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Statement of

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Comptroller General of the United States

before the

Subcommittee on Legislation and National Security

of the

House Committee on Government Operations HSE01506

on

Improving Development Coordination

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to discuss with your Subcommittee our views on improving coordination of U.S. foreign assistance and other policies affecting economic development. These views are based upon a broad GAO study of the development coordination issue. While our study is not complete, we have reached some preliminary conclusions which are relevant to consideration of the administration's proposal for creation of an International Development Cooperation Administration (IDCA).

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The development coordination function is unquestionably important, ~~and we agree that reorganization~~ but is needed. Our concern is that without a stronger organization proposal the objectives sought cannot be achieved.

The Changing Environment of Development Coordination and Deficiencies in the Present Coordination System

In recent years there have been three changes with major implications for the development coordination problem. The first is the shift in emphasis in the aid program from bilateral to multilateral assistance. Since multilateral programs are necessarily less subject to U.S. influence, this change has increased the problems of maintaining reasonable consistency and mutual reinforcement among assistance programs.

A second change has been a relative shift in the U.S. bilateral aid program away from a country program focus toward a more project-oriented focus. But, in a world of nation states, coordinated development planning is still done primarily at the national level and it is much easier to coordinate U.S. development activities around country programs than to coordinate a series of relatively discrete, disparate projects.

A third major change has been the growing importance of nonaid resources, such as trade and investment, as a source of support for development. U.S. policies affecting such nonaid resources have, however, traditionally been made in forums in which relatively little attention is paid to their development dimensions.

The present system of development coordination is PL601466 centered in the Development Coordination Committee (DCC), an interdepartmental body established by statute in 1973 and chaired by the AID administrator. In our study of the DCC, we have identified a number of specific limitations. Today I will focus on three fundamental problems.

The first is that the coordination responsibility is currently lodged in AID which administers one of the programs that is to be coordinated. Unfortunately, AID is not perceived as a neutral "honest broker" by other agencies, but rather as a party at interest with its own set of views and concerns.

A second problem has been that the development coordinator needs, if he is to be effective, more status and authority than has been accorded in recent years to the Administrator of AID. When the DCC was reorganized last May, the reorganization did not increase the power of the Chairman of the DCC because it did not touch existing program responsibilities or upset existing power and influence relationships.

The third major difficulty with the present system is that it is much better organized for interagency coordination than it is for coordination among programs. The DCC subcommittees and DCC staff are organized around existing programs--around the multilateral bank programs, the AID program, P.L. 480 and the like. Efforts at cross-program coordination have been quite limited.

In general, we found that, while there have been some improvements in the operations of some of the committees brought under the DCC umbrella, those improvements have had more to do with the leadership of the particular committees than with the fact that they are now a part of the DCC structure.

The Reorganization Plan and Recommendations for its Improvement

Does the reorganization plan deal with the deficiencies of the present coordination system? A major purpose of the plan is to separate the coordination function from AID; to establish IDCA as an "honest broker." But, unless there is a transfer of major responsibility for U.S. participation in the multilateral banks to IDCA, it will remain essentially a bilateral aid agency. Moreover, faced by the inevitable frustrations of attempting, with very limited power, to coordinate development activities, the IDCA Director may turn to the more satisfying task of running AID, which is the largest development program under his direct control. In any event, the fact that the plan is to be implemented

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within existing personnel ceilings makes it likely that IDCA will be staffed largely with AID personnel. In sum, it is very uncertain how far the reorganization plan will achieve its objective of differentiating IDCA from AID.

The plan promises only marginal changes in the power and influence of the development coordinator. Of the choices that were placed before him, the President selected the organizational option offering the lowest scope and least integration, and, therefore, least increase in the status and authority of the development coordinator. The IDCA Director will have budget authority over three components of IDCA--AID, specified international organizations, and the Institute for Technological Cooperation--but not over the Overseas Private Investment Corporation or over non-IDCA development budgets, though he will have the right to comment on the latter to the President and to OMB. He will be responsible for preparing an annual development strategy statement. Such a statement is likely to be based upon interagency compromise and is unlikely to offer the IDCA Director much, if any, leverage over development activities.

