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BY THE COMPTROLLER GENERAL 111434

Report To The Congress

OF THE UNITED STATES

Coordinating U.S. Development Assistance: Problems Facing The International Development Cooperation Agency

Coordination of U.S. policies and programs affecting the economic development of developing countries has become more complex with the shift to an emphasis upon multilateral aid, with the trend toward project assistance in the U.S. aid program, and with the growing importance of nonaid resource transfers. These and other changes had led to a dispersion of authority and responsibility for development activities.

The creation of the International Development Cooperation Agency in October 1979 provides a new opportunity to improve development coordination, though the authority of the new organization is limited. GAO makes a number of recommendations designed to enhance the agency's effectiveness and to improve its prospects for success.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report is concerned with the coordination of U.S. policies and programs relating to U.S. bilateral development assistance programs, U.S. food aid, U.S. participation in the multilateral development banks, the development activities of international organizations, and nonaid resource transfers. It attempts to (1) define the coordination problem, (2) assess the effectiveness of the Development Coordination Committee, and (3) appraise the prospects of the new International Development Cooperation Agency.

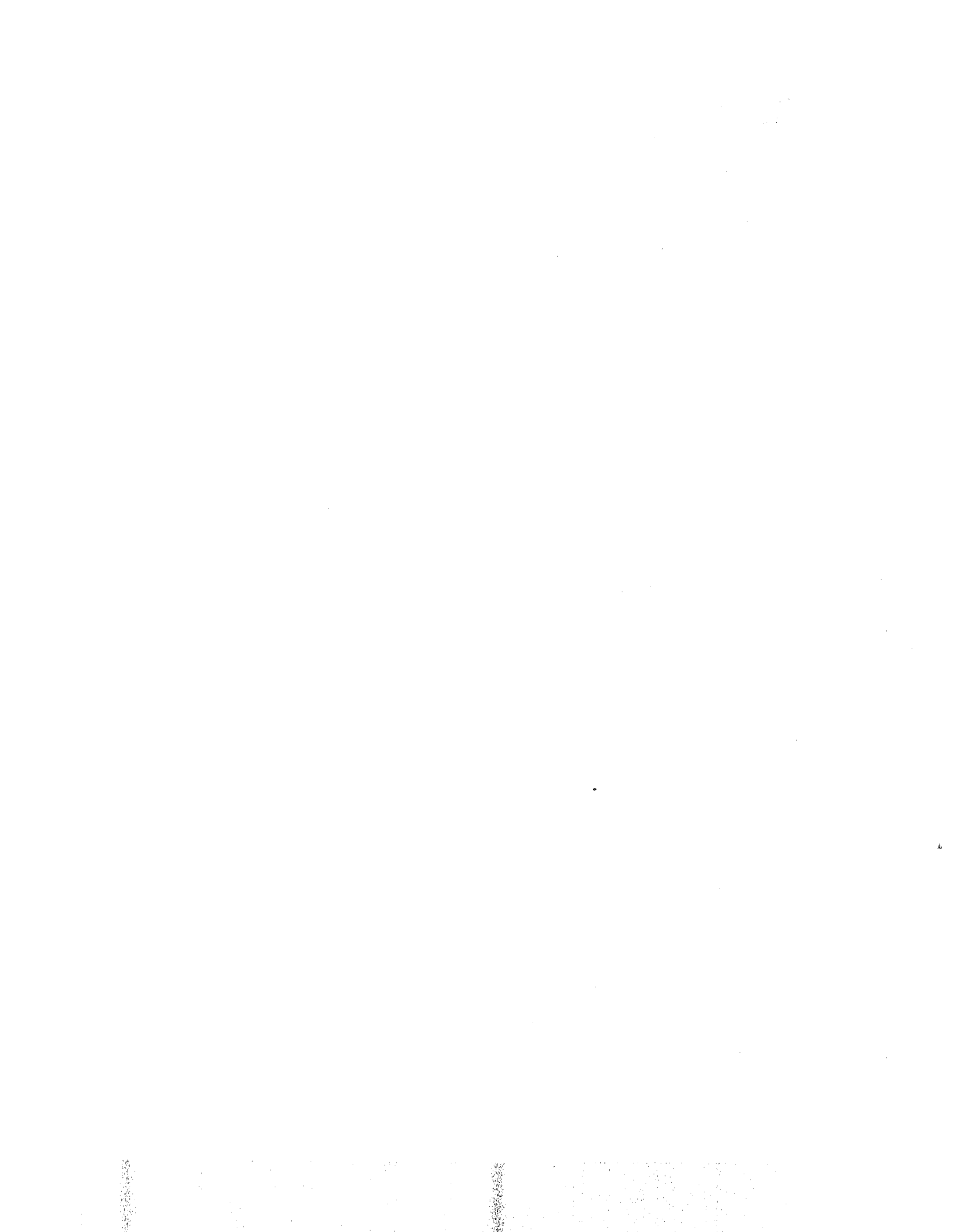
In some respects this report is unique. In the formative stage of a major reorganization of the U.S. foreign economic assistance program, it offers advice and assistance to the executive branch agencies responsible for program administration.

We view our recommendations as propositions for executive branch consideration, realizing that the dynamics involved in creating a new agency may lead to better solutions than the ones proposed in this report.

Copies are being sent to the Director, Office of Management and Budget; the Secretaries of State, the Treasury, and Agriculture; the Director of the International Development Cooperation Agency; and the Administrator of the Agency for International Development.

Comptroller General
of the United States

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D I G E S T

Activities and programs affecting development in Third World countries have changed substantially in a decade. These changes and the increasing role of non-aid agencies in development activities have caused authority for development programs to be widely dispersed among Federal Government agencies and committees. The recent creation of the International Development Cooperation Agency (IDCA) represents an effort to improve coordination of these activities.

Three major changes particularly affect the coordination problem:

- A move away from U.S. bilateral aid toward more emphasis on multilateral assistance.
- A relative shift from program assistance and integrated country planning toward more emphasis on project assistance.
- The increasing importance of non-aid activities such as trade and foreign investment.

The creation of the International Development Cooperation Agency represents progress toward establishment of an independent coordinator, but it remains uncertain whether the Agency can establish a separate, independent identity. In approving the Agency reorganization plan the President opted for an organization of minimal integration, scope and authority. The Agency's Director does, however, have lead responsibility for U.S. development policy in specified international organizations, and for development policy toward multilateral banks. Treasury retains the ultimate authority to instruct U.S. representatives to the banks, but may override Agency advice only for "compelling" financial or legislative reasons. (See p. 46.)

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Creation of the Agency does not significantly affect the Government's ability to coordinate policies and programs on a country rather than a project basis nor does it much affect the development coordinator's ability to influence non-aid issues. Overall, the new organizational arrangements could effect some improvement in the authority of the development coordinator, but his power will remain quite limited, except over the Agency for International Development and the Institute for Scientific and Technological Cooperation. The quality of performance of the Agency Director and his staff will therefore be critical to the success of the new organization.

RECOMMENDATIONS

GAO recommends that the International Development Cooperation Agency should:

- Place primary reliance on an activist, informed staff to perform the coordination task, rather than relying mainly on a committee structure. (See p. 42.)
- Seek the allocation of additional staff resources, increase its capability to do macroeconomic analysis, and nominate the alternate U.S. Executive Directors of the multilateral banks. (See pp. 43 and 47.)
- Establish contingency funds to improve its responsiveness to unforeseen requirements and opportunities. (See p. 43.)
- Use annual development strategy statements to develop explicit U.S. views on the division of labor among those agencies managing bilateral and multilateral development programs. (See p. 43.)
- Strengthen its claims to authority as the development coordinator by building a record of excellence in a few priority areas, notably: coordination of multilateral bank policies; better integration of food aid into development programs; and non-aid issues (notably trade and investment).

GAO also offers a series of recommendations to reduce administrative costs, improve project review procedures, and develop sectoral and other topical papers which relate bilateral and multilateral policies and programs.

GAO believes that, to effectively coordinate international organization programs will require a significant increase in the number of functional specialists in the State Department to deal with such programs. Absent such an increase, the Agency should devote relatively little of its limited time and resources to these programs.

GAO recommends that the Director of the International Development Cooperation Agency, in cooperation with the State Department, should serve as conference coordinator for major conferences dealing with North-South issues and should play a major role in the delegations to such conferences.

GAO recommends that, as a minimal change with respect to Title III of P.L. 480, that the Agency and/or the Agency for International Development have final responsibility--not subject to veto by other agencies: (1) to review and approve Title III program proposals; and (2) to monitor program implementation.

AGENCY COMMENTS

Oral comments on the draft report were obtained from the Departments of State, Treasury and Agriculture, the Office of Management and Budget, the Director, International Development Cooperation Agency, the Agency for International Development and several other agencies and are reflected in the text to the extent that GAO considered appropriate. (See ch. 5 for a summary of the comments.) Most agencies agreed with the main thrust of the report, while expressing reservations over particular analyses and proposals. Treasury, while accepting the fact that bilateral-multilateral assistance coordination could be

improved through a more active Agency for International Development or International Development Cooperation Agency involvement, felt that the report was unfairly critical of Treasury's overall direction and management of U.S. participation in the multilateral banks. (See app. V for Treasury's written comments).

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ABBREVIATIONS

ADB	Asian Development Bank
ADF	Asian Development Fund (soft loan window of ADB)
AID	Agency for International Development
BAS	Bilateral Assistance Subcommittee of the DCC
BHN	Basic Human Needs
CDSS	country development strategy statement
DAC	Development Advisory Committee
DCC	Development Coordination Committee
FAO	Food and Agriculture Organization
FSO	Fund for Special Operations of the IDB (the soft loan window)
GAO	General Accounting Office
GSP	Generalized System of Preferences
HEW	Department of Health, Education and Welfare
IDB	Inter-American Development Bank
IDCA	International Development Cooperation Agency
IO	international organization
ISC	Interagency Staff Committee
ISTC	Institute for Scientific and Technological Cooperation
MDB	multilateral development bank
MTN	Multilateral Trade Negotiations
NAC	National Advisory Council on International Monetary and Financial Policies
NIEO	New International Economic Order
NSC	National Security Council
ODA	official development assistance
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
SMA	Subcommittee on Multilateral Assistance of the DCC
STR	Office of the Special Representative for Trade Negotiations
TPC	Trade Policy Committee
UNDP	United Nations Development Program
UNEC	United Nations Economic Council
USDA	U.S. Department of Agriculture
USED	U.S. Executive Director (of MDBs)
WGMA	Working Group on Multilateral Assistance
WHO	World Health Organization

CHAPTER 1

WHAT IS THE PROBLEM?

The character and importance of activities and programs affecting the prospects for development in Third World countries have changed substantially in the past decade. At the same time, the developing countries have made a series of demands for improvement in world trading, monetary, financial and other systems designed to right what they consider to be inequities. Yet the organization of the U.S. Government to deal with the changes in the development problems and the demands of developing countries has changed very little since the early 1960s. Responsibility for U.S. programs and policies that affect the growth of developing countries is widely dispersed among a variety of Government agencies and committees. The Congress has demonstrated a continuing interest in the problem of how best to organize the U.S. Government to improve coordination of policies and programs affecting foreign economic development. The administration recently proposed, and the Congress has accepted, a reorganization plan which attempts to deal with some of the problems faced by the present system.

In this report we examine the nature of the current coordination problem, analyze existing mechanisms for improving coordination and critique the administration's reorganization plan which created an International Development Cooperation Agency (IDCA). We suggest improvements that might be made in the coordination process under IDCA.

THE CHANGING ENVIRONMENT OF DEVELOPMENT COORDINATION

The past decade or so has witnessed three changes with major implications for the nature of the development coordination problem and for how that problem can best be tackled. First is the shift in emphasis in the aid program from bilateral to multilateral assistance. The U.S. contribution to multilateral institutions is the largest component of the U.S. development assistance program and that component is growing while bilateral official development assistance (ODA) is remaining essentially stationary in dollar terms, declining in real terms. 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 foreign aid programs. There are such problems of consistency and reinforcement not only between bilateral and multilateral programs, but also, to some extent, among the multilateral programs themselves.

This kind of coordination is obviously much more difficult to accomplish than the coordination of U.S. bilateral programs.

A second change has been a relative shift in U.S. bilateral aid away from program assistance toward more emphasis on project assistance. This shift has several sources. The declining size of the development assistance program has meant an end to program aid which provided resources for the general support of country development plans. Initiation in 1973 of the New Directions approach to foreign aid involved an emphasis upon certain functional areas of activity which tended to reduce the attention to comprehensive country programming. The further shift to a Basic Human Needs (BHN) development strategy in 1977 led to an emphasis upon small, carefully designed and targeted projects. The less focused character of program aid and the desire for "credit" for aid at home and abroad also contributed to the change to a project focus.

But we live in a world of nation states in which coordinated development planning is done at the national level. It is much easier to coordinate aid programs and other development activities around program assistance which provides general support to country development programs than to attempt to coordinate a series of relatively small-scale, discrete, and disparate projects.

There has been a related decline in the capability of the Agency for International Development (AID) to undertake macroeconomic analyses of national development plans and programs. When AID ran a number of large country programs it had to have a considerable capacity for macroeconomic analysis because it had to make judgments on (1) whether country plans and policies were sound and justified the provision of general budget support aid; and/or (2) whether specific project proposals made economic sense in the light of a country's overall economic situation and needs. As the size of U.S. country aid programs declined, a thorough understanding of the economic context in a recipient country came to be of less significance.

Meanwhile, the country programs of the multilateral development banks (MDBs) grew in size and importance, and the capability of the MDBs, especially the World Bank, for macroeconomic analysis increased in parallel. As a consequence, the Peterson Commission Report of 1970 (a Government sponsored study of the aid program), recommended that AID rely upon the banks for this kind of analysis. The recommendation was implemented.

If the coordination of U.S. bilateral programs with multilateral programs is taken seriously, it will require some strengthening of the U.S. macroeconomic analytic capacity. Such strengthening is needed if the United States is to be able to critique MDB analyses and to relate both MDB proposals and U.S. programs to a comprehensive view of country development needs.

A third major trend affecting the development coordination problem is the increasing importance to development of non-aid resource transfers. The trend is a product of the general growth in world trade and the growing involvement of developing countries in the world economy. The World Bank pointed out in its 1978 annual report that:

"A decade ago, there were no more than a half dozen developing countries exporting an appreciable amount of manufactured goods. Today, their number has increased fivefold." 1/

The Bank estimates that exports of manufacturers, which have been increasing at the rate of about 15 percent per year, could, between now and 1985, increase by another \$21 billion. Meanwhile, U.S. direct investment in developing countries more than doubled between 1966 and 1976 (from \$13.9 billion to \$29.1 billion). It is evident that U.S. policies with respect to trade, investment, law of the seas, debt and the like may be more important to the development prospects of developing countries than U.S. foreign assistance policies.

The growing importance of non-aid issues is also reflected politically in the demands of the developing countries for a New International Economic Order (NIEO) involving a number of changes in the world trading, monetary, and investment systems. U.S. policies on such issues have traditionally been made in forums in which relatively little attention is paid to their development dimensions.

1/The importance of trade as compared with aid has grown in both absolute and relative terms. ODA from Development Advisory Committee (DAC) countries increased from \$4.7 billion in 1960 to \$14.7 billion in 1977 (over 300 percent); non-OPEC developing country exports increased from \$18.9 billion to \$143.3 billion (over 700 percent) in the same period.

THE ESSENCE OF THE PROBLEM

The dispersion of authority and responsibility for development related programs is at the heart of the coordination problem. This dispersion of power is partly the consequence of the relative decline in the importance of bilateral development assistance, and of the related rise in importance of multilateral aid, food aid and non-aid policy issues.

It is also a consequence of the strengthening of the interest in development, and of the capacity to deal with development issues, in a variety of U.S. agencies with responsibilities bearing upon development. For example, under the present administration, the work of Treasury with respect to the multilateral development banks has been reinvigorated while the Department of Agriculture (USDA) has become more development-oriented and more activist in its administration of food aid programs. "Domestic" agencies such as the Department of Health, Education, and Welfare (HEW) have been increasingly involved in the backstopping of U.S. participation in international organizations which administer development programs. They have strengthened their staffs in order to perform such functions. The capacity of the State Department to manage U.S. participation in such organizations has suffered a corresponding decline. While this strengthening of interest in development issues throughout the executive branch may have increased the overall level of attention to development issues in the Government, it has also increased the dispersion of power.

The long-term general trend toward concentration of power over foreign policy in the White House has been much less in evidence with respect to foreign economic policy in general and development policy more specifically. While developing countries are important to the United States, development issues have a low priority for top U.S. foreign policy decisionmakers, despite the rhetorical emphasis sometimes given to development. The prosperity of the North is indeed related to the prosperity of the South and the developing world does continue to be a principal arena of international conflict. But there is a large gap between macro trade and investment statistics and global political perspectives and such questions as whether a particular country should receive a small development assistance program. Development coordination problems--such as the

question of how to relate U.S. aid to rural electrification to a World Bank hydro project--are even less likely to receive top-level attention. 1/

If the dispersion of authority and responsibility is the root of the coordination problem, the gap between the intrinsic importance of the developing countries and the low perceived importance of development issues is an important source of the efforts to improve development coordination. The question from this perspective is whether reorganization can, in fact, elevate the attention to development issues.

Beyond this general description, the coordination problem defies easy generalization because coordination problems vary from program to program. In the case of the multilateral banks, central problems include how to broaden further the U.S. perspectives brought to bear upon bank policies and programs; how better to relate AID programs to bank activities; and how to develop a better integrated U.S. view of the roles of the banks vis-a-vis each other and the bilateral aid program. For food aid, the problems have been how best to reconcile the multiple objectives of the program and how to administer it in a manner that will give effect to the increasing emphasis upon its development and humanitarian purposes. For the international organizations, the problem has been how to handle the development coordination problem in relationship to the larger problem of developing coordinated, coherent U.S. strategies and policy positions on overall international organization programs. In the case of nonaid issues, the coordination problem involves improving access to, and influence in, the policy process for development agencies.

1/This is not to deny that the President is involved in important issues that affect development; only that he seldom focuses on development or development coordination issues as such. Thus, the President does make decisions with respect to such matters as the provision of aid to Middle Eastern countries or the Philippines for political reasons; he is involved in decisions as to aid budget totals; and he may make decisions to create new U.S. governmental organizations to respond to a combination of international political and development needs (e.g. Institute for Scientific and Technological Cooperation (ISTC)).

ALTERNATIVE PERSPECTIVES ON THE PURPOSES OF COORDINATION

In connection with the consideration of reorganization proposals there has been a good deal of debate about whether there are, in fact, genuine coordination problems. One reason for the debate has been that its participants have had different basic views as to the purposes of coordination. A brief survey of these alternative purposes will provide a useful backdrop for the analysis of the present coordination system and the recently approved reorganization of it in the following chapters.

Coordination of programs

Program coordination is, perhaps, the most widely assumed purpose of improved coordination arrangements. Those who espouse this objective point to instances of conflict between and among bilateral and multilateral programs. Examples would include the undermining of the goals of bilateral programs by imposing less stringent performance conditions on parallel multilateral programs (e.g., U.S. and World Bank population programs) or the creation of disincentives to local agricultural production through the provision of food assistance. Program coordination may, alternatively, be seen more positively as seeking to develop or exploit opportunities for mutual reenforcement between programs, as when an AID feeder road project is developed around a World Bank highway project.

Coordination of policy

The purpose of coordination may be perceived as one of rationalizing the relationships between the policies governing various development activities. For example, some proponents of coordination have seen it as a means by which an effort can be mounted to increase the degree to which the AID's commitment to a "Basic Human Needs Strategy" is also adopted by international organizations and the multilateral banks. Others believe that a thorough-going consistency in the development strategies of bilateral and multilateral programs is undesirable and infeasible. They may, however, see some advantage in a systematic analysis of the comparative advantages of bilateral and multilateral programs with a view to developing a more explicit, rationalized division of labor between them. Others argue that it would be desirable to compare the sectoral policies of different development institutions with a view to encouraging a better rationalized relationship between such policies.

Coordination of agencies

Most coordination in the Government is interagency coordination. Through interdepartmental committees, formal and informal clearance processes, and the like, all agencies with a substantial interest in a subject are consulted and their views taken into account. Most of the coordination that takes place through the Development Coordination Committee (DCC) and its various subcommittees and working groups is of this character. The DCC working group on food aid, for example, coordinates agency views on proposed country food aid programs. Since different agencies are responsible for different programs, such interagency coordination, may produce some coordination of programs, but that is generally an incidental, rather than a central, purpose of the coordination activity.

Coordination as power

Because a central problem of development policies and programs is the dispersion of authority, many have seen the true underlying issue in the recent debates over reorganization as an issue of power. Increased concentration of power is seen by some as a means of elevating the overall importance and priority of development activities. Alternatively, it is viewed as an essential means to the accomplishment of more effective coordination in one or more of the other senses discussed here. On either view, what is sought is coordinated attention to the development dimensions of U.S. policies and programs.

Coordination as the creation of a spokesperson for development

In its rationale for reorganization, the administration placed a good deal of emphasis upon the need to create a single spokesperson for development within the executive branch and before the Congress. Since consolidation of all development activities in a single agency is not feasible, a development coordinator would perform this role. One goal may be to make a single person responsible for, and accountable to the President and the Congress with respect to, all development programs. Others argue that the primary need is for a single U.S. spokesperson in international forums who would be responsible for developing and presenting the U.S. position on North-South issues at major North-South conferences.

Coordination as communication and education

Coordination activities often have communication and mutual education as their principal real purpose. Such a rationale has, for example, been offered for the DCC's country and topical policy papers and the discussions that they stimulated. From this perspective the ultimate purpose of coordination activities is to promote a basic commonality of understandings with respect to countries, problems, and issues which will increase consistency in the future policies and programs of all agencies. A closely related mutual education purpose may be to increase cross-fertilization among programs. For example, it is said that, with better communication between the World Bank and AID, the Bank might have avoided repeating some of AID's earlier mistakes when the Bank began to emphasize agricultural and social infrastructure projects.

Coordination as joint problem-solving

Such an approach to coordination involves a de-emphasis upon agency-representational roles in coordination committees and groups and emphasis upon a common effort to solve some common problem. Creation of an environment in which such an approach becomes possible may be accomplished in part by explicitly agreed rules of the game, but it also depends upon the development of relationships of trust and confidence and habits of working together. This approach is said, for example, to have been characteristic of the "Roosa Committee" on international monetary policy and its successors in the 1960s and of the National Security Council (NSC) Planning Board in the 1950s. Under such arrangements, agency clearance tends to follow the reaching of a solution to a problem rather than to dominate the process of deciding upon such a solution.

These various perspectives on the purposes of development coordination are by no means mutually exclusive. As our examples suggest, several purposes may be simultaneously pursued through a given set of coordination arrangements such as those associated with the DCC.

CAVEATS WITH RESPECT TO COORDINATION

We do not assume that increased coordination is identical with virtue. There is often an underlying belief among those who favor improved coordination that coordination should increase consistency, that consistency means increasing uniformity between programs, and that such uniformity is

"rational" and therefore desirable. But, if "foolish consistency is the hobgoblin of petty minds" in many areas of life, it is particularly undesirable in the development business. Our understanding of what promotes development is still so uncertain that a rational strategy should allow for pursuit of a variety of different approaches to the goal. From this perspective, the broad goal of coordination should not be total uniformity of approach, but rather awareness of the differences and some effort to rationalize the relationships of different programs to different development purposes. This is not, of course, to argue that programs within a particular country should work at cross-purposes.

Coordination has costs as well as potential benefits. The desire to ensure adequate coordination can lead to participation in the policy process by peripheral agencies and individuals whose legitimate interest in the subject may be very marginal but who consume much time and energy in discussion and clearance processes. The creation of coordinating mechanisms may lead to organizational layering that adds little to organizational output but that slows decisionmaking. The desire to make sure that every base is touched may lead to an excessively complex clearance process and to the diffusion of decision responsibility.

Efforts to coordinate can produce an endless proliferation of meetings and the development of elaborate paperwork exercises that have, at best, limited effects upon policies and programs. The process may be more pro forma than significant. Coordination may also lead to the lowest common denominator compromises that represent far from optimum solutions to problems. The coordinators tend to be generalists and may lack credibility with the specialists and may therefore be bypassed and ignored. As coordinators proliferate, the problem of coordinating the coordinators becomes a serious problem. Some of these costs and dangers of coordination arrangements seem, in varying degree, to be present in the DCC's operations. In general, experience with coordination suggests the importance of:

- Minimizing the role of formal structures, procedures, and programed paper preparation in favor of more informal, flexible arrangements.
- Restricting participation in coordination committees and processes to those with a truly significant interest in the problem at hand.
- Ensuring that decision authority is clearly delineated and that committees are advisory to decisionmakers.

- While recognizing that committees are inevitable coordinating devices, placing more emphasis upon a high-quality, substantively competent coordination staff to manage the coordination process.
- Defining the role of coordination staffs in activist terms, including responsibility for identifying problems, stimulating work on problems, and ensuring that all important policy and program alternatives are examined.

CHAPTER 2

HOW HAS THE DCC SYSTEM OF COORDINATION WORKED?

OVERVIEW

The Development Coordination Committee: Background

In this chapter we are concerned with the question of how well the system of development coordination, centered on the DCC has worked. An examination of this recent experience in development remains relevant for two reasons. First, the DCC will be continued under the new IDCA structure as one instrument of coordination. Second, such examination will help define more precisely the nature of the coordination problem and alternative approaches to dealing with that problem. In this section we take a broad overview of the operation of the system of coordination. In a following section, and, even more in the appendices to the report, we examine the coordination of particular development programs and activities in more detail.

The DCC was created by statute in 1973 to advise the President on coordination of U.S. policies and programs affecting the development of developing countries, including programs of bilateral and multilateral assistance. It is an interdepartmental body which has been under the chairmanship of the AID Administrator.

The location of the DCC in AID and a lack of enthusiasm for the concept on the part of the former Secretary of State and some of the agencies the DCC was to coordinate, undermined whatever effectiveness the DCC might have had during the Ford administration. Initially in the Carter administration, the DCC staff was diverted from its principal tasks when the AID Administrator turned over responsibility for a general review of the AID program to that staff and later gave it a good deal of responsibility for development of proposals for re-organization of the development coordination function. It was also adversely affected by the controversy within AID over basic aid policy. It was against this somewhat unhappy background that the administration's response to the Humphrey bill led to the reorganization of the DCC on May 17, 1978, and to the effort to strengthen the DCC staff.

The Humphrey bill, prepared by the Senator and his staff just before his death, proposed the establishment of IDCA to replace AID. The Director of IDCA was to report

directly to the President rather than to the Secretary of State and was to have major responsibility for policy relating to several development-related activities; notably, bilateral assistance, multilateral development banks (MDBs), those aid programs of international organizations based upon voluntary contributions, the Overseas Private Investment Corporation (OPIC), certain Public Law 480 functions, policy toward activities of the International Fund for Agricultural Development, and the Peace Corps. The bill sought to elevate the importance of the development function and the power of the aid administrator. By removing the agency from the State Department, it emphasized the developmental purposes of aid over political purposes.

In the President's initial decisions on the Humphrey bill on April 28, 1978, the administration agreed to the name change for the U.S. aid agency; agreed that the head of the agency would be the principal development adviser to the Secretary of State and the President and the principal administration spokesman on development assistance in the Congress; agreed that he/she would have a voice in all economic decisions with a major impact on developing countries; agreed that the Secretary of State would provide only broad policy advice, not specific recommendations on country programs, to the aid administrator; and agreed that OPIC, and, under specified conditions, the Peace Corps, should be transferred to IDCA.

This set of decisions was confirmed in a May 17 Presidential directive which also reorganized the DCC. The directive provided that the aid administrator would prepare an annual aid policy statement which would relate different types of aid to each other and to non-aid resources affecting developing countries. ^{1/} It created a structure of DCC subcommittees on bilateral assistance, multilateral assistance (i.e., multilateral banks), food assistance and the development programs of international organizations. The working group of the Interagency Group on Human Rights (Christopher Group) was made a DCC subcommittee. Other subcommittees were created later, of which the most important were two committees in the international organization area--one on international health programs and another on food and agriculture programs.

^{1/}This is in addition to the annual report prepared by the Chairman of the DCC on aid and other activities relating to development pursuant to the Foreign Assistance Act. This latter report was originally designed to serve a similar purpose.

Except for the International Organization Subcommittee, the original subcommittees were, in effect, existing inter-agency committees which were transferred in whole or in part to the new DCC structure. None of the new arrangements upset any existing power and influence relationships. The agencies that had been responsible--Treasury for the multilateral banks, Agriculture and AID for Public Law 480 and the like--continued to chair the subcommittee and to do the substantive staff work for them. The arrangements, in other words, did not touch existing jurisdictional lines. (A decision on transfer of responsibility for managing U.S. participation in MDBs from Treasury was deferred at this time, pending further experience.) The new element was the bringing of these groups together under the umbrella of the DCC. An additional change was the creation of a more activist, though still very small, staff for the DCC.

The Development Coordination
Committee: General Appraisal

The reorganized DCC has not been operating for a sufficient period to permit a definitive judgment upon it. Moreover, it has functioned for the entire period under the shadow of a possible reorganization of the coordination function, a fact that may have had both positive and negative consequences for its effectiveness--positive because it may have provided some incentive for cooperation among agencies that feared that failure of the DCC would lead to increased integration and loss of existing agency jurisdictions over programs; negative because of an awareness of the likely temporary character of the arrangements.

This coordination system has had three basic deficiencies. This first is that the coordination responsibility was lodged in AID which administers one of the development programs that was to be coordinated. The Chairman of the DCC has been the AID Administrator and the staff of the DCC has been located in AID. AID is not viewed as a neutral "honest broker" by other agencies, but rather a party at interest with its own particular set of perspectives and concerns. Although the DCC staff suffered from an assumption of bias because of its location, evidence suggests that in playing their roles as DCC staffers, individuals on the staff have managed to divorce themselves from a simple identification with AID and have been quite critical of AID's own performance.

The truth is that all agencies involved in development activities see other agencies as having a "narrow", relatively "biased" view of development policies and

programs. State is seen as client-oriented and politically motivated, AID is viewed as having a strong project-orientation, a micro-view of development and an overcommitment to a particular development strategy (BHN); Treasury is perceived to be preoccupied with "financial" issues such as loan terms, exchange rates and the like. A development coordinator needs to bring all of these valid, but incomplete, perspectives to bear upon development decisions.

The second problem has been that, to coordinate effectively, the development coordinator must have more status and authority than has been accorded in recent years to the Administrator of AID. Agencies do not like to be coordinated. Coordination involves interference in what they consider to be "their" business. The coordinator should therefore have substantial authority to override narrow agency interests, subject only to a relatively rarely used right by other participants to take important disputes to the President. When Governor Harriman coordinated aid programs in the early 1950s and Under Secretary of State Dillon did so in the late 1950s, they had such authority. The AID Administrator, as Chairman of the DCC, was not given such authority. As noted, the DCC reorganization did not upset existing power and influence relationships.

The DCC system is essentially a consensus system, heavily reliant for its success upon the cooperation of the constituent agencies and, to some extent, on the quality and activism of the DCC staff. The consensual character of the system was reflected in an early decision to allow each of the DCC subcommittee chairmen to manage his own subcommittee more or less as he saw fit. It was hoped that such a laissez-faire attitude would maximize the interest of the chairmen in utilizing the system. When it did not, the DCC staff became more active. But there are distinct limits on how far a staff can make such a system operate effectively in the absence of power at the top.

Where an official, like the Secretary of State, has broad decision authority that extends beyond the administration of his/her own department, it may be possible to build a new interdepartmental decisionmaking process around him/her. Other agencies must come to him/her and this provides him/her an opportunity to coordinate the policies of others. But it is almost impossible to build an effective system around an official whose only authority is over the operations of his/her own agency. Other agencies can bypass him/her with impunity. That has been the situation of the DCC and its chairman.

A third major difficulty with the DCC system of coordination is that it is much better organized for inter-agency coordination than it is for coordination among programs. As already suggested, a central feature of the coordination problem is the coordination of bilateral with multilateral programs. Yet, each of the DCC subcommittees is organized around programs--the multilateral bank programs, the AID program, Public Law 480, and the like. The focus is upon review of projects and policies relating to each of those programs, rather than upon cross-program review. Of course, the presence of AID representatives in the multilateral assistance subcommittee may, for example, promote some incidental coordination of programs, but that is not the central emphasis.

This orientation of the DCC is based upon the fact that the May 1978 reorganization preserved existing agency jurisdictions. The subcommittees have continued to be chaired and staffed by the agencies that have had responsibility for the programs in question. The only major efforts to coordinate among programs have been the DCC's multiyear country papers, of which three had been completed by April 1, and the annual assistance policy statement, which concentrated in 1978 on the question of aid levels.

The DCC staff could have helped remedy this organizational deficiency by serving as a communications link between subcommittees and by ensuring an adequate flow of information about their activities within the DCC structure. But the DCC staff itself has been organized along the same program lines and, at least according to some participants in the DCC subcommittees, does not generally serve as a communications link. Insufficient administrative support is blamed by the DCC staff for its failure to circulate information about all committee activities among all participant agencies.

While the organizational changes were minimal, the reorganization process did, as a byproduct, produce some changes in the subcommittees that effected some improvement in the quality of their work. Most notable was the upgrading of the level of representation and the development-orientation of the subcommittee on food aid. As a consequence, the subcommittee has focused more attention on broad food aid issues than did the long-standing Interagency Staff Committee on P.L. 480, although the actual P.L. 480 programming process remains essentially the same at the staff level. It is also widely agreed that there was some improvement in the project review process of the Working Group on Multilateral Assistance (WGMA) under the Subcommittee on Multilateral Assistance, as compared with the comparable activity of the National Advisory Council's Staff Committee.

The bilateral assistance committee eliminated what were generally viewed as meaningless reviews of bilateral assistance projects and has become an instrument for the review of some general bilateral aid policy issues. The creation of an international organization subcommittee filled a need for a standing arrangement for review of international organization (IO) programs, though it has not been a very active committee and much of the development of U.S. positions for meetings of IOs continues outside of it.

It is evident that the activities that worked best within the DCC system--the subcommittee on food aid and WGMA--were those which were already well institutionalized as a consequence of many years of prior activity within different organizational frameworks. Institutional and personal relationships were already well established before the subcommittees were brought within the DCC. But the work of these groups changed relatively little in response to their new organizational location and their new responsibilities. The apparent decline in the level of representation in the meetings of subcommittees and other groups over the year is also indicative of some loss of whatever vitality the DCC organization may have initially possessed.

The DCC staff made a deliberate decision to focus the initial energies of the staff and of interagency committees on aid-related coordination. The staff has participated from time to time as nonvoting members in interdepartmental committees concerned with trade and commodities, but it deferred any major effort with respect to non-aid, development-related, activities until work in foreign assistance coordination was better established. Though the importance of non-aid resource transfers to development has been recognized for at least the past decade and though that recognition was incorporated in the legislation establishing the DCC in 1973, as well as in the May 1978 President directive on development coordination, concern for the development relevance of such transfers has continued to lack any clear organizational focus in the U.S. Government.

An appraisal of coordination processes

As envisaged by AID's Bureau of Intragovernmental and International Affairs, which provided staff support for the DCC operation, the activities of the DCC and its subcommittees would build upon each other in a way that would ultimately produce a well-integrated set of development policies and programs. The system encompassed four principal elements:

1. Project approval process: The reviews of AID, P.L. 480 and MDB projects constituted little more than a continuation of prior processes by committees that were essentially a continuation of pre-existing committees. It had been hoped that these project reviews would be used to identify broader policy issues which could be treated in policy papers of the kinds described below. It was anticipated that, as broader policies were developed, they would settle more of the issues posed by project proposals and that the project review process would decline in significance. However, almost no policy issues have been raised by this process. As previously noted the project review process for AID projects has been abandoned.

Though AID is now a full participant in the reviews of MDB projects through the WGMA, Treasury officials and others complain that AID, with the exception of its Latin American Bureau, has made little input into the review process. This lack of input is related to the relatively low priority accorded to the coordination function by most regional bureaus and country desk officers. It is also claimed that the involvement of peripheral agencies in the WGMA reviews has tended to produce lowest-common-denominator results.

2. Multiyear Country Papers. The Presidential directive of May 17, which reconstituted the DCC, provided that:

"The full committee will review each year multi-year plans for a few important recipient countries or groups of countries in order to facilitate integration of U.S. analyses and decisions concerning bilateral and multilateral aid in those countries."

These reviews were to be related to the annual aid policy statement (see below). Their purpose was integrative. Country papers would cut across the existing bilateral-multilateral program lines. State and Treasury are said to have been instrumental in getting the requirement for such papers written into the Presidential directive and both they and AID have indicated that they were strongly committed to making the process work.

Potentially, country papers can serve a variety of purposes. They are often thought of as laying down policies to guide decisions on programs and projects. But experience with the DCC, and with many prior efforts to write comprehensive country papers, suggests that such influence can generally be achieved only under special circumstances of change. Such papers may, however, serve other useful purposes.

They can force desk officers in AID and State, inundated by current issues and bureaucratic requirements, to think more comprehensively and reflectively about the countries for which they have responsibility. For agencies like Treasury, the Office of Management and Budget (OMB), or Commerce, without a day-to-day involvement in-country problems and without elaborate regional bureau/country desk organizational structures, such papers can provide a comprehensive framework within which those agencies can deal more intelligently with particular issues. Preparation and discussion of the papers can be a valuable educational process, helping develop a conceptual consensus, or at least, common understandings about the problems of a country.

The DCC staff defined the goals of such papers in relatively modest terms. Their purpose was not to encompass the whole of the development policy toward a country nor to supply the analyses on which all development decisions would subsequently rest, but rather to provide "a minimally common data base" and "an explicitly agreed upon analytic framework." At least four country strategies were to be produced each year.

Experience with these papers is too limited to permit more than a tentative appraisal. Three papers--on Jamaica, Nigeria and Indonesia--had been completed as of April 1. Preparation of those papers experienced many of the difficulties that have been characteristic of other efforts to write comprehensive country policy papers--by the NSC in the 1950s and by State Department's Policy Planning Council in the 1960s. These similarities suggest that the problems are characteristic of the genre and not unique to the limited DCC experience.

The papers were vehicles for genuine, if limited, policy-making in only one case (Nigeria), where circumstances forced a decision. In the Indonesian case, where there was no such action-forcing process at work, there was resistance on the part of the officials most involved to any reconsideration of policy and the policy statement essentially endorsed the policy status quo. According to DCC staff appraisals, Treasury in general, resisted any effort to use these papers seriously to review existing multilateral bank policies and programs. Agencies with more limited interests than State, AID and Treasury tended to push their particular concerns. The conservatism of the efforts was reflected in a general tendency to avoid raising questions about the economic policies of the countries or to suggest efforts to correct those policies. In one case, this was carried to the point where the agencies concerned defended a country's policy on exchange rates, though DCC staff argued that the currency in question was

overvalued; but then those same agencies defended and praised the new status quo when the country itself decided to devalue while the paper was in preparation.

The DCC staff had considerable difficulty getting the agencies to make contributions to the first drafts of the papers. Evidently, the papers had a lower priority than other work. Interestingly, some of the most useful contributions were said to have been made by analytic staffs--the Intelligence and Research Bureau of State and the Central Intelligence Agency--which had no programmatic or policy commitments. Many agencies--particularly State and AID--had difficulty with the intra-agency coordination of positions on the policy statements. They were sometimes able to pull together agency positions only under pressure from outside (i.e., the DCC staff).

There was also some resistance to the idea that country papers could be prepared in the absence of an overall aid policy statement or that aid levels could be decided without considering aid levels for all aid recipients. Such arguments about which comes first--general policies or particular policies--are characteristic of efforts to write country policy papers. They may be used in an attempt to delay work on a particular country paper, but they also reflect a genuine dilemma.

Only the first two papers were discussed in the DCC itself. Discussion in each case focused, not on basic strategies, but on immediate issues. In recognition of the inadequacies of these discussions, the DCC staff created ad hoc decisionmaking groups of area/country specialists below the DCC to consider subsequent papers. This was a realistic accommodation to realities, but it sacrifices the potential, if difficult to achieve, benefits of education of higher level officials and, perhaps, reduces the authoritativeness of the paper when approved.

While two of the first three country papers dealt descriptively with non-aid sources of support for development--trade, investment and debt relief--the country policy statements did not, and do not, ordinarily provide a satisfactory vehicle for addressing such issues. Most of the important trade and investment policies affecting the development prospects of a particular country are of worldwide scope and must be treated in a global context (e.g., multilateral trade negotiations). Even a country-specific issue, such as a trade escape clause action or an investment dispute, is likely to involve such independent decision processes and independent time phasing as to make it very unlikely that a country paper will have any effect upon policy.

Both our own examination of the papers and the views of those involved in their preparation or consideration, indicate that the quality of the papers has improved over time. It is plausible that such papers could achieve the modest goals set for them by the DCC staff--establishment of a minimally common data base and an explicitly agreed upon analytic framework. Their preparation does seem to have some genuine educational value for those involved--e.g., on the transmigration issue in the case of the Indonesian paper. Our review of the experience suggests that they are unlikely to serve as the vehicles for the development of fresh policy guidance except in relatively unusual cases where some kind of action-forcing process precipitates a decision. Even in these cases, the decision is likely to be as narrowly defined as possible since officials tend to resist broader and longer term policy commitments when they can.

Coordination will continue to be resisted by the agencies most concerned with a particular assistance program. If only a few papers are prepared each year, they cannot possibly provide timely and continuing guidance for even the most important countries. It is evident, then, that such papers can accomplish only a relatively small part of the continuing coordination job. Whether the benefits of such paper preparation exercises exceed the costs is almost impossible for those not involved in the process to judge but there are enough problems associated with their preparation to warrant a continuing objective appraisal of their utility. (The DCC staff has made some valuable appraisals of the initial experience.)

3. Topical Papers. As in the case of the other papers considered in the DCC, topical papers were to emerge partly from needs recognized in other policy and project review processes and, when approved, were to guide decisionmaking in those other processes. They were to provide guidance for U.S. participation in the MDBs as well as guidance for U.S. bilateral programs. In fact, however, most of the topical papers (e.g., land reform policy, aid to middle income countries) have been prepared in AID as statements of AID policy on bilateral assistance, have been discussed only in the Bilateral Assistance Subcommittee (BAS), and have not acquired authoritative status through this process.

The one partial exception to these generalizations is a set of papers prepared in Treasury and AID in connection with U.S. participation in the joint World Bank/International Monetary Fund Development Committee. Originally, Treasury had intended that these would be discussed in the National Advisory Council, but, as a consequence of DCC Staff

initiative, they were considered, amended and approved as guidance for the U.S. representatives by the Multilateral Assistance Subcommittee of the DCC. With this exception, topical papers have been treated as a stimulus to thinking and discussion, but have not been approved as policy guidance. That such papers have focused on the bilateral program and have been discussed in the bilateral aid committee probably reflects the fact that the DCC and BAS are both under AID leadership which took the initiative to place them before the subcommittee.

4. Annual Assistance Policy Statement. Under the May 17 directive, the AID Administrator was required to prepare an aid policy statement showing how the different types of U.S. aid to be sought from Congress will be related to each other and will be used, in conjunction with non-aid policies affecting the less developed countries, to advance U.S. purposes and policies. Once approved by the President, the statement was to guide preparation of budget requests and the management of agency programs and to serve as the basis for a coordinated and comprehensive approach to the Congress. The statement was to be reviewed, prior to Presidential approval, at the cabinet level by the Policy Review Committee of the NSC.

It was anticipated that this statement would be a vehicle for the raising of certain basic policy issues (e.g., aid to middle income countries; how far the United States should press MDBs in the direction of a basic human needs emphasis). It was expected that the statement would build upon the work on country and topical policies accomplished during the preceding year. However, the statement prepared in the fall of 1978 by the AID Administrator focused, by his choice, almost entirely on the question of future aid levels. We encountered a number of complaints from other agencies that the statement was not used as a vehicle for raising and resolving basic development policy and program issues. This kind of comprehensive policy statement is, supposedly, to play a larger role in the functions of IDCA and is discussed in that connection in chapter 3.

OTHER FORMS OF COORDINATION

Informal exchanges of all sorts are, of course, an important means of coordination. Contacts between U.S. officials may take place on the telephone, or in ad hoc meetings. There have been meetings for informal exchanges between AID and World Bank officials and between AID and staffs of international organizations. The U.S. Executive Directors of the MDBs maintain regular daily informal contact with bank staffs.

Location of the World Bank Group and the Inter-American Bank in Washington facilitates informal exchanges between them and U.S. agencies. Assessment of the precise significance of such contacts in promoting development coordination is, of course, impossible.

International aid consortia and consultative groups provide a means of coordination among bilateral and multilateral donors and between them and the recipient countries. The U.S. actively supported the formation of most of these aid groups and now participates in all of them (about 20 at present). The recipients use these groups as non-public forums to argue their development needs, answer criticisms, discuss problems and present their proposals to deal with their development needs. The Bank and other donors make policy recommendations to the recipient country, learn about each others' programs and policies and sometimes exert pressure upon those donors whose policies are considered inappropriate.

The utility of consortia and consultative groups derives, not just from the meetings, but partly from the process they set in motion. A prospective meeting stimulates a process which includes MDB economic and policy assessments; often, an IMF paper; the recipient government's preparation of a statement of its needs; consultation between the various parties; perhaps, the forcing of decisions within governments on both sides; and mutual education.

Some argue that the principal coordination problems and, hence, the best opportunities for improving coordination, are in the field. International political considerations often argue in favor of leaving field coordination to some combination of reliance upon informal in-country communication, recipient country efforts to bring aid donors together, and utilizing the United Nations Development Program (UNDP) resident representative or other multilateral aid officials as the country coordinator. The UNDP representative is being given broad responsibility for coordinating international organization programs under United Nations policy.

AID personnel are encouraged to maintain contact with the various bilateral and multilateral aid officials. Thus, as a result of an AID initiative, an August 1978 memo from the State Department to relevant embassies urged appropriate AID personnel to keep informed of planned Asian Development Bank (ADB) activities. Mission directors and deputies were also encouraged to visit the U.S. Executive Director of the ADB during their home leave and consultation travel.

For non-aid issues there are a variety of coordination mechanisms. For example, the Trade Policy Committee is

concerned with U.S. policy toward developing country trade and the State Department generally coordinates U.S. positions for major North-South conferences concerned with NIEO issues.

PROBLEMS OF COORDINATION IN PARTICULAR AREAS

It is clear that there is not a development coordination problem, but a series of different coordination problems, each with its unique context and characteristics. We discuss these problems in more detail in the appendices. Here we shall highlight certain key difficulties relating to coordination of AID and multilateral bank programs, food aid programs and international organization programs.

Coordination of AID and Multilateral Bank Policies and Programs

A basic underlying problem has been that U.S. coordination activities have been designed primarily for the separate interagency coordination of views with respect to AID and MDB policies and programs. Coordination of AID activities has revolved around review of general policies with respect to particular functional areas (e.g., land reform, aid to middle income countries). Coordination of MDB activities through the DCC has continued to focus, as it has always focused, almost entirely upon review of proposed bank projects. The AID policy reviews rarely consider the relationships between AID and MDB policies while the MDB project reviews pay very little if any attention to related AID projects and programs.

Because of the project focus of the DCC's MDB program reviews, the U.S. policies that have emerged from such reviews have tended to be patchwork affairs. Although a number of larger issues have been identified in the course of project reviews, none of these have been referred to the DCC or to its Multilateral Assistance Subcommittee for consideration. Treasury has sought in recent years to develop a more coherent set of policies toward the banks. It has, however, coordinated such policies mainly through the NAC which it chairs and staffs. (See app. I and the Treasury comments in app. V.) Our focus here, as elsewhere in this report, is upon DCC coordination processes. We have not attempted to assess coordination of MDB policies through the National Advisory Council on International Monetary and Financial Policies (NAC). The respective jurisdictions of the relevant DCC committees and the NAC have never been clearly delineated and tend to be determined by bureaucratic political processes rather than on the basis of explicit general understandings.

There are, moreover, despite Treasury efforts, some inconsistencies between AID policies and MDB policies and some inconsistencies among the policies of the MDBs. For example, AID and the World Bank have relatively good policies and records with respect to environmental issues in development; the record of the regional banks has been less satisfactory. There have also been somewhat contradictory policies between AID and the banks on population assistance. We recognize that each bank operates in its own political and economic environment--that the regional banks, for example, are sometimes more client-oriented--and that consistency is not necessarily possible or even desirable. What has seemed to be missing from DCC processes, however, is any systematic consideration of the costs and benefits of the inconsistencies and of the desirability and feasibility of seeking to upgrade the performance of the regional banks on environmental (and other) issues. The same lack of systematic policy review has been characteristic of the DCC operation in a number of other areas--e.g., population, education, rural health and basic human needs policies.

Another, and related, problem has been the lack of attention to multilateral policies and programs on the part of those administering bilateral aid programs. Those concerned with coordination often have great difficulty obtaining useful comments from within their agencies on MDB proposals. Organizational priorities and rewards systems dictate greater attention to bilateral than to multilateral programs. An exception in AID is the Latin American and Caribbean Bureau where the bureau chief has, through directives and organizational arrangements, assured significantly greater attention to MDB activities. One consequence of general agency inattention is that Treasury continues to dominate the staff work for project reviews. As a result, reviews emphasize what are commonly, and rather, misleadingly, called the "financial" aspects of development policy and program issues and neglect other aspects.^{1/} But even the Treasury multilateral bank staff can devote but limited time to these reviews because of its small size and other responsibilities.

Finally, the reviews of MDB projects are of limited value. As noted, they repeatedly raise larger program or policy issues, but those issues have not been picked up for

^{1/}For a discussion of the limited utility of the distinction between "development" and "financial" issues see chapter 3.

general review. Moreover, objections to MDB projects-- even when those objections are general among participating U.S. agencies--do not always lead to the voicing of such objections in MDB policymaking processes. In channeling an increasing proportion of U.S. development assistance through the banks, the United States has necessarily accepted the fact that it will have reduced control over precisely how those resources will be used. If it is to avoid charges that it is politicizing or seeking to dominate the banks, it has to use what influence it possesses with a sense of discretion and priority. It has therefore exercised a good deal of restraint in questioning the analyses and judgments of bank management. U.S. priorities in seeking to influence bank policies are often determined by a concern with avoiding actions likely to arouse opposition in the Congress. (Treasury argues, however, that it does focus its efforts on "key issues.")

Coordination of Food Aid

The food assistance legislation (P.L. 480) has always been characterized by multiple and potentially conflicting goals. During the 25 years the P.L. 480 program has been in existence it has been utilized to dispose of U.S. agricultural surpluses; to promote markets for American agricultural products; to support American foreign policy; to provide humanitarian assistance to persons, groups, and nations; and to promote economic development, both through general transfers of resources and through specifically targeted transfers of resources to agreed development projects or objectives.

These several purposes have been represented in the policy and programming process by those agencies with the most direct interests in each: Agriculture with surplus disposal and market development; AID with humanitarian and development assistance; and State with foreign policy. From the beginning of the program, until recently, it has been run by an Interagency Staff Committee (ISC) of which Agriculture, State, and the aid agency have been the principal members, with Agriculture as chairman. OMB has also taken an active role in recent years. (Other members include Treasury and Commerce.)

The committee has operated on the basis of consensus; each member has a right of veto. Thus, if there was objection to a particular proposed decision, no purpose could prevail over another without forcing the decision to higher levels. But since there is often a reluctance to force issues to higher levels, there has been a tendency toward

delay in reaching decisions. However, these weaknesses in the decision system have been mitigated by several factors. Abundant surpluses during most of the period have permitted the government to pursue its several objectives simultaneously. The White House has intervened periodically to break decision deadlocks. Moreover, over the 25-year period, the decision system, like the system for review of MDB projects, has become well institutionalized. There are well-established rules of the game and the players have become accustomed to dealing with each other on the same kinds of issues year in and year out.

The present administration introduced several changes. As part of its effort to revitalize the DCC, it brought the old ISC into the DCC structure as a Working Group of a new policy-level DCC Subcommittee on Food Aid. This both reflected and reinforced an administration emphasis upon the development purposes of food aid, as also emphasized in the Congress. New leadership in Agriculture provided more forceful and development-oriented direction to the committee and the program. One effect of these changes has been to provide a higher-level forum for the prompt resolution of interagency differences. Another has been some clarification of purpose, though the program continues to serve multiple purposes. There is, therefore, a widespread belief that the program is being better administered than before. Problems, however, remain.

Decisionmaking is characterized by diffusion of responsibility; everyone is responsible for everything. The decision process has, for example, tended to fragment AID's authority over the Title II program. Under the DCC system the tendency toward stalemate has not been eliminated, only mitigated. With less forceful leadership from Agriculture (or elsewhere), the consensus system of decisionmaking could once more recreate a tendency toward stalemate and delay.

The creation by the Congress in 1977 of a new development-related title of P.L. 480 (Title III) raised new organizational questions. Partly because this title involves the use of local currency resources generated under Title I, which is under strong Agriculture influence, and partly because of the new development-orientation of Agriculture, that Department has insisted on playing a large role in the programming of assistance under the new title. For reasons developed in appendix II, we question whether Agriculture's role with respect to Title III improves development coordination. P.L. 480 has always been inadequately integrated into the overall aid program and the failure to assign principal responsibility for the new development title to the aid agency both reflects and reinforces this tendency.

The Food Aid Subcommittee suffers from the general defect of the DCC mechanism that it is more concerned with interagency coordination than with inter-program coordination. The tendency is probably strengthened by the fact that the multiple purposes of food aid often generate intense interagency debates. But, more basically, there is no link between the work of the Food Aid Subcommittee and the related work of the subcommittees on bilateral and multilateral aid and on international organizations.

There are also no links between decisionmaking with respect to food aid and interdepartmental decisionmaking with respect to overall U.S. agricultural policy. This lack of coordination with overall policy may not be a serious defect so long as food is in surplus, but the experience of 1973-74 demonstrates that it can become a serious problem in time of food shortage.

Coordination of International Organization Development Activities

The coordination of the development activities of international organizations exemplifies the development coordination problem in its most extreme form. The activities of such organizations reflect the dispersion of power both in international affairs and within the U.S. Government. The organizations have grown in number, budget and membership with the growth of international problems and nation states. As multilateral institutions they are, like the MDBs, difficult for single donors to influence. But unlike the MDBs, they are not governed by a weighted voting system and their programming and budgeting processes are much more decentralized. Moreover, international political issues play a larger role in their deliberations. Centralized coordination of their own activities is therefore very weak.

Dispersion of power within and among the international organizations is paralleled by the dispersion of responsibility for backstopping the organizations within the U.S. Government. The International Organization Affairs Bureau of the Department of State has general responsibility for coordination of U.S. policies toward IOs. However, it has never been adequately staffed for the job and its staff has been declining in the past decade while IOs have been proliferating. With the growth in size and complexity of programs, State has been forced to rely increasingly upon the domestic departments and agencies of the U.S. Government to manage backstopping. Experts from HEW have developed their own close, direct contacts with the World Health Organization (WHO), and similarly for Agriculture and the UN Food and Agriculture Organization (FAO). State has been hard put to keep

informed of, to say nothing of managing, these relationships. The tendency of the functional departments to dominate the backstopping system is reflected in the creation, following the May 1978 reorganization of the DCC, of a DCC Subcommittee on Health chaired jointly by AID and HEW and of an Interagency Working Group on International Organizations in Food and Agriculture chaired by USDA.

As international organizations have grown and as the developing countries have come to dominate the UN system, many of these international organizations have turned increasingly to development-related work. The United States has so far not succeeded in its efforts to bring all technical assistance programs under the control of the UNDP. And development remains only one of the various functions--scientific, educational, political and the like--that these organizations perform. If State has lacked the functional specialists to deal with these development programs, AID has had little incentive to do so, given the limited possibilities for U.S. influence, AID's own personnel limitations in any particular functional area, and the agency's primary concern with administering the bilateral aid program.

The development coordination problem presented by the IOs is part of the larger problem of the development of coordinated positions on the overall activities of international organizations. To deal with the overall U.S. coordination problem, the State Department has developed what is, in concept, a reasonably promising approach, the Policy Management System and its Action Programs. This system is designed to examine annually the major issues posed by the policies and programs of each international organization with a view to developing comprehensive guidance for U.S. participation in the organizations. When the IO subcommittee was created, it was envisaged that review of these Action Programs by the subcommittee would serve as the principal means of coordinating U.S. policy on the development programs of international organizations. However, though several programs were drafted, the initial effort faltered for lack of adequate staff support. Only one Action Program was considered by the committee during its first year and no consensus was reached on it. Moreover, it is uncertain whether these programs provide an adequate vehicle for development coordination. Because of the nature of the programming process in IOs, because of the very comprehensiveness of the Action Programs, and because they tend to focus on organization and management issues, they are not very well suited to the development coordination task.

The International Organization Subcommittee of the DCC has performed some useful functions such as an apparently successful interagency review of international organization budgets before final decisions had been made on these budgets. But, the DCC has done nothing to promote coordination between IO programs and other development programs and, for the most part, its effort to coordinate international organization activities has not gotten off the ground.

CHAPTER 3

THE INTERNATIONAL DEVELOPMENT COOPERATION

AGENCY: A CRITIQUE

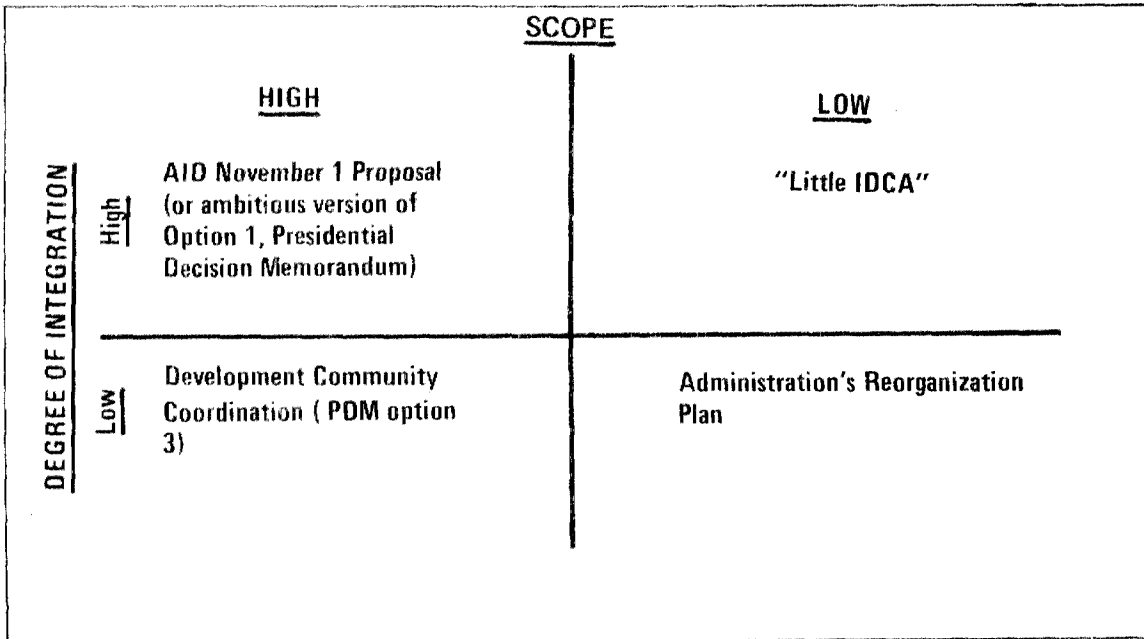
THE REORGANIZATION DEBATE

In general, in the debate that was precipitated by the Humphrey bill and the reorganization proposals, there was relatively little agency support, outside of AID, for much change in present arrangements. Treasury resisted transfer of responsibility for the MDB's to the proposed International Development Cooperation Administration. OPIC was prepared to be a part of IDCA, but only so long as it preserved its autonomous Board of Directors as its principal policymaking body. ACTION was initially prepared to accept transfer of the Peace Corps to IDCA, but resisted such transfer once it became evident that other major transfers of functions were unlikely. Since the proposed Institute for Scientific and Technological Cooperation was being developed at the same time as the AID reorganization debate was developing and since its creation involved the splitting off of some of AID's research activities, the case for inclusion of it within IDCA was quite strong and was not the subject of major debate.

The first phase of the reorganization debate took place around the Humphrey bill with the results described and critiqued in the last chapter. The second phase was initiated by the November 1, 1978, proposal of Governor Gilligan, AID Administrator. His study examined three options, two of them briefly, one in much more detail. The first option was complete integration of the major development assistance programs under an IDCA. It would have involved creating integrated geographic bureaus, country desks and field missions and the establishment of centralized and consolidated support services. The second option was a "decentralized confederation" under which IDCA would have provided "only the broadest guidance on policy and funding" to agencies under its general influence.

The two options defined a spectrum from most to least integrated. AID tried to steer a course between them arguing for a third system it called "partial integration." Its proposal preserved the separate identity of each of the major development agencies, consolidating only a limited number of support functions, but also clearly and firmly placed the major development programs under the control of

IDCA, including responsibility for instruction of U.S. representatives to the MDBs, backstopping the development activities of international organizations and programs, administration of the new development title of P.L. 480 (Title III) and general supervision of the Peace Corps. The combination of scope and degree of integration was greater in this than in any other proposal considered by the Administration. The major alternatives as they evolved out of consideration of the reorganization question in the executive branch can be presented schematically as follows: 1/



In the Decision Memorandum submitted to the President, the questions of the degree of integration and scope of IDCA were presented as two sets of issues. Thus, the integration issue was presented as two alternatives: IDCA with full authority and IDCA with partial authority. "Full authority" in this case, while not very clearly spelled out, apparently would not have involved the degree of integration contemplated in the November 1 AID proposal. "Partial authority" was defined as control over budget, the setting of general development policy, and recommendations concerning appointment and removal of senior officials of each component.

1/The scope and degree of integration of none of these proposals went as far as the Humphrey bill.

The question of scope was presented as a series of individual decisions as to which of the development programs should fall under the full or partial authority of IDCA-- i.e., the MDBs, those international organizations which are primarily developmental, Title III of P.L. 480, and the Peace Corps. With respect to OPIC both the "full authority" and the "partial authority" options contemplated only substituting the Director of IDCA for the AID Administrator as chair of OPIC's board. (The November 1 AID proposal would have vested authority over OPIC in the Director of IDCA, making the OPIC Board an advisory, rather than a policy, body.)

While what we have called the "Little IDCA" option was favored by some, it was an implicit rather than an explicit option, combining, as it did, different choices with respect to the degree of integration and the scope of activities to be included. Such a choice would have exempted from IDCA control those programs whose transfer was most controversial --the MDBs, the international organizations and Title III of P.L. 480--while calling for a relatively tight integration of such activities as AID, ISTC, OPIC, and, possibly the Peace Corps.

The "Development Community Coordinator" option included in the Decision Memorandum was modeled roughly on the coordination arrangements approved in January 1978 for the intelligence community except that the development coordinator, unlike the Director of Central Intelligence, would not simultaneously have headed one of the constituent development agencies. The scope of the coordinator's responsibilities would have included all of the major development programs, but there would have been no organizational integration of those programs. The coordinator would have had only budget and policy authority.

While other issues were involved in the debate, the central stakes related to power. From the point of view of the development agencies, the threat was the loss of power they possessed over development activities. From the point of view of those seeking improved development coordination, the question was one of how best to accumulate enough power so that the development coordinator would be able to significantly influence aid and nonaid decisions. There were two alternative ways that this might be done: by consolidation (widening scope and strengthening integration) and/or by elevating the organizational status of the function and strengthening its link to the White House.

The Administration initially opted for a reorganization plan providing for an IDCA of narrow scope and low integration. This was, to the best of our knowledge, not an

option espoused by any of the major participants in the debate, but it did reflect an accommodation to the variety of conflicting interests involved. It did not change responsibility for any of the major development programs, but did transfer to IDCA lead responsibility for U.S. policy and budget for certain development-relevant international organizations. ^{1/} It also brought AID and ISTC within IDCA, while deferring a decision on the Peace Corps, pending further study. It is ironic that it was international organization programs that were brought under IDCA because, for reasons developed in chapter 2 and appendix 3, such programs present the most difficult development coordination problems with the probability of the lowest payoffs even if the effort achieves some success.

Control over the constituent elements, with the apparent exception of AID, was provided, not through an integrated hierarchy of authority, but through the IDCA Director's control over budgets, basic policies and appointment and removal of senior officials of each component. The IDCA Administrator replaced the AID Administrator as Chairman of the Board of OPIC, but acquired no new authority over OPIC except, perhaps, through his general authority to prepare an over-all foreign aid budget. The exact division of responsibility between IDCA and AID was left to be defined later by a combination of formal delegations and by practice. However, it was the intent of the drafters of the organization plan that the IDCA Director should not get deeply into AID decisionmaking; that he not second guess the Administrator of AID. In fact, it was one of the major purposes of the reorganization plan to separate IDCA from AID in order to enhance IDCA's independent identity and role as an honest broker among development organizations and activities. It was also the intent that the IDCA Director spend most of his energies on coordination activities.

IDCA is an independent agency within the executive branch. In this respect, the reorganization plan returns to the arrangements that existed from the beginning of foreign aid up to the creation of the International Cooperation Administration in 1958 when the aid agency became a part of State. Under the original plan, the Director of

^{1/}I.e., UNDP; UNICEF; OAS Technical Assistance Funds; U.N. Capital Development Fund; U.N. Educational and Training Program for Southern Africa; UN/FAO World Food Program; FAO Post Harvest Fund; and U.N. Disaster Relief Organization. Day-to-day backstopping and representational responsibilities remained in State.

IDCA was required to report to the Secretary of State as well as the President, serving as principal development advisor to each.

Apart from his new authority over U.S. policy and funding for certain international organization programs, the formal power of the IDCA Director with respect to foreign assistance and non-aid policies and programs under the original plan was not significantly different from the authority that the AID Administrator has possessed as Chairman of the DCC. He was to be consulted by the Secretary of the Treasury on appointments of U.S. Executive Directors and Alternate Executive Directors for the MDBs, with any differences reported to the President. He was "directed" to advise the Executive Directors on MDB project and program proposals. (The AID Administrator has had the authority, but not the obligation, to offer such advice to the bank Executive Directors.) He was to replace the AID Administrator as the Chairman of the Board of OPIC and as Chairman of the DCC.

As a consequence of discussions between the Senate Committee on Governmental Affairs and the administration, certain changes in, and clarifications to, the original plans were offered by the administration. The separation of IDCA from the State Department was made more definitive by an amendment that stated that the Director of IDCA would report to the Secretary of State, and would receive guidance from the Secretary of State, only on foreign policy matters.

The Director's role of advising the President on development matters was expanded to include "all trade, science and technology, and other matters significantly affecting the developing nations." A draft Executive order submitted by the administration also extended the responsibility of IDCA for international organization programs beyond the eight specifically mentioned in the reorganization plan to include "any other international programs whose purpose is primarily developmental."

The draft Executive order also provided that the Chairman of the DCC (i.e., the Director of IDCA) would have the right to determine what subcommittees would be created and who should chair them. (As noted in chapter 2, initially, the creation of committees and the designation of agencies that would chair them was accomplished by Presidential directive in May 1978). The Executive order issued on September 29, 1979, included these provisions.

More important than these changes was agreement by the Administration to a new division of the responsibility for

providing advice to the Executive Directors of the multi-lateral development banks. A Presidential memorandum, embodying the understanding between the Senate Committee and the administration, which has since been issued, provides that the Secretary of the Treasury will continue to retain the authority to instruct the U.S. representatives to the MDBs. However, it distinguishes between "developmental" questions and "financial and other nondevelopmental" questions (i.e., express legislative requirements). The advice of the Director of IDCA on "development" policies, programs and projects of the MDBs will "normally be determinative." Only if the Secretary of the Treasury finds that "compelling" financial or other nondevelopmental (legislative) reasons require a different U.S. position will he override the advice of IDCA. Differences between Treasury and IDCA are to be resolved by the President.

WILL IDCA REMEDY THE DEFICIENCIES OF THE PRESENT COORDINATION SYSTEM?

The first question that we shall address is whether IDCA deals with the deficiencies of the present coordination system as we have identified them in chapter 2. A most important purpose is to separate the coordination function from AID; to establish IDCA as an "honest broker." But, IDCA's organizational base will be AID, the only organization for which it will have full responsibility. The main prospects for broadening its base derive from its advisory role in developing U.S. positions for the MDB's and its budget and policy responsibilities for international organizations. Whether these responsibilities will, in fact, give IDCA a distinctly separate identity depends upon how much real authority it is able to exercise with respect to those programs. In the case of the international organizations, that depends upon whether it is able to perform what is intrinsically a very difficult coordination task with the personnel at its disposal. With respect to the MDBs, it depends upon a combination of the quality of the IDCA performance and the workability of the division of responsibility between IDCA and Treasury.

At this time the intended lines of division between AID and IDCA are also quite unclear. Although we understand that it is the intention of the administration and of the IDCA Director that he will stay out of day-to-day AID decisionmaking, the temptations for him to become involved could be considerable. Faced by the inevitable frustrations of attempting to coordinate development activities with limited power, he may find running a major development program more satisfying. As the senior official responsible for the bilateral aid program, he will very probably be

looked to by the Congress as the major defender of the AID program on Capitol Hill.

If IDCA does inject itself significantly into the decisionmaking processes of AID, that will tend to take the more interesting issues out of the hands of AID officials and to undermine morale. Reportedly, the creation of Under Secretary of State Dillon's aid coordinating office had such effects upon aid agencies in the late 1950s with the result that it became more difficult to recruit good people to serve in those agencies. In its initial staffing, IDCA has managed to distinguish itself from AID, employing only four persons, in the initial group of 18 professionals, whose backgrounds were primarily in AID.

In sum, we see the objective of the creation of a distinctive identity for IDCA as a highly desirable one; we see the changes that have been made since the introduction of the reorganization plan as useful to this end; but we remain uncertain how far the reorganization plan will achieve the intended result.

Will the creation of IDCA significantly enhance the power and influence of the development coordinator? As we noted above, in choosing between the options presented to him, the President chose those options offering the least scope and the least integration and which therefore offered least prospect for creating a strong coordinator. The scope of the IDCA Director's responsibilities has been widened somewhat by the strengthening of his MDB advisory function and by broadening the language with respect to his responsibilities for international organization programs. However, the degree of integration has not changed.

What instruments are available to the IDCA Director to influence bilateral and multilateral development policies and programs? He will have budget and policy authority over the constituent elements of IDCA--AID, specified international organization activities, and ISTC. Although OPIC will be a component of IDCA, its policies and budgets will be set by its own board. Such influence as the IDCA Director may have over OPIC budget and policy will derive, like the AID Administrator's before him, from his chairmanship of the OPIC board.

As discussion in appendix III suggests, it is unclear that budget and broad policy authority will give him much leverage to coordinate international organization programs. Since basic AID legislative and Executive order authority have been delegated to IDCA for redelegation as appropriate

to AID, and since ISTC has, by Executive order, been established within IDCA, it appears that IDCA will have most authority over these components.

The President's message states that the IDCA Director will also prepare a "comprehensive foreign assistance budget" for submission to OMB, after consultation with the Secretary of State. As originally stated, the IDCA Director's role with respect to non-IDCA budgets was only to comment upon agency budget submissions to OMB and to the President. However, his responsibility for preparing a comprehensive foreign assistance budget is being interpreted broadly and it is the expectation of the IDCA staff that his budget proposals will provide the standard against which OMB will evaluate the agencies' direct budget submissions. His overall budget proposals will, in effect, constitute his commentary on agency budget proposals. He will also defend the overall foreign assistance budget before the Congress.

The existing Presidential directive on the DCC and the President's reorganization message require the Director of IDCA, as the new chairman of the DCC, to prepare an annual aid policy statement designed to integrate the different types of aid and non-aid policies affecting developing countries. In effect, this statement is intended to be a kind of annual development strategy statement. The statement is to be reviewed by the Policy Review Committee of the NSC and approved by the President. Some see this responsibility as an important potential source of authority for IDCA, providing it with a yardstick against which agency performance can be measured and through which agency policies and programs can be coordinated. However, much prior government experience with interdepartmental efforts to develop general strategy statements of various sorts suggests that it will be difficult to obtain agreement on a statement that will provide meaningful guidance on particular issues. Interagency differences and the desire to preserve maximum flexibility tend to produce lowest-common-denominator statements subject to a variety of interpretations, despite the best intentions.

We would not argue against preparation of such comprehensive policy statements. The process of preparing them can have important values in forcing busy officials to think more broadly about their activities and in promoting the mutual education of those involved in the process. Moreover, at those relatively rare moments of basic change in development policy--for example, at the time of the decision in favor of basic human needs strategy--such such statements can also provide a broad orientation for policies and programs. What

we are arguing here, however, is that supervision of their preparation and implementation is unlikely to offer major leverage to the IDCA Director.

The IDCA Director's authority to recommend appointment and removal to top officials in the IDCA's component agencies, will, of course, give him some significant authority within IDCA, provided he does in fact, have freedom of decision.

The IDCA Director, like the AID Administrator before him, is named principal international development adviser to the President and the Secretary of State. Some see this Presidential connection as a key source of IDCA authority. The United States undoubtedly has major economic and geopolitical interests in the developing world which are of concern to Presidents. But foreign aid issues per se are not generally matters of high policy and questions of development policy and development coordination are even less likely to find a place on the crowded Presidential agenda. The Presidential connection is, therefore, unlikely to strengthen significantly the power of the IDCA Director.

Somewhat more likely to increase the authority of the IDCA Director is the separation of IDCA from the State Department. While the development aid program will not--and should not--be wholly free of foreign policy influences, the removal of the aid agency from State should increase somewhat the ability of the aid administrators to resist pressures from State to use development assistance to serve short-term political purposes. If the IDCA Director wishes to resist such pressures, he has the formal authority to force the State Department to go to the White House.

Insofar as the reorganization plan gives genuine authority to IDCA over the MDB and international organization programs not possessed earlier by the AID Administrator, it should improve the possibilities for interprogram coordination. However, the existing system--like many systems of coordination in the Government--is strongly biased in the direction of interagency coordination. It will take a substantial effort to overcome this bias. We have made some recommendations in the next chapter designed to increase inter-program coordination.

WILL IDCA DEAL EFFECTIVELY WITH THE MAJOR CHANGES IN DEVELOPMENT ACTIVITIES?

We turn now to a consideration of whether IDCA offers greater promise than present arrangements for dealing with the three changes in the setting within which coordination takes place, which were discussed in chapter 1. The first

change we identified was the growing importance of multi-lateral aid. The issue of who should manage U.S. participation in the MDBs has been at the heart of the debate over reorganization, both because the coordination of MDB 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.^{1/}

The Secretary of the Treasury retains the authority to instruct the U.S. representatives to the MDBs. The primary change is the agreement that the Director of IDCA's advice on the "developmental" aspects of bank policies, programs and projects will ordinarily prevail unless compelling financial or legislative considerations cause Treasury to override the advice of the Director. This arrangement is based upon a distinction between "developmental" and "financial" issues which is conceptually invalid, if bureaucratically more meaningful. By "financial" issues are generally meant such questions as rates of return on investment, interest rates and relending rates, pricing policy, exchange rates and other such policies of developing countries. "Development" issues on the other hand are generally interpreted to cover such matters as the income distribution and employment effects of a development project or program, the relationship of a project to the overall development plan of a country, and local capacity to operate and maintain a project or program. The distinction is meaningful in bureaucratic terms as a definition of the typical concerns of Treasury as opposed

^{1/}Of the 17 members of the Development Advisory Committee of the Organization for Economic Cooperation and Development, 5 provide all MDB appropriations through their development agency, 6 (including the United States) through their Ministry of Finance or equivalent, and the rest through a mixture of agencies, primarily financial and development ministries. Management of participation in the MDBs is under Ministry of Finance control in six countries, under the control of the development agency in two others (Denmark and Germany), and is shared in various ways between the development agency and other government agencies in all of the other DAC countries. Finland, Canada and the U.K. for example, backstop the regional banks out of the development agency, but each has a different arrangement for the World Bank. Governors of the World Bank come, with only two exceptions among DAC members, from the Ministry of Finance or central bank, but the pattern in the regional banks is much more mixed, with the development agency providing either the governor or alternate governor in most cases.

to the typical concerns of AID. But, as many AID and Treasury officials agree, it is not a conceptually valid distinction since many so-called financial issues are important development issues. For example, exchange rates which favor the import of high-technology capital goods have important distributional consequences, because they encourage capital-intensive over labor-intensive industry. Similarly, domestic interest rates influence the allocation of investment between different development purposes.

In the 1960s, when AID was concerned with comprehensive national development plans and with the overall state of the national economies of recipient countries, it was also centrally concerned with what are now being called "financial" issues. As the aid program has become smaller, more project-oriented and focused upon basic human needs, these kinds of concerns have declined in importance in AID's perspectives. They remain important, however, for the larger MDB programs.

Whether the distinction is a workable basis for defining IDCA's role depends upon a combination of good will and a willingness to let IDCA views prevail. However, if IDCA is going to be a true coordinator of the U.S. position, it will necessarily have to concern itself with the financial aspects of MDB proposals. In sum, while the new arrangement was probably the best compromise available, there is some question as to its workability.

To require IDCA to provide advice on MDB proposals should in itself increase the flow and improve the quality of advice from AID regional and other bureaus. This conclusion is suggested by the experience with Latin American programs where the Assistant AID Administrator for that region directed that priority attention be given to multilateral bank projects within his bureau. He also created a small coordination staff to ensure that the bureau makes an input into the project review process. As a consequence, both the quantity and quality of comments on Latin American projects are generally conceded to be superior to those produced by other bureaus where incentives to be attentive to MDB programs are less. To impose a general requirement for comment upon IDCA could, therefore, have similar effects for other areas. It should be noted, however, that the amount and quality of information on project planning which is available through the Inter-American Development Bank is better than for the other banks.

A second change in responsibilities for the MDBs is the requirement that the Secretary of the Treasury consult with

the IDCA Director in the selection of U.S. Executive Directors and Alternate Executive Directors of the banks. If an understanding were to develop between the two officials that, for example, either the Executive Director or the Alternate would be from IDCA, that could be an important change. It would enhance communication and the flow of information between IDCA and the banks. We are not aware, however, of any such intent.

The creation of IDCA has no direct effect upon the ability of the government to coordinate policies and programs on a country, rather than a project, basis or upon the ability to coordinate projects themselves. It could, however, have some indirect positive effects. The larger size of the MDB country programs will force IDCA, if it is to coordinate effectively, to pay more attention to country programs and to develop the macroeconomic analytic capability necessary to do country program analysis. This could reinforce the efforts by AID, such as those it makes through its present country development strategy statement (CDSS) system, to do more adequate country planning.

The reorganization plan as revised, and some administration explanations of it, suggest at least some intention to pay increased attention to non-aid decisionmaking that has an impact upon development. As noted, the plan now provides that the Director of IDCA will advise the President on "all trade, science and technology, and other matters significantly affecting the developing nations." The administration has made the IDCA Director a member of the National Advisory Council, and has indicated that he will be a member of the Trade Policy Committee and those other policy councils having an important impact on development issues. Experience suggests, however, that progress in this area will be an uphill battle under the best of circumstances.

To sum up, the reorganization plan is likely to effect some improvements in the authority and in the instruments available to the development coordinator, but that authority will remain quite limited. In these circumstances, and quality of the IDCA Director and staff will be more than usually critical to the success of the enterprise. Their legitimacy and influence will have to be built to a significant extent on their demonstration of exceptional competence. Nonetheless, the creation of IDCA does provide a new opportunity with some new people to attempt what is, admittedly, a difficult task. It seems to us important that it be viewed as an initial step toward improved development coordination and that efforts should continue to be made to strengthen the existing structure and to look toward eventual changes in it. It is to this task that we now turn.

CHAPTER 4

RECOMMENDATIONS

The more detailed arguments that support the recommendations that follow are contained in the other parts of this report. In particular, the specific recommendations contained in pages 44 to 58 below should be read against the background of the discussion of coordination of particular development programs and activities contained in the appendices to this report.

GENERAL RECOMMENDATIONS

There are two basic approaches to the organization of coordination--one is reliance upon committees and the other, reliance upon an activist, informed staff. The NSC, for example, relied primarily upon the first approach in the 1950s, on the second in the period since 1961. Since both committees and staffs are inevitable elements of any coordination system, the choice is a matter of relative emphasis. The DCC system has relied primarily upon a committee system of coordination, though the staff became more important following the reorganization of May 1978.

On many issues IDCA will lack clear access and influence because the decisions are made in forums controlled by others and because those decisions must take account of a wider range of considerations than development. That is particularly true of nonaid issues, but it is also substantially characteristic of decisionmaking with respect to international organizations and, to a somewhat lesser degree, P.L. 480 and the MDBs. If IDCA is to keep informed about the state of decisionmaking and intervene at appropriate stages, it cannot therefore rely upon formal committee processes which it manages. Much government decisionmaking is also done through informal communications and in ad hoc forums. An active staff is necessary to stay on top of such activities.

We therefore recommend that the Director of IDCA, in approaching the organizational problem, place predominant reliance upon an activist, informed staff. In general, the staff should serve as the eyes and ears of the IDCA Director in much the same way that the White House and NSC staffs serve as the eyes and ears of the President. It should be active and informed on current policy and program activities on a wide front and should seek to involve IDCA at all critical decision points on issues affecting development. The staff should make use of the DCC committees when that seems the best way to get an issue addressed, but

should not be tied solely to the DCC system or to a fixed system of paper preparation. (It may be useful to attempt to use the DCC itself from time to time as a higher level planning and problem-solving body in which the principals meet, perhaps without staff, to work out solutions to common problems without formal commitment of the members to the solutions, pending more formal clearance processes.)

For reasons discussed in chapter 1, the IDCA staff should be provided a strengthened capability for macroeconomic analysis. This is essential to coordination of country programs and important to the development of sectoral policy papers that cut across program lines. This increased capability should supplement, rather than supplant, the capabilities for such analysis in other U.S. Government agencies and in international institutions. While IDCA should not duplicate the analyses of others, it should have a capability for making independent analyses and judgments.

The present ceiling for the IDCA staff (28) appears to be too low to permit IDCA to perform effectively the great diversity of functions for which it will be responsible. We therefore recommend that the Director of IDCA seek additional staff. Effective coordination is very likely to require more, rather than less, staff. The payoff in increased efficiency and effectiveness from coordination comes, not from personnel savings, but from greater mutual reinforcement between and among programs and increased consistency in policy and programs.

The authority of the IDCA Director should be increased, and IDCA should be further insulated from immediate international political pressures through the establishment of two contingency funds. One fund, under IDCA's control, should be used to 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 might also be used to expand opportunities for non-aid development activities (e.g., private investment). A second fund, under the Secretary of State's control, should be utilized to respond to unanticipated international political needs for aid without subordinating development goals to foreign policy requirements. (When Under Secretary Dillon coordinated aid programs in the late 1950s, he controlled a contingency fund that ranged from \$155 to \$250 million annually.)

We recommend that the annual development strategy statement, which is envisaged by the administration as playing an important role in the performance of IDCA's coordination

functions, be used by the Director of IDCA to develop an explicit, clearly articulated, U.S. view as to the appropriate division of labor between AID, MDB and IO programs. (Such a statement could make it clearer how the programs are differentiated and would provide an important line of defense against arguments that they ought to be essentially the same.)

IDCA itself probably cannot, because of the small size of the coordination staff, undertake program evaluations. However, it should have on its staff a person who manages the evaluation process by initiating requests for evaluations from development agencies, by setting the terms of reference for such evaluations and by ensuring that the results of evaluations receive the attention of appropriate officials.

Under his budget authority, the IDCA Director should also explore the possibility of designating appropriate IDCA constituent agencies to perform specified administrative support services for all of the constituent agencies.

SPECIFIC RECOMMENDATIONS

MDB/Bilateral Aid Coordination

While the procedural and organizational changes introduced by the Working Group on Multilateral Assistance under the DCC have improved interagency review of MDB project proposals, serious deficiencies in multilateral/bilateral assistance coordination remain. More effort has been put into the MDB project review process, but such reviews have very limited value: (1) because of inherent limitations on U.S. influence; (2) because they take place at too late a stage to have much influence; (3) because, for the most part, AID has devoted little attention to them; (4) because Treasury, which plays the dominant role, generally focuses on a relatively limited range of development concerns. But most fundamentally, the MDB project review process does not have much value for bilateral/multilateral aid coordination because it focuses upon the quality of MDB proposals, not upon their relationship to bilateral aid and to overall country development plans.

Moreover, in determining priorities for the exercise of U.S. influence upon MDB activities, Treasury's preoccupations have been dominant. The coordination system has not been used to take a broad across-the-board look at various important sectoral and other topical policies in the bilateral and various MDB programs. And, Treasury has sometimes bypassed AID when AID had a legitimate interest in a subject or a negotiation.

The MDB project review process has, as suggested, inherent limitations as a device for coordination of bilateral and multilateral programs. There is, therefore, a serious question as to how much staff effort should be invested in improving the process relative to staff investment in other coordination activities.

However, if project reviews are to be taken seriously as a coordination device: We recommend that the Secretary of the Treasury, the Director of IDCA and the Administrator of the Agency for International Development 1/ together implement a new project review system which would direct attention to loan proposals while still in the design stage and, thus offer an opportunity for greater informal U.S. influence in MDB programming without the political costs involved in the present review process when objections are raised at the final stage. Such a system should provide for a substantive analysis of all important loan proposals when they first appear on the MDB monthly operational statements. Any problems raised in an interagency review session should then be informally communicated to the bank staffs by the U.S. Executive Directors (USEDs). A second review should be made once the terms of the loan have been negotiated to determine whether the MDB had responded to the problems initially raised, and to see if any new problems might have arisen. A final review would be done before the USEDs vote on the proposal (as is now done by the WGMA), but this would be limited to the consideration of serious problems which might require a negative U.S. vote, such as human rights violations and other legislative concerns, rather than details of project design.

A primary purpose of this improved analysis of MDB projects in a formative stage should also be to determine how U.S. bilateral programs can better be adapted to multilateral activities.

In order to keep AID bureau personnel informed of MDB activities, in order to increase their input into the analysis of MDB proposals, and, most important, in order to improve coordination of bilateral and multilateral programs, we recommend that the AID Administrator establish a small office within each geographic bureau, along the line of Latin American and Caribbean Bureau's Multilateral

1/Here and elsewhere in cases where a function would clearly require much more staff support than the IDCA staff per se can provide and where it is unclear precisely how the function should be divided between the coordination staff of IDCA and the AID staff, we use this formulation.

Affairs Division, staffed with capable economists/financial analysts whose sole responsibility would be to review multi-lateral assistance (both MDB and IO) activities, proposals, and policies and to coordinate these efforts with the respective AID bureau. Whereas that Multilateral Affairs Division has been concerned primarily with communication of AID views on MDB and IO projects to the NAC and the WGMA, the new offices we propose should place more emphasis upon the reverse kind of communication; i.e., on communicating information about MDB and IO projects to IDCA/AID with a view to improving the effort to relate bilateral activities to multilateral activities. (See app. I for supporting argument.)

Under the reorganizational plan, IDCA is to be responsible for advice on the "developmental" aspects of MDB projects and programs while Treasury will have the right to intervene on the "financial" aspects and legislative requirements. There may, therefore, be some temptation to coordinate positions on development aspects through the DCC; financial aspects, through the NAC. Since the distinction between the "financial" and the "developmental" is conceptually artificial, we would consider such an approach unfortunate because it would not provide an integrated position on what is, in reality, a related set of issues. We see three organizational alternatives:

- To assign the whole coordination responsibility to the DCC Subcommittee/Working Group, with IDCA having the final word on matters agreed to be "developmental" and Treasury having the final word on "financial" issues and legislative requirements.
- To create a joint DCC/NAC committee to handle the full range of issues with responsibility as before stated.
- Handle the project and policy reviews in the first instance in a joint IDCA/Treasury staff, utilizing the DCC committees and the NAC to permit other agencies to express their views.

Consistent with our general preference for a staff-centered over a committee-centered operation, we prefer the third alternative. It would be feasible only, however, if the improvements in the review process we have recommended above reduced the importance of the final stage in the review (i.e., what is presently the only review). Otherwise, time constraints may make it infeasible. Until it becomes

feasible, we would suggest that coordination responsibility be assigned to the reorganized DCC Subcommittee/Working Group.

We consider that the present existence of separate DCC subcommittees on the bilateral and MDB programs works against bilateral/multilateral aid coordination. We therefore recommend that the present bilateral and multilateral subcommittees of the DCC and their subgroups be combined by the Director of IDCA under the chairmanship of IDCA and that the combined subcommittees focus on bilateral/MDB coordination.

At a very minimum, there should be a clarification of the respective roles of the DCC (and the WGMA) and the NAC (and NAC Staff Committee) with respect to MDB policy and project reviews. If IDCA is to play a major role in this area, the relative role of the NAC should be reduced.

Communication between Treasury and AID on MDB matters has been imperfect. With the new division of responsibility between Treasury and IDCA, the possibilities for conflict between Treasury and the aid agency could increase, especially if there are differences over the definition of their respective jurisdictions in particular cases. In order to improve communications between IDCA and the U.S. Executive Directors of the MDBs and in order to reduce the prospects for misunderstandings and conflict, we recommend that the Secretary of the Treasury appoint, as Alternative USED of each of the banks, officials who are nominated to him by the Director of IDCA and who, while under the USEDs' supervision, will be channels of day-to-day communication between IDCA and the USEDs.

Apart from the three multi-year country papers prepared under DCC auspices, there have been few systematic attempts to coordinate U.S. bilateral policies, U.S. policies toward the MBDs and U.S. policies toward international organizations which are involved in development activities. The development of across-the-board sectoral or other topical papers on such subjects as environment, population, rural development and energy seems to us a particularly promising approach to meeting the need for coordination.

We recommend that the Director of IDCA supervise the preparation of a series of policy statements on sectoral and other functional topics that would seek to relate U.S. bilateral policies to U.S. policies toward the MDBs and international organizations. Such policy would not, of course, seek total consistency between the several programs, but rather a rational division of labor and reasonable coherence. In this connection, it would be particularly

useful to examine comprehensively the activities of AID and the MDBs in implementing basic human needs strategies. The goal would not be to insist that all aid agencies adhere rigidly to a basic needs strategy, but rather to work toward a rational division of labor between them which would take account of the comparative advantage of each in achieving various development goals.

The most important opportunities to influence overall MDB policies and operations lie, not in the reviews of proposed loans, but in special MDB meetings, especially replenishment negotiations. AID is a regular voting participant in the loan reviews but has not always been involved in replenishment negotiations. This has meant that the official U.S. position on a number of important MDB issues has not reflected the concerns of the principal U.S. development assistance agency. The administration has indicated that the IDCA Director will have the option of being represented in all replenishment negotiations.

We suggest that the IDCA Director, or his representative, be a member of the U.S. delegation to all replenishment negotiations and other special negotiations of the MDB's and that IDCA/AID participate in all U.S. Government preparatory sessions for such meetings.

Food Aid

The food aid program is, and is likely to continue for the foreseeable future to be, a multipurpose program. While there has been some shift away from its surplus disposal aspect and more emphasis placed upon its humanitarian and developmental aspects, it will continue to serve agricultural market development goals and U.S. foreign policy purposes for the foreseeable future. It is an attractive instrument of foreign policy from the point of view of Presidents and Secretaries of State because, despite new congressional restrictions, it offers more short-term flexibility to meet changing foreign policy needs than other aid programs. Its value as an instrument of market development is more difficult to demonstrate, but has some plausibility in the light of U.S. experience in such countries as India and South Korea where concessional sales do seem to have developed longer-term commercial markets.

Because of its multiple purposes, its administration will always be somewhat messy and subject to the criticisms that responsibility is diffused, criteria are vague, planning is weak, and evaluation is slight.

Which agency has been dominant in the making of P.L. 480 policy and determining P.L. 480 programs has varied over time. Agriculture has always played a key role as chairman of the Interagency Staff Committee and as actual administrator of much of the program. However, in recent years, the role of the State Department has been decisive. Within AID, the program has been something of an orphan in the sense that it has generally not been well integrated into foreign assistance program planning. Since AID has not controlled the program; since the funds come from USDA's budget; since it serves many non-developmental purposes; and since the bureaucratic and domestic political forces which support existing administrative arrangements are so powerful, AID has felt little incentive to take the program more seriously, at least until quite recently. Rather, with the shift in program priorities to emphasize developmental and humanitarian goals, Agriculture has reoriented its approach, adopting a more broad-gauged, development-sympathetic orientation toward the program. It has sought to play a major role in the development programming of food aid.

In these circumstances, the temptation to leave the administration of the program in the hands of the Agriculture-directed interdepartmental committee system is very strong indeed. Even the Humphrey bill, supported by those sympathetic to a stronger developmental and humanitarian emphasis in food aid, did not propose to upset existing administrative arrangements in any substantial way. The President, in his decisions on the IDCA reorganization proposal, also opted for the status quo.

There are at least three possible broad approaches to the improvement of the food aid policymaking and programming arrangements:

- The present system of interdepartmental management could be continued, but with improvements such as reducing the size of committees, encouraging inter-program coordination, and the like.
- Lines of authority might be clarified in a way that enhances the authority of IDCA with respect, particularly, to the development programming aspects of P.L. 480 programs.
- With or without such changes, priority could be given to P.L. 480 programs in the coordination activities of IDCA; IDCA could acquire first-rate coordination staff in food and agriculture; and such staff could

seek to raise the level of attention to food aid issues within AID through an activist approach to the improvement of the program.

These approaches are not mutually exclusive. In fact, they can be mutually reinforcing.

Improvements in the present interdepartmental system

The suggestions that follow would not, in themselves, involve significant changes in the assignment of responsibilities for P.L. 480 policies and programs.

The membership of the Food Aid Subcommittee, its Working Group and the committees for each of the P.L. 480 titles should be limited to the essential members: Agriculture, IDCA/AID, State and OMB. Coordination is already complex enough without the inclusion of agencies whose interests and involvements in the program are peripheral.

As IDCA comes to play a substantial role in the program, OMB's role should be limited to its legitimate concern with the implications of program decisions for the budget. It should not be a general staff arm of the President for P.L. 480; that function should be performed by IDCA/AID.

A serious effort should be mounted by AID and the IDCA staff to better integrate food aid programs into country planning--through the CDSSs, the multi-year country policies (if continued), or other appropriate vehicles. Such an effort should begin to improve inter-program coordination.

To provide a better information base for both the overall program planning and day-to-day decisionmaking, we recommend the IDCA should undertake or sponsor an evaluation of the relative effectiveness of P.L. 480 in achieving its several goals: market development, foreign policy objectives, humanitarian assistance, and economic development.

Clarifying lines of authority

As in the case of the MDBs--though less definitively--the purposes of P.L. 480 have been gradually changing, while administrative responsibility for the program remains essentially unchanged. As in the case of the MDBs, the tendency has been to strengthen the capabilities of the agency historically responsible for the program for administering the re-oriented program rather than to shift responsibility for the program to the development agency.

In combination with the relative weakening of AID, the consequence has been the dispersion of authority for development activities.

The prospects for change in basic responsibilities for Titles I and II of P.L. 480 are, for the foreseeable future, uncertain. 1/ Nonetheless, efforts to improve coordination and strengthen the development dimensions of activities under those titles may be achieved by other measures. With respect to Title III, existing arrangements are fairly widely recognized to be unsatisfactory and a competition continues between Agriculture and AID for control of programming. This fluidity does offer some possibility for reopening the President's recent decision to continue the status quo.

Accordingly, we recommend to the Director of OMB that IDCA/AID have final responsibility--not subject to veto by other agencies: (1) to review and approve the multi-year Title III proposals submitted by eligible countries, and (2) to monitor program implementation. With respect to other aspects of Title III, we reserve judgment pending further study, though we have suggested (but not recommended) elsewhere that full responsibility for all aspects of Title III be lodged in IDCA/AID. 2/

These arrangements would continue to recognize the multiple purposes of P.L. 480. They would also recognize that, while Titles I and III are closely related, the development agency should have primary responsibility for development programming.

For the longer run, we would also urge that, once IDCA is well-established, IDCA/AID should take over the chairmanship of the Food Aid Subcommittee and its Working Group. Such an arrangement would not interfere with Agriculture's broad responsibilities for Title I nor with its role with respect to procurement and shipping of food for the Title II

1/In a separate report, "Changes Needed in the Administration of the Overseas Food Donation Program" (ID-79-25, Oct. 15), we recommend that full authority and responsibility for Title II be transferred to AID, with procurement and shipping functions still performed by USDA.

2/The above interim recommendation attempts to define the minimum responsibilities that we believe IDCA/AID should have for the administration of title III.

program. It would recognize the growing importance of the humanitarian and developmental purpose of P.L. 480 by assigning the program coordinator's role to the development coordinator.

An activist IDCA staff

Because of the President's decision in February not to give IDCA any new food aid responsibilities which AID does not already have, it may appear logical to ignore, or largely ignore, this area in staffing the new organization. To do so, however, would mean that the development coordinator had resigned from efforts to give a more developmental focus to programs which the Congress has directed should be given such a focus.

We recommend the IDCA Director should, therefore, create a small, able staff for food aid which would be capable of utilizing and giving direction to the staff expertise that already exists on food aid in the Program and Policy Coordination Bureau of AID and in AID's Food for Peace Office. The purpose of this staff should include that of ensuring a strong representation of the development interest within the inter-departmental committee structure. But its primary role should be to increase the awareness throughout AID and that part of the IDCA staff concerned with multilateral programs of the possibilities for relating food aid to other development programs. It should seek to stimulate action to use food aid in support of development. It should play a lead role in implementing proposals such as those described above.

International Organizations

It is evident from the summary analysis of the coordination problem in chapter 2 and the fuller discussion in appendix III that a serious effort to improve coordination of U.S. policy toward the development activities of international organizations presents the most difficult development coordination task discussed in this report. Moreover, the development coordination problem is part of the larger problem of developing and implementing an adequate system for the coordination of overall U.S. policies toward particular international organizations. However, a system--such as the Action Programs--which offers promise of improvement on the overall problem will not by itself solve the development coordination problem.

Under Reorganization Plan No. 2 the IDCA Director is given budget and broad policy authority over U.S. participation in certain organizations. It is by no means clear

that authority of this kind will offer much prospect for improvement of development coordination. Decisions of international organizations on budgets come too late in the planning, programming and budget cycle to have much, if any, effect on the character of country programs. The decentralized nature of the planning process and the reliance, in the case of UNDP, upon an allocation formula also makes it difficult to influence IO programs through the development of broad policy positions.

Prospects for influence are somewhat greater at the stage where functional specialists help devise longer term plans. U.S. participation at this stage comes mainly from the expert domestic agency most concerned. To improve coordination at this stage will require more adequate State Department control which, in turn, will require more staff with functional expertise in the International Organization Affairs Bureau of State. IDCA cannot, with its limited staff, hope to develop by itself the requisite expertise. It must work closely with the IO Bureau and the functional agencies if it is going to get a grip on this policy area.

The new functional committees on health and on agriculture provide mechanisms that have the virtue of providing coordination among bilateral and multilateral programs--a kind of coordination that has been largely neglected otherwise. They have the disadvantage that they tend to strengthen the position of the technical specialists with a consequent neglect of larger development issues and the international political considerations inescapably involved in U.N. programs.

We recommend that the Secretary of State increase significantly the staff of functional specialists in State's IO Bureau for the management of U.S. participation in international organizations with development programs. This staff should not attempt to duplicate the expertise of the related U.S. domestic agencies, but should be sufficiently expert to be capable of making judgments on technical IO program and policy issues.

With the support of additional staff, and under the guidance of IDCA, the IO Bureau, in cooperation with U.S. domestic agencies, should seek to influence IO programs primarily at the "technical" planning stage where functional specialists are defining program goals.

If adequate personnel support can be provided, the bureau should make further efforts, through its Action Programs, to develop comprehensive guidance for U.S.

participation in IOs. The ACTION Programs should, so far as is realistically possible, devote more attention to substantive development issues so that they can provide a basis for decisions on such issues. For reasons discussed in appendix III, it remains unclear whether the Action Programs can successfully serve as the primary vehicles of development coordination for IOs.

If significant new staff for the IO Bureau is not forthcoming, IDCA should devote very little of its time and personnel to attempting to improve coordination of IO programs. In the absence of such State support, the effort is likely to be ineffectual. Moreover, the stakes are much less than for bilateral and MDB programs. The area does not, therefore, warrant high priority.

Even without greater staff support from a strengthened IO Bureau, IDCA can take some limited actions that will have modest value. It will necessarily review the U.S. budgets for the designated organizations even though such review is likely to have limited value in influencing IO programs. The IDCA Director is to be the "decision point" in determining U.S. policies relating to the specified international organizations and programs. The IO Bureau of State, on the other hand, is to have responsibility for day-to-day backstopping. This rather awkward division of responsibilities will make it necessary that IDCA as well as the Bureau maintain direct continuing contact with U.S. liaison officials at the headquarters of the specified organizations, seeking to improve communications in both directions. IDCA should also encourage AID and other officials overseas to maintain contact with representatives of UNDP and to encourage the latter's efforts to coordinate in-country IO aid activities. Field missions should, more generally, be sensitized to the need for better reporting on IO development activities within their countries.

In connection with its general responsibilities for budgets for specified IOs, IDCA/AID should be represented in U.S. delegations to meetings of donor countries for the IOs for which it has special responsibility.

Consideration should be given to placing primary reliance upon functional committees like the present committees on health and agriculture as the primary IO program coordination mechanisms within the DCC framework. In order to reduce the likelihood that the technicians would, under such arrangements, take over policymaking, all such functional committees should be chaired by either State or by IDCA.

In carrying out its coordination responsibilities for IOs, IDCA should concern itself with organizations other than the eight named programs placed under its budget and policy authority. In particular, it should be concerned with the coordination of U.S. policies toward development activities of FAO and WHO. Such a role should be without prejudice to the long-standing U.S. view that development programs should not be financed out of assessed contributions.

The Institute for Scientific and Technological Cooperation

It is particularly difficult to make meaningful recommendations for the coordination of the activities of an organization that does not yet exist. Our suggestions are therefore quite general. The problems posed by ISTC discussed briefly in appendix IV suggest the following broad recommendations.

It will be important, in organizing ISTC, that AID should not be so stripped of technical personnel that it will be incapable of managing its own research program (as well, of course, as its other programs). From the point of view of research coordination, AID must have personnel capable of serving as interlocutors with ISTC personnel so as to permit the development of an adequate coordination process.

IDCA should undertake a continuing oversight of the coordination arrangements of ISTC with AID and other development institutions to ensure their adequacy. Such oversight is an essential component of the exercise of IDCA's budgetary role vis-a-vis ISTC.

The Peace Corps

The latest round in what has been a continuing argument about the autonomy and separate identity of the Peace Corps has, for the present, been concluded. If, in the future, IDCA proves an effective organization and is given more functions, the question of incorporating the Peace Corps within it should be reconsidered. The considerable potential of the Peace Corps for collaborative efforts with other bilateral and multilateral aid agencies, which has already been exhibited in a variety of programs (see app. IV) should be extended and strengthened. Meanwhile, IDCA should seek to make a continuing assessment of these collaborative efforts with a view to learning how this experience may be relevant to coordination between other aid

programs. The Peace Corps' participation in the DCC and other coordinating mechanisms should be utilized to bring a different kind of perspective and experience to bear upon other programs.

Non-Aid Issues

To influence policies in this difficult area, which is wholly outside IDCA's direct control, will require access, good staff analysis, and influence. Of these, the most difficult to provide through organizational actions is influence. The suggestions that follow deal with each of these needs. Our basic approach to the problems of influence is to attempt to suggest roles for the IDCA Director which require other agencies to deal with him and which are based upon his legitimate concerns as the official most centrally concerned with development.

The IDCA Director and/or his staff should be fully participating members of the various executive branch committees which develop policy advice and negotiating positions on trade and other non-aid economic issues affecting developing countries.

The Director of IDCA should include in his staff a group of highly qualified experts in such areas as trade, investment, law of the seas, and technology transfer. This staff should keep informed of the state of the play on major issues in these areas affecting development and should seek to ensure that IDCA intervenes at all critical decision points. It should seek to identify neglected policy issues affecting development and to ensure that such issues are addressed.

The Director of IDCA should, in cooperation with State, serve as the conference coordinator responsible for developing U.S. positions for major conferences dealing comprehensively with the North-South issues (e.g. the U.N. Committee of the Whole). The delegations to such conferences might be headed by IDCA or the Department of State with the others providing a co-chairman or deputy chief of delegation.

The IDCA Director should be given full authority to participate in all executive branch processes relating to import injury, anti-dumping and similar measures where they affect developing country exports. He should have the right to submit memoranda, development impact statements and the like bearing upon proposed actions to the Secretary of the Treasury, Office of the Special Representatives for Trade Negotiations (STR), the President and other decisionmakers. He should also be a participant in the development of orderly marketing agreements affecting developing countries.

Not only should the IDCA Director be a member of the Trade Policy Committee (TPC), as agreed by the administration, but a representative of IDCA/AID should also chair the subcommittee of the TPC Staff Committee on less developed country trade issues.

IDCA/AID should be a participant in all decisions relating to the administration of the Generalized System of Preferences (GSP) and should probably chair the subcommittee on GSP in the TPC structure.

If a Department of Trade or equivalent is established there should be an office in that department, headed by an Assistant Secretary, that would be concerned with developing country issues. The IDCA Director should form a close alliance with this official in order to enhance the influence of both.

While certain middle income countries are doing very well in trade and investment, poorer countries are not. IDCA should examine, or seek to get others to examine, what special measures might be taken to help poorer countries in these areas. In particular, it might explore how OPIC could be better utilized in such countries.

The IDCA Director will need to be in close and continuous contact with those in the Congress, as well as with domestic economic groups with an interest in these issues in order to bring them along to a greater awareness of the development importance of such issues and of the U.S. interest in development.

The IDCA Director should have some authority over, and responsibility for commenting on, all proposed trade and economic policy legislation affecting U.S. relations with developing countries.

Given the official position that debt rescheduling is not to be a form of development assistance, it may be difficult for the IDCA Director to intervene in this area. Yet, debt obviously affects development prospects. Since it is evident that there are problems with existing policy, IDCA should direct a review of that policy.

IDCA PRIORITIES

The establishment of IDCA represents a potentially significant advance over the DCC coordination arrangements, but it will be, at best, a relatively weak instrument of coordination. It should attempt to build a record of excellence in

a few areas to strengthen its claim to the assumption of additional coordination functions in the future. For reasons we have suggested, a more effective approach to U.S. policymaking for the MDBs should be a central concern. If IDCA demonstrates that it can significantly improve the policy process relating to the banks, the recently agreed division of responsibilities for the banks should be reopened.

IDCA should also seek to play a major role with respect to food aid programs, seeking to inject a stronger development orientation into such programs and to better integrate them with other development programs.

Non-aid issues, especially trade and commodity issues, should also have a high priority for IDCA. Despite their recognized importance to development, these activities have been neglected by prior development coordination mechanisms.

For reasons already discussed, IDCA should give a lower priority to international organization programs, especially if the State Department staff for backstopping such programs is not considerably strengthened.

While other development-relevant activities should receive some attention, they deserve less priority, at least initially, than those we have suggested.

CHAPTER 5

AGENCY COMMENTS

Most agencies provided oral comments during a series of meetings held with those agencies on the draft report. Treasury also submitted written comments which are appended to this summary. While a number of particular objections were raised, which are summarized below, most agencies took a very positive view of the report, finding it informative and useful.

The Department of State questioned whether the small IDCA staff would be able to perform all of the functions proposed for it in chapter 4. In recognition of the fact that the IDCA staff will, in fact, have to rely upon the staff of AID, its principal constituent agency, for the operational performance of many functions, and in view of the impossibility of determining in advance precisely how such functions should be divided, we now refer to IDCA/AID as the responsible agency where the function appears to be beyond the capability of IDCA alone.

The State Department believed that we were too pessimistic with respect to the possibilities for using the ACTION Program system to coordinate U.S. policy toward the development activities of international organizations. State acknowledged the limitations of the preliminary efforts to use the plans for such purposes as developed in our report, but argued that their limitations are not inherent and can be remedied with further effort. We do not take a dogmatic view on this subject, but for reasons outlined in the report see the ACTION Programs as probably having inherent limitations as developed coordination devices, though they may serve very well as a means of developing overall U.S. policies and strategies toward particular organizations, which was their original purpose.

State believes that its Bureau of International Organization Affairs should continue to be the principal Washington contact on the development activities of international organizations. In our original draft we recommend that IDCA be the principal point of contact. In the final report, we suggest that communications should flow directly between the U.S. missions to the international organizations and both State and IDCA. Without such direct contact, it will be difficult, in our view for IDCA to perform its coordination functions.

Agriculture did not believe that assignment of responsibilities to IDCA (particularly with respect to P.L. 480) which the report states had not been adequately performed by AID would remedy any problem. It also opposed assigning any responsibility for "technical implementation and backstopping" to IDCA or State. Agriculture disagreed with proposals that technical committees, like the committees on international organization activities in health and agriculture, should be chaired by IDCA or State, rather than by the agency with the greatest technical expertise.

It was not our intent to suggest assignment of purely technical functions to these agencies, but it is our belief that they must have functional specialists in certain areas in order to ensure that they can perform their coordination functions. Coordination will necessarily require enough expertise to permit IDCA and State to question the judgments of technical experts. We also believe that they should chair committees that play a significant role in coordinating U.S. positions for international organizations.

Both Agriculture and the IDCA planning staff felt that we are too pessimistic about the powers of IDCA to perform its coordination functions. We hope that they are right. Our reasons for only qualified optimism are developed in some detail in the report, particularly in chapter 3.

Agriculture believes that the present administrative arrangements for the administration of P.L. 480 are basically sound, and that, in particular, Title III should continue to be administered jointly by AID and Agriculture. Because we believe that the development programming and implementation aspect of Title III is a development function, we consider that final authority for this aspect of Title III administration should be lodged in the development agency. (We do not disagree, however, with Agriculture's general view that, up to a point at least, competition and conflict between agencies over the administration of P.L. 480 can be healthy.)

Agriculture was also concerned that interagency consideration of MDB projects be preserved under any new system of project review.

The Treasury Department, in comments which appear at the end of this report, felt that the draft report raised serious questions about Treasury's supervision of U.S. policy toward the multilateral banks; in particular, that the report alleged: (1) the lack of a positive U.S.

policy toward the MDBs; (2) inadequate coordination of policy between the individual banks; and (3) poor coordination with bilateral aid, producing a "patchwork" policy, which is ad hoc at best.

We did not attempt in this report an overall assessment of Treasury's management of U.S. participation in the banks. That might have been a desirable part of our review, but it would have extended the review far beyond the coordination problem with which we were most immediately concerned. We have no reason to question Treasury's argument that it has played a vigorous leadership role vis-a-vis the banks, although, as stated, we have not made a comprehensive study of that role.

What is clear is that Treasury made very little use of the DCC system of development coordination except that it transferred MDB project review process to a working group of the DCC's Subcommittee on Multilateral Assistance. As the report now makes clear, most of the coordination of policy on the major issues described in the Treasury comments as issues with respect to which the U.S. has played a leadership role was done primarily through the National Advisory Council on International Monetary and Financial Policies (NAC), with the DCC in most cases playing, at best, a minor role.

We found little evidence of use of DCC mechanisms to undertake systematic examinations of the relationship among the policies of the several MDBs or between the MDBs and bilateral U.S. programs. While for example, there were some reviews of sectoral policies of particular MDBs, there is no clear evidence that the sectoral policies of the different MDBs were systematically compared with each other. As the report makes clear, much of the responsibility for the failure to do more to relate bilateral to multilateral aid rests with AID and the other bilateral aid agencies, rather than with Treasury. The reference in the report to "patchwork" policies is not intended as a general comment on U.S. policy toward the MDBs. Rather, it is a much more limited observation with respect to the utility of the traditional reviews of MDB projects. Project reviews typically do not produce general policies. This fact was recognized in the initial terms of reference for the DCC's Subcommittee on Multilateral Assistance and its Working Group. Those terms of reference anticipated that project reviews would raise general policy issues which then would become the subject of separate general policy reviews. (See app. I.) As the report notes, this did not occur.

In its oral comments Treasury argued that, while there may be some inconsistencies among MDB policies and programs, the report overstated the extent of such inconsistencies. Treasury also does not believe that it has brought a narrow perspective to bear on MDB issues. Treasury argued that it does often question the judgments and analyses of bank management. It also did not believe that it would be a good idea to bifurcate the functions of the U.S. Executive Directors of the Banks by appointing the Alternate U.S. Executive Directors of the MDBs from IDCA. We have made no claims about the number of inconsistencies; we have identified some and have suggested that there is no systematic method for identifying potential inconsistencies. Most of the other issues involve matters of judgment, and we stand on our judgments as revised and reflected in this final version of the report.

In sum, the report is not intended as a general attack on Treasury's management of U.S. policy toward the MDBs. It does offer criticisms of DCC coordination arrangements which we find to be widely accepted and which the Treasury comments do not refute.

We reviewed a number of detailed comments from AID and the IDCA planning staff. For the most part, they involved corrections of tone or detail which we have embodied in this final version of the report to the extent we considered appropriate. The IDCA planning staff felt that we were more pessimistic than was justified about the ability of IDCA to establish its separate identity and to avoid deep involvement in the operations of AID. IDCA intends to rely heavily upon an activist staff, as we recommended in the report.

The Office of Management and Budget differed with us on the question of the size of IDCA staff. The President is intent on keeping down the size of foreign affairs staffs; a larger staff is more likely to become involved in directing the operations of the aid agency; and IDCA, as we propose, should concentrate on doing a few things well.

OMB felt that a principal thrust of U.S. efforts in the MDBs should be to preserve the advantages they possess. The main U.S. effort should be with respect to large policy issues; project-by-project reviews do not yield much. OMB suggested that we seemed to agree with the latter view, yet we proposed further efforts to improve project reviews. As a result of these comments, we have attempted to make clear in the report that we believe that the main efforts to influence MDB policies should be on major policy

issues, rather than through project reviews. Nonetheless, since the U.S. will inevitably continue project reviews, it would be desirable to improve their quality if the necessary personnel resources can be made available.

OMB was skeptical as to whether the division of responsibilities which we proposed for Title III of P.L. 480 was workable. OMB argues that AID does, in fact, dominate the development programming process, but that the general cooperation of Agriculture in the program is also important. Though P.L. 480 has, perhaps, been studied excessively, there has been no study of its success in achieving intended objectives; OMB felt that such a study could be useful.

Comments were received from some other agencies, but these were of a relatively minor nature and/or were incorporated in the report.

CHAPTER 6

SCOPE AND METHODOLOGY

We have examined three major subjects in this report: the nature of the development coordination problem; the effectiveness of recent development coordination efforts centered in the Development Coordination Committee (DCC); and the likely effectiveness of the new International Development Cooperation Agency (IDCA) in remedying the weaknesses of the DCC system. This analysis provides the basis for our recommendations for strengthening the new IDCA system.

Work on this review occurred simultaneously with the Administration's work on a reorganization plan for the development coordination function which produced the proposal for IDCA submitted to the Congress in April 1979. This timing permitted us to take advantage of the rethinking on the problem that was taking place within the executive branch and to make suggestions for improvements while the new coordination mechanisms were still being shaped. We made an input into the decisionmaking with respect to the reorganization plan itself especially, but not exclusively, through testimony by the Comptroller General before Senate and House Committees in May 1979. ^{1/} This report elaborates the general lines of the argument that the Comptroller General developed in his testimony. Subsequently, our draft report was made available to the administration in the period when an IDCA planning staff was developing its plans for the new reorganization prior to its actual establishment.

In preparing the report we reviewed numerous documents, reports and memoranda. For example, we examined several draft versions of the Presidential Decision Memorandum which posed the reorganization issues for the President's decision. We were also able to build upon our prior work and reports in several of the major issue areas and we reviewed relevant congressional hearings and reports. We interviewed many officials in the Departments of State, the Treasury, Agriculture and Commerce; in the Agency for International Development;

^{1/} See statement of Elmer B. Staats, Comptroller General of the United States, before the Senate Committee on Governmental Affairs on "Improving Development Coordination," of May 1, 1979, and the Comptroller General's statement on the same subject before the Subcommittee on Legislation and National Security of the House Committee on Governmental Operations of May 21, 1979.

the IDCA planning staff; the Office of Management and Budget; the NSC staff; ACTION; the Overseas Private Investment Corporation; and the Office of the President's Special Trade Representative. We also interviewed ex-government officials and reviewed relevant academic literature. The Team Director participated in two conferences and panel discussions sponsored by private groups and one sponsored by the Congressional Research Service on the subject. We maintained contact with the Congressional Research Service in connection with its preparation of a parallel study. 1/

Research for the report was completed in the summer of 1979. No attempt has been made to reflect developments that have occurred since the establishment of IDCA in October.

1/ Issues and Options in the Coordination of U.S. Foreign Aid Policy, Report prepared for the Committee on Foreign Affairs, U.S. House of Representatives, by the Foreign Affairs and National Defense Division, Congressional Research Service, Library of Congress, Government Printing Office: 1979. Document No. 44-401-0.

COORDINATION OF MULTILATERALBANK AND U.S. AID PROGRAMS

This appendix, like the other appendices, focuses upon the operation of the Development Coordination Committee as the mechanism chosen by the President in the spring of 1978 to improve coordination of development activities. It does not attempt to assess the overall performance of the Treasury Department in managing U.S. participation in the multilateral development banks (MDBs). Treasury can make a strong case that it has, in the past 3 years, given forceful direction to the management of U.S. participation in the banks and that it has been very successful in influencing policy needed and desired directions--in the direction of increased emphasis upon development of energy resources, upon reaching the poor, upon graduation of the advanced developing countries from MDB concessional aid, upon burden sharing and the like. 1/

Our purpose here, however, is the much more limited one of assessing the DCC system for coordination of MDB and bilateral programs. The limited success of the DCC system in this area is, as the discussion below makes clear, by no means wholly a Treasury responsibility. Treasury is, nonetheless, the lead agency for the MDBs and its decisions were important to the effectiveness of the DCC Subcommittee and its Working Group.

It is evident from the record that Treasury chose to rely mainly on other coordinating mechanisms, formal and informal, in seeking to coordinate basic policies toward the banks although it shifted MDB project reviews to the new mechanism. In response to our request for examples of successful coordination of policies toward the MDBs through means other than the DCC, Treasury provided a list of MDB policy issues coordinated through the National Advisory Council on International Monetary and Financial Policies (NAC), in a 1-year period. (See pp. 83-87 below.) It is evident from this list that Treasury has continued to rely heavily upon the NAC, which it chairs and staffs, for interagency coordination.

1/Cf., for example, the Treasury comments on in appendix V of this report and the Statement of the Honorable C. Fred Bergsten, Assistant Secretary of the Treasury for International Affairs Before the Subcommittee on Foreign Operations, Committee on Appropriations, House of Representatives, dated March. 27, 1979, especially pp. 25-30.

Of the seven policy areas mentioned by Treasury as areas of accomplishment in the MDBs in its comments on a draft of this report (see p. 137), a majority were, according to Treasury account, coordinated through the NAC. Treasury claims that DCC mechanisms were involved on three issues--reaching the poor, graduation and energy lending.

It should be noted that the NAC was also involved in all three. The DCC's involvement on the issue of reaching the poor occurred when a subgroup of the WGMA was used to develop a U.S. position on the definition of the poor for the Inter-American Development Bank (IDB) replenishment negotiations. The first consideration by the DCC of the graduation issue did not occur until this last September when the IDCA Director-designate convened a DCC meeting to consider the U.S. position on a World Bank proposal on this subject. As a result of the concerns of the U.S. and others, action by the World Bank was deferred. With respect to energy, Treasury has pointed to the fact that, at OMB initiative, Governor Gilligan convened a series of meetings on the subject while he was still AID Administrator (and DCC Chairman). However, these meetings were not on the issue of lending for energy projects by the MDBs, but dealt instead with the question of how responsibility for energy programs and projects in developing countries should be allocated within the U.S. Government. The overall record, then, is one of minimal DCC involvement in the issues in which Treasury has claimed major U.S. accomplishments.

In what follows, we are not necessarily suggesting that all such policies toward the MDBs should have been coordinated through the DCC. There is no magic in the DCC as such. Treasury may have been right in opting for other means of coordination, though the NAC's concerns, as the list in pp. 83-87 once more suggests, tend to emphasize the financial and administrative aspects of development policy. What is evident, moreover, is that the coordination of multilateral development bank (MDBs) and AID programs appears to have improved little as a direct result of the operations of the DCC. Under the President's May 1978 directive a Subcommittee on Multilateral Assistance (SMA) and a separate Bilateral Assistance Subcommittee were established. They have suffered from the general defect of the DCC structure that they are directed more toward the coordination of agency views with respect to MDB and AID programs than toward coordination between those programs. While it can be argued that inter-program coordination may occur as a consequence of the fact that the same individuals often participated in the activities of the two subcommittees, we could find almost no evidence that questions of the relationship between multilateral and bilateral policies and programs were raised in either committee.

The nature of the activities of the two committees has been very different. The active part of the SMA--the Working Group on Multilateral Assistance--has carried on the MDB project reviews previously conducted by the Interagency Staff Committee of the NAC. The BAS, on the other hand, quickly abandoned the AID project reviews that had been performed by the Development Loan Committee and has concentrated instead on reviews of AID policy toward particular functional areas (e.g., land reform, local cost financing, aid to middle-income countries). These reviews, it is claimed, have been valuable in informing and educating other agencies with respect to the policies of AID. They have generally not produced new policies nor have they been used to raise questions about parallel bank policies.

Since the two subcommittees represent a continuation of committees that antedate the DCC directive and since the structure and leadership of the committees reflected, rather than significantly modified, existing program authority, it would have been surprising if their placement within the DCC structure had produced significantly new results. It has not.

MULTILATERAL DEVELOPMENT BANKS

Coordination arrangements: alternative approaches to influence

The key to understanding the U.S. approach to influencing the multilateral banks lies in the attitudes of Treasury toward the banks. Treasury argues, correctly of course, that, since the banks are multilateral institutions, there are distinct limits on how far the United States can and should seek to influence their activities. Moreover, Treasury believes that the generally high quality of the staff work in the bank argues against the necessity and desirability of close, independent analysis of bank proposals. Although Treasury says that it does sometimes question the judgments of bank staffs, by and large the role of member governments should, in the Treasury view, concentrate on establishing the broad policy framework for bank operations. Policy can be influenced through a variety of formal and informal contacts and meetings, but particularly through the periodic replenishment negotiations. Treasury officials also argue that the United States pays closer attention to project preparation than does any other member government and that it is already accused of leaning too hard on the banks. It must, therefore, save its influence for important issues.

Treasury officials stress the fact that each of the banks has a somewhat different character, arising from the fact that each was started at a different time for a somewhat

different set of reasons. The Inter-American Development Bank, for example, was founded because the Latin American countries were concerned that the World Bank was too pre-occupied with infrastructure-building projects and not involved enough in industrial or agricultural aid or in "social" projects. The Asian Development Bank (ADB), on the other hand, was designed to provide capital for major development projects in a large, capital-starved, region.

The IDB is a client-oriented bank; the ADB is more influenced by donors. The regional banks have generally been slower than the World Bank Group to develop and implement sound sectoral policies. The United States is the largest contributor to the World Bank and to the Inter-American Bank. Partly because of its contribution and partly for historical reasons, the United States has more influence in the IDB than in the other banks. (The United States also has a sufficient vote to block loans from the concessional window of the IDB, the Fund for Special Operations or FSO.) Japan is the largest contributor to the ADB, but tends to look to the United States for advice on ADB matters. For such reasons as these Treasury officials argue that each MDB must be dealt with differently--a fact that, some Treasury officials have claimed, AID has not yet accepted.

There are at least three kinds of processes available to the United States in seeking to influence multilateral bank policies and programs. They are project and policy reviews by the executive directors in formal directors' meetings; informal efforts with the staffs of the banks, both in Washington and in the field; and attempts to obtain policy and program changes during the periodic replenishment negotiations.

The NAC and DCC coordinating arrangements have tended to place most emphasis upon the role of the Executive Directors. At the same time, it is almost universally recognized that, with respect to development projects, it is very difficult to influence outcomes by the time that they are before the directors. In the process of generating a project many expectations have been created and implied commitments made. The prestige of the bank staffs and management is likely to have become committed to a project. At this stage the U.S. Executive Director can, if the U.S. disapproves of a proposal, abstain, vote "no," or express the U.S. reservations while voting to approve the proposal. Since a negative vote or an abstention are unlikely to be decisive, and, since a negative vote is often resented, the U.S. frequently approves proposals while expressing reservations. That this strategy can influence bank policy is suggested by the fact that continuing U.S. objections to tourism projects caused

the World Bank to deemphasize such programming though similar objections in the regional banks have not had such an effect. However, U.S. reservations are not always expressed in the MDB board meetings.

These comments have related to bank project loan proposals. It is easier to influence bank policies than projects at the stage where they are before the bank boards.

A second approach to influence is for the U.S. Executive Director and/or AID personnel to work informally with banks staffs in the development of projects and policies. Such an approach may be the most effective way to influence projects since the effort to influence can take place at an early stage before significant commitments have been made. To be effective, such processes will require improved systems for alerting U.S. officials to prospective projects or policies.

It is argued by a number of U.S. officials that informal efforts to influence projects are somewhat more likely to be effective in the field than at bank headquarters because information on projects at early stages is likely to be better in the field. The extent to which informal influence processes are, however, effective in influencing bank policies is impossible for those not immediately involved to assess.

Probably the most significant opportunities to influence broad bank policies are during the periodic replenishment negotiations when the United States and other donors commit themselves to future levels of support for the banks. As the recent case of the IDB suggests, such negotiations can be utilized to influence policies on such issues as the extent to which bank assistance will be targeted to low income groups.

A review of a Treasury Department list of examples of successful U.S. efforts to influence the banks suggests that such influence is most likely to be greatest on sectoral lending policies, on broad questions of country eligibility, on organizational matters and on financial questions (interest rates, salaries, bank budgets and the like). ^{1/} (U.S. achievements are, of course, partly a function of what proposals the United States chooses to press.) On a priori grounds it also seems likely that these are the most promising areas for U.S. influence because they are less likely than particular country policies and project proposals to raise difficult international political issues.

^{1/}Statement of C. Fred Bergsten (cited above) pp. 25-30.

What is the role of country plans as a focus for coordination efforts? We live in a world of nation states in which coordinated development planning is done at the national level. In principle, it is much easier to coordinate development activities around country plans and country programs than around a series of relatively discrete, disparate projects. However, the most important country planning by donors is now done by the MDBs and MDB country plans are not available outside the MDB staffs. Moreover, while the World Bank often injects itself into national macro-economic policy decisions, the regional banks are frequently unwilling to do so. (The International Monetary Fund also involves itself in macro-economic decisions, but its involvement is for relatively narrow purposes, seldom related directly to development.) The small size of U.S. country development programs means that they provide almost no leverage for influencing either overall national plans or MDB activities. If there is to be coordination at the country level, therefore, it will generally involve U.S. adaptation of its programs to MDB programs rather than the reverse (e.g., relating U.S.-financed rural electrification to MDB-financed hydro projects or U.S.-financed feeder roads to MDB highway projects).

Coordination arrangements:
objectives and methods

When the Subcommittee on Multilateral Assistance was established, it was envisaged that it might achieve such goals as (1) better integration of projects and policies among the MDBs; (2) improved coordination and complementarity between multilateral and bilateral programs; (3) increased U.S. influence in the MDBs through earlier and more effective project reviews; and (4) a broader developmental view of MDB activities and better identification of major policy issues. There has been little progress in the accomplishment of any of these objectives through the SMA, except for some procedural and organizational improvements in the project review system. The subcommittee itself has been inactive and the conduct of project reviews by its Working Group on Multilateral Assistance has been the principal activity under its auspices.

The SMA is chaired by Treasury and includes representatives of State, AID, Agriculture, the Export-Import Bank, the Office of Management and Budget and the NSC staff. It is served by the NAC secretariat and also backstopped by two members of the DCC staff. As of April 1, the full subcommittee had met only twice.

The first meeting was wholly procedural. The second was called as a consequence of pressure from the DCC staff (the AID Assistant Administrator) and considered papers prepared by Treasury and AID for a meeting of the World Bank/IMF Development Committee. The papers dealt with direct foreign investment, local cost financing, program lending, official development flows, cofinancing and consultative groups and consortia. The discussion led to some change in the direction of greater flexibility in the proposed U.S. positions with respect to local cost financing and program lending. In this one case, the SMA was used to develop an interagency policy consensus which not only served as guidance for the Treasury representatives in their participation in the Development Committee, but was also the basis for a subsequent instruction to the U.S. Executive Director of the Asian Development Bank.

The handling of this set of issues indicates a lack of clarity as to the respective roles of the NAC and the SMA. Originally Treasury had intended to handle the papers in the NAC which has continued to advise the Secretary of the Treasury on the "financial" aspects of policies toward the MDBs while the SMA is confined to "development" issues. Since, as we have argued, the distinction between "financial" issues and "development" issues is conceptually invalid, if bureaucratically sometimes useful, the basis for assigning MDB business to the NAC or the SMA is imprecise.

The purposes of the WGMA, as originally conceived, included the following: (1) reviewing all MDB loan and policy papers, obtaining agency views and recommending a U.S. position; (2) concentrating staff attention on priority issues and projects; (3) generating analyses and comments for use by the USEDs in meetings of the boards of the MDBs; (4) referring policy questions identified in project reviews to the SMA; (5) ensuring that U.S. reviews of MDB lending programs take place early enough to offer some prospect for influence at a time when such programs can still be influenced; and (6) developing sectoral, country and other policy papers dealing with broad policy questions and coordination issues for consideration by the SMA and the DCC.

This last function was spelled out in a draft Treasury paper on "Purposes and Procedures" in the following fashion:

"Problems that arise on a consistent basis should be studied apart from particular loan proposals. Important countries should be looked at from the point of view of what kind of multilateral development lending would be most consistent with their

needs and their development strategy. Key sectors might be studied. Relationships between the lending of the different multilateral development banks and between the MDBs and bilateral aid might be examined. The relationship of future lending to past lending patterns should also be examined."

This list of purposes provides criteria for assessing the effectiveness of the WGMA operation. Like the NAC Staff Committee before it, WGMA has met weekly to review MDB project proposals. The Treasury chairman of WGMA has, however, identified for priority treatment: (1) sectoral policy papers prepared by the bank staffs; (2) proposed loans raising significant economic issues; and (3) proposed loans bearing upon congressional concerns (primarily human rights issues, but also projects which might involve competition with U.S. exports). All other proposals are grouped at the end of the agenda and are usually approved without discussion. This arrangement focuses WGMA attention on important proposals, though the definition of what is important tends to be made by Treasury and tends still to reflect its preoccupation with the more narrowly financial aspects of development policies and programs (e.g., exchange rates, internal interest rates, etc.). Meetings have been rescheduled in such a way as to provide more time for agency review of loan documents and other proposals. Decisions are generally reached in the meeting rather than, as in the case of the NAC Staff Committee, by telephone poll following the meeting.

As a part of the project review process, Treasury has begun to prepare "talking points" on problem projects and important policy papers. These talking points provide a focus for WGMA discussion and are subsequently forwarded to the U.S. Executive Directors of the banks as a basis for expressing U.S. views during consideration of proposals by the bank directors.

Although a number of larger policy issues have been identified in the course of WGMA discussions, none of these have been referred to the subcommittee for consideration.

There has also been, at best, modest progress toward the objective of ensuring that project reviews take place soon enough to offer some prospect for influencing them at a stage when they can still be influenced. In prior work we found that, because loans were brought before the NAC Staff Committee only in the final approval stage, there was little U.S. opportunity for influence. In separate reports on the IBRD and the ADB, we recommended that the Secretary of the Treasury arrange for "the routine receipt of more substantive information before receipt of the formal loan proposal

documents * * *." 1/ When proposals are reviewed at such a late stage, there is little opportunity for comment from U.S. overseas missions and the banks are understandably reluctant to make changes in the proposals.

In an effort to remedy this deficiency, the WGMA regularly includes on its agenda the World Bank's "Monthly Operational Statements," the IDB's "Monthly Report," and the ADB's "Monthly Operational Information Report." These reports list all new loans being considered by the banks approximately 1 to 2 years before projects are submitted to the bank boards for approval. They are a source of basic, but very limited, information on proposed projects while projects are still in the planning and formulation stage. They provide enough identifying information to serve as a starting point for further inquiry. These reports, however, have received only a cursory review by WGMA. Agencies are kept generally aware of future MDB activities, but no agency is doing a thorough, systematic analysis of the projects listed, though the WGMA Chairman proposed a procedure for the review of the MDB projects which would include such analysis. It would have required commitment of additional staff time and had not been approved by Treasury before the IDCA reorganization plan was announced. There is, however, as we have suggested in the last chapter and below, a serious question as to whether greater priority should be given to project reviews because of their serious limitations as a coordination mechanism.

The multiyear country papers are viewed by Treasury officials as potentially useful tools in managing U.S. participation in the banks and in coordinating U.S. bilateral aid with MDB activities. In one instance such a country paper was used to resolve a dispute about an agricultural project when it was pointed out that the project in question was consistent with the DCC approved strategy contained in the country paper.

Coordination Arrangements:
Some Problems

Against this background, we can identify several problems of the present coordination system.

1/"More Effective U.S. Participation Needed in World Bank and International Development Association" (B-161470, Feb. 14, 1973). "Improvements Needed in System for Managing U.S. Participation in the Asian Development Bank" (B-173240, May 8, 1973).

The Limited Utility of Project Reviews. Many difficulties with the project review process have been noted in the past by us and other observers. The time to influence MDB projects is in their early formative stages rather than at the final stage when they are before the Executive Directors for approval. But the information routinely provided by the banks on projects in their formative stages is, in itself, inadequate to provide the basis for informed judgments. There has, as yet, not been a sufficient investment of personnel resources by Treasury or other U.S. agencies to permit informal exploration of the specifics of planned projects while they are still under preliminary discussion, and, thus, to provide the basis for meaningful efforts to influence those projects. Clearly, an important reason for this lack of investment of resources is Treasury's attitude toward the banks as described above. Whether better information in the early stages would significantly improve the prospects for influence through informal consultation with banks staff and whether such attempts to influence would be worth the international political costs that might be involved are questions that cannot be answered with assurance without making the attempt.

MDB project reviews have a relatively low priority in Treasury, AID and other agencies. Treasury has 15 to 20 professionals who work on this and all other aspects of MDB business (including dealing with the Congress on appropriations and other questions). AID officials also generally do not consider bank activities a high priority and, hence, usually devote very little time to them. The Latin American and Caribbean Bureau of AID is an exception. Because of the shrinking AID Latin American program and the growing MDB programs (\$2 billion annually for IDB and World Bank), the AID Assistant Administrator for Latin America has directed that the bureau's desk officers devote half of their time to keeping track of MDB projects. A Multilateral Affairs Division with three professional staff members was created within the bureau to coordinate bureau views on the aid activities of the World Bank, the IDB, UNDP, and the Organization of American States. As a consequence, both the quantity and quality of AID comments on Latin American projects is generally conceded to be better than for any other geographic area. There is a better flow of project-specific information from the field; bank activities are followed more closely, permitting problem proposals to be flagged at an earlier date; and there is improved informal exchange between the bureau staff, Treasury, and the MDBs.

In the other bureaus of AID, staff performance is judged on the basis of the effectiveness of officials in dealing with bilateral program issues. There is, therefore,

little incentive to devote time and energy to MDB activities. In addition many AID officials, probably correctly, believe that they can have little influence on MDB projects. A country desk officer is not likely to take a strong interest in an MDB loan proposal unless it duplicates, contradicts, or interferes with AID activities. Moreover, as AID has moved from broad concerns with development to much more particularized sectoral and project concerns, there has been an accompanying decline in its capability for the kind of macro-economic analysis that would provide a broader context within which to judge particular bank proposals.

For such reasons as these, the AID representative on WGMA has found it difficult to obtain substantive AID comments on MDB projects. Agencies whose responsibilities are more peripheral than those of Treasury and AID to the MDBs have even less interest in MDB activities and the views their representatives present in WGMA meetings are, in the view of one Treasury participant, largely personal opinions reflecting parochial concerns.

Additional difficulties with the project review process include the limited amount of time available for development of comments between circulation of bank documents and the Executive Directors' meetings; the tendency toward bunching of project proposals at the end of the banks' fiscal years; and the failure--for reasons of time and incentive--to get comments from AID field missions on project proposals.

More basic than this set of particular problems with the project review process is the fact that it simply does not provide a very satisfactory method for coordination of bilateral and multilateral aid activities. It proceeds in an ad hoc fashion producing, at best, a patchwork of policy. (It should be emphasized, in view of Treasury comments on our draft report, that this statement relates only to the effect of MDB project reviews. It is not intended to be a general judgment on the character and quality of overall U.S. policy toward the banks.) Coordination of policies and programs is not easily effected through examination of a disparate assortment of projects. The process is itself not well designed to promote coordination since analysis and comments focus, not on the relationship of the MDB projects to bilateral programs or to the activities of other MDBs, but upon the quality of the MDB projects themselves. Moreover, as suggested above, most opportunities for program coordination are likely to be provided, not through attempting to reshape MDB projects to relate them to AID projects, but rather, the reverse. A process concerned with developing U.S. positions on individual MDB projects does not, therefore, have the right focus for maximizing coordination of programs.

All of this does not necessarily mean that the project review process should be abandoned or that efforts should not be made to improve the quality and timeliness of information on MDB project planning. The purpose of the IDCA reorganization is not only program coordination, but also to seek to ensure that more attention is paid to the development aspects of policies and programs in which the U.S. is engaged. A better project review process would involve attention to a broader range of development concerns as suggested just below. Moreover, better information on, and analyses of, MDB activities would improve the prospect for policy and program coordination through informal communication between AID, IDCA and the banks. If such improved coordination occurs, it will, in turn, improve information.

Incomplete Perspectives. Our separate study has demonstrated that Treasury, under the WGMA reviews, as under the NAC Staff Committee reviews, has continued to dominate discussion of MDB projects and that such discussions have continued to focus primarily upon the financial dimensions of development issues. (See discussion in ch. 3.) This focus is not so much "wrong" as it is incomplete. The typical concerns of AID as well as the typical concerns of Treasury deserve a place in the analysis of the activities of the MDBs. If AID and Treasury is each somewhat parochial in its approaches to MDB projects, this is even more evident in the role of other members of WGMA. Each agency tends to pursue, somewhat ritualistically, its own particular narrow preoccupations.

U.S. priorities with respect to changes in bank policies and operations also affect the meaningfulness of the project reviews. An examination of both NAC Staff Committee and WGMA minutes indicates that MDB projects and policies are regularly approved despite the fact that the discussion has suggested basic difficulties. The apparent reasons for this tendency are two: (1) an awareness of the futility of attempting to influence bank proposals at such a late stage; and (2) the fact that Treasury understandably gives priority in MDB deliberations to those issues which are of primary concern to the Congress. It spends the influence of the United States on such questions as the salaries of bank officials; the number of women hired by the banks; potential competition of products produced by bank-supported projects with U.S. agricultural or industrial production; emphasis on population control activities; and human rights. U.S. pressure on such issues often puts the United States at odds with other donors and tends, therefore, to involve significant expenditure of U.S. political influence.

Failure to Utilize the DCC Subcommittee on Multilateral Assistance for Major Policy Reviews. As noted, the Multilateral Assistance Subcommittee met only twice in the year following its creation. The most authoritative answers we could obtain as to the reasons for Subcommittee inactivity were three: (1) Treasury staff did not raise sectoral or other issues for consideration by the Subcommittee; (2) preference by the leadership of the Subcommittee for an informal approach to coordination or use of the NAC mechanism, and (3) the view that any really important issues cut across programs and should be considered by the DCC itself.

At the first Subcommittee meeting, several issues were suggested for possible future consideration: the differing approaches to the basic human needs development strategy in bilateral and multilateral programs; field coordination between AID and the MDBs; and the sectoral policies of the MDBs. The project reviews by WGMA during the year raised a number of additional issues for possible review by the Subcommittee including cofinancing; local and recurrent cost financing; program vs. project lending; the lending policies of the banks' soft windows; graduation from MDB lending; political and development implications of the U.S. veto in IDB/FSO; MDB capacity for handling basic human needs projects; procurement practices of the banks; etc. Yet these issues were not raised to the Subcommittee level for consideration.

While primary responsibility for this failure to use the Subcommittee lies with the lead agency, Treasury, SMA policies and procedures clearly provide that the Subcommittee can be convened at the request of any member agency.

The development of sectoral or other topical policy papers could have been a particularly fruitful focus for the subcommittee's activity. For example, the performance of AID and the World Bank Group with respect to the application of environmental standards to proposed projects is much better than that of the regional banks. In the case of the IDB this is, perhaps, a partly inescapable difference because of the more client-oriented character of the bank, but it is a subject worthy of systematic examination and policy development. The WGMA did discuss at different times environmental policy papers prepared by the World Bank and by the ADB, but there was no attempt to relate the one policy to the other.

Similarly, the World Bank has provided support for population clinics in an Asian country without conditioning its aid upon a recipient country commitment to continuing support for the clinics once they were established. AID,

on the other hand, does condition its aid to population clinics upon such national commitments. Such policy differences encourage shopping around by recipient countries between donors in a way that may undermine efforts to impose development-relevant conditions upon aid.

The value of sectoral policy reviews would not be to ensure a foolish, iron-clad consistency between programs, but rather to identify policy and program differences and to seek to ensure, insofar as possible, that the MDB and AID programs are mutually supportive. An AID official has suggested the desirability of such comprehensive sectoral policies on such subjects as the environment, population, nutrition, rural development, renewable energy, appropriate technology, education and rural health. Treasury officials have said that they are willing to consider policies on such subjects but have looked to AID to take the initiative. AID officials, however, have considered that preparation of papers on these subjects would be a waste of time in the absence of evidence of positive Treasury interest.

Claims of Treasury Failures to Consult AID. While the relationship between Treasury and AID on MDB matters appears to have improved over what it has been in recent years, AID officials claim that there have been failures by Treasury to consult AID on matters in which AID has had an interest. Treasury argues that AID is always free to communicate its views to the Executive Directors, and that it is kept fully informed of bank business through the circulation of papers and through NAC Staff Committee and WGMA meetings. While AID apparently has many informal contacts with banks staffs, it is not always well plugged into the official communications system that runs from Treasury to the U.S. Executive Directors and feels that it is sometimes uninformed on important issues.

Two cases cited by AID of failure of communications involved U.S. positions in replenishment negotiations. In both of these cases AID was involved in the review of the initial U.S. position, but was not a participant in all of the negotiations or in the reexamination of the U.S. position that preceded the successive rounds of negotiation.

For example, in connection with an ADB replenishment other bank members were pressing for increasing the share of lending from the Asian Development Fund (the soft loan window of the ADB) to three middle income countries. They were countries in which the United States had a strong political interest. AID was involved in the consideration of the initial U.S. position on the issue in a NAC Alternates

meeting. However, this NAC discussion left the question of the percentage of the allocation of the ADF to the three countries unresolved. In subsequent negotiations Treasury, in part in response to State Department and international pressures, agreed to a larger allocation than AID favored. AID's objection to the decision led to an interagency review which, according to AID, demonstrated general support for the AID position. However, by then the United States was too far committed to reverse its position.

Prior to replenishment negotiations for the IDB in 1978, AID participated in a NAC Alternates meeting at which it was agreed that a larger proