USDA. USDA obligated \$1.234 billion for its donation program (commodities valued at \$952 million and transportation costs of \$282 million). USDA's total expenditures were \$905 million. USDA defines obligations for donations as the estimated value of donation agreements signed during the period fiscal year 1990 through fiscal year 1993. The obligation for transportation costs represent the estimated costs for transporting the donations covered by the signed agreements. DOD obligated \$363.6 million for the donation program, and expended \$316 million. DOD's donations consisted of food, medicines, and field hospitals.

Appendix IV
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Table IV.6: Face Value of Credit Agreements by Country^a (Fiscal Years 1990^b Through 1993)

Dollars in thousands				
Country	FY 91	FY 92	FY 93	Total
Armenia	\$ 0	\$ 0	\$ 0	\$ 0
Azerbaijan	0	0	0	0
Belarus	0	24,000	6,230	30,230
Georgia	0	0	7,579	7,579
Kazakhstan	0	0	24,855	24,855
Kyrgyzstan	0	0	0	0
Moldova	0	9,900	10,000	19,900
Russian Federation	0	789,997	1,347,889	2,137,886
Soviet Union	1,956,298	1,829,920	0	3,786,218
Tajikistan	0	10,000	14,000	24,000
Turkmenistan	0	0	10,000	10,000
Ukraine	0	109,022	316,919	425,941
Uzbekistan	0	0	260,055	260,055
Totals	\$1,956,298	\$2,772,839	\$1,997,527	\$6,726,664

^aThe credit programs are focused in three sectors: \$5.7 billion in export market development, \$591 million in food aid, and \$391 million in private sector development.

^bThere were no credits in fiscal year 1990.

Table IV.7: Definition of Face Value by Program

Agency	Program	Face value definition
USDA	General Sales Manager-102	Registration amount
USDA	Food aid loans	Total loan amount
Export-Import Bank	Loan guaranties	Value of final commitment; actual disbursement may occur later
Export-Import Bank	Direct loans	Value of final commitment; actual disbursement may occur later
Export-Import Bank	Insurance	Value of goods shipped under policy
Overseas Private Investment Corporation	Loan guaranties	Value of commitment
Overseas Private Investment Corporation	Insurance	Value of policy committed to project

USDA provided \$5.007 billion in loan guaranties as part of its worldwide General Sales Manager 102 loan guaranty program. The bulk of these

guaranties were issued for the Soviet Union (prior to its dissolution) and Russia, with Ukraine and Uzbekistan receiving significantly smaller guaranties. General Sales Manager 102 is a commercial program, with the loan guaranties covering market rate loans from commercial lenders. USDA also provided \$591 million of concessional food aid loans under the title I and Food for Progress programs. The Food for Progress program is funded by Commodity Credit Corporation funds and USDA appropriations.

The Export-Import Bank provided \$91 million in direct loans and \$257 million in loan guaranties to support projects in Russia. In addition, the Export-Import Bank insurance programs covered \$389 million worth of goods shipped to Ukraine, Uzbekistan, Kazakhstan, and Russia. These figures do not include the \$2 billion oil-gas framework agreement between Russia and the Export-Import Bank signed early in fiscal year 1994.

OPIC provided \$256 million in insurance for projects in Belarus, Georgia, Russia, Ukraine, and Uzbekistan and \$135 million in loan guaranties for projects in Russia. The guaranties were used to support the oil sector and a private Russia country fund.

Objectives, Scope, and Methodology

In the absence of centrally available data on U.S. government projects and programs related to the FSU, we undertook to catalog all programs or projects that provided U.S. government money, goods, or services to the countries of the FSU for fiscal years 1990 through 1993. We defined the FSU countries as Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, and the Soviet Union. During our initial visits with agencies, we specified the financial and programmatic data we needed.

We asked agencies to respond with automated data files that met the data requirements contained in our data collection instrument or to provide their responses by completing a data collection instrument that we would provide.¹ During these visits, we learned that collecting the assistance data would not be a straightforward process because of several factors.

Most agencies do not have readily available, reliable, centrally maintained data on their own total obligations and expenditures related to the countries of the FSU. This eliminated the possibility of acquiring one automated data source from each agency and using it to answer our questions.

Agencies differed greatly in the terminology they used to refer to a single set of assistance activities. We worked with each agency to ensure that each reported information at a consistent level of specificity. For example, the definition of “project” varied among agencies. The Overseas Private Investment Corporation uses “project” to denote an individual financial transaction, such as one direct loan, and the term “program” to denote a cluster of similar projects. On the other hand, at USAID, the term “project” means a sector of assistance efforts. USAID has divided all assistance over the whole FSU into 13 sectors. The sectors extend over regions of the FSU, not relating to specific countries. Each sector represents a major line of effort, with each sector containing a varying number of individual activities and activity subsets or components.² Components are roughly equivalent to the Overseas Private Investment Corporation program category. In contrast, EPA considered a project to be equal to one of USAID’s individual activities and DOD considered a project as equivalent to a cluster of individual efforts, for example, multiple contracts to furnish armored blankets, as more akin to a USAID component than to a USAID project.

¹The data collection instruments were standardized forms that defined the program and financial data we needed.

²USAID’s nomenclature to describe its program activity in the FSU is unique to the FSU program.

The meaning of financial terms such as obligations and expenditures also varied because of differing procedures and circumstances among agencies. For the Department of Agriculture's Foreign Agricultural Service, in many instances "obligation" was denoted by distribution of a public notice of the start of a project. On the other hand, obligations and expenditures were not meaningful terms at the Overseas Private Investment Corporation but face value and set asides (appropriately defined) were applicable counterparts to characteristics of assistance programs.

USAID said that the term "allocation" does not apply at the individual assistance activity level. Rather, they use the term "planned obligations" for allocations. The Overseas Private Investment Corporation said that for agencies providing commercial programs, the terms allocations, original and actual obligations, and reobligated funds were inappropriate because of the nature of their mission.

Some agencies were unable to clearly distinguish between assistance and cooperative projects. Projects that they initially said were cooperative had many characteristics of assistance programs. In addition, some cooperative projects had so strong an acquisition element that they seemed to be neither cooperative nor assistance.

Three agencies are engaged in commercial programs providing loans, food aid (loans), credits, guaranties, or insurance. The terminology associated with commercial programs varies greatly from the terminology associated with humanitarian or technical assistance efforts. The Overseas Private Investment Corporation and the Foreign Agricultural Service of the Department of Agriculture were especially sensitive to this distinction.

In general, we defined "program/project" as "a set of activities organized to achieve a common objective or set of objectives." We defined "obligation" as the moment when U.S. government money was legally committed to a project activity. We worked with DOD, the Department Energy, and USAID to develop specific definitions for "program/project" with each agency. Agencies whose collaborative or cooperative projects did not have a strong assistance component had those projects grouped into new program areas such as space research or scientific research awards. We also developed a data collection instrument specifically for commercial programs. For agencies whose programs did not fall into any of these categories, we developed a "generic" form. Each of these data collection instruments was reviewed by knowledgeable agency officials for cogency

and clarity. We modified our data collection instruments to incorporate agency comments.

We believe that we have captured a large majority of fiscal years 1990 through 1993 programs; however, some agencies were unable to state definitively that they had identified and provided us information on all agency programs and projects.

Although we tailored the data collection instruments to the agency, the core questions related to finances remained the same in all noncommercial forms. We distributed the data collection instruments within the following agencies and obtained their answers:

- Agency for International Development,
- Arms Control and Disarmament Agency,
- Department of Agriculture,
- Department of Commerce,
- DOD,
- Department of Energy,
- Department of Health and Human Services,
- Department of Transportation,
- Department of Treasury,
- Department of State,
- EPA,
- Export-Import Bank,
- National Aeronautics and Space Administration,
- National Science Foundation,
- Nuclear Regulatory Commission,
- Overseas Private Investment Corporation,
- Peace Corps,
- TDA, and
- United States Information Agency.

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