His power of appointment and removal of top officials of IDCA's component agencies gives him some authority within IDCA, but his right to be consulted on appointment of the U.S. Executive Directors and Alternate Executive

Directors for the multilateral banks offers little prospect of influence on U.S. policy toward the banks. Like the AID Administrator before him, the IDCA Director is to be the principal development adviser to the President. The significance of this Presidential connection is doubtful, however, because, while the developing countries are of concern to Presidents, foreign aid questions <u>per se</u> are not generally matters of high policy, and questions of development policy and development coordination are even less likely to command the President's attention.

The failure of the plan to give the development coordinator significant new authority over U.S. participation in the multilateral banks is its central weakness. This issue has been at the heart of the debate over reorganization, both because the relationship of multilateral bank and bilateral programs presents the major coordination questions and because only some transfer of authority over the banks appears to offer much prospect for enhancing the authority of the development coordinator.

Without such increased authority, prospects are poor that the IDCA Director will have the kind of status necessary to influence nonaid foreign economic decisions affecting development. Without such authority, he will have serious problems establishing himself as an honest broker with interests extending beyond the bilateral aid program. Without such authority, he will have great difficulty coordinating policies and programs on a country basis because the multilateral banks administer the largest country programs.

Since the reorganization plan was submitted to the Congress, the Senate Committee on Governmental Affairs has made an effort with the administration to strengthen the IDCA Director's authority over management of U.S. participation in the banks. It is important in this connection that the IDCA Director's authority include the determination of the U.S. position on the lending policies of the banks on such subjects as agriculture, education, health and employment. We strongly support the Senate Committee's effort and have serious doubts as to whether the reorganization plan should be approved if the IDCA Director's role is not strengthened. We would also urge that serious consideration be given to making the Alternate Executive Directors of each of the banks an IDCA representative. These IDCA Alternates could be channels of communication in both directions between the Executive Director's office, IDCA, and AID.

One of the most promising potentials of the IDCA proposal is that, unlike the foreign assistance legislation of 1973 which created the DCC, it appears to rely less upon committees to achieve coordination and much more upon the IDCA Director and a knowledgeable staff. We consider it unfortunate, however, that the President has insisted that reorganization be accomplished within existing personnel ceilings. Effective coordination is likely to require more, rather than less, staff.

The DCC, with a fulltime staff of nine and the part-time help of three or four more professionals, has not been able to handle adequately several important aspects of the DCC's more limited coordination responsibilities. Moreover, for a variety of reasons, the capability of AID for macro-economic analysis has declined seriously in recent years. Without duplicating the analytic capabilities of the banks, IDCA will need to increase the U.S. capacity for macro analysis if it is to coordinate U.S. policies and programs with the larger multilateral programs on a country-by-country basis. The personnel ceiling is likely to make it more difficult to recruit the requisite talent.

Finally, staying within existing personnel ceilings will very probably increase reliance upon AID personnel to staff IDCA, thereby tending to defeat a major purpose of the creation of IDCA--the establishment of its separate identity. The payoff in increased efficiency and effectiveness from coordination comes, not from personnel savings, but from greater mutual reenforcement among programs and greater consistency in policies and programs.

We believe that the authority of the IDCA Director would be strengthened if he controlled a contingency fund of significant magnitude. Such a fund would not necessarily involve an increase in foreign aid totals and could enhance the ability of the IDCA Director to respond to unexpected opportunities to relate U.S. aid efforts to multilateral efforts, giving him increased leverage over both. It would also permit him to respond to legitimate international political needs for aid without subordinating development goals to foreign policy requirements.

Finally, we believe that the IDCA Director should serve as the U.S. conference coordinator, responsible for developing U.S. positions for major North-South conferences, under the foreign policy guidance of the Secretary of State and in close cooperation with the Department of State.

In sum, we have serious misgivings about the reorganization plan as presented to the Congress. We believe, however, a successful effort to strengthen IDCA's role in determining U.S. policy toward the multilateral banks would go far toward improving its prospects for success. Other actions, such as those we have suggested, would further enhance its prospects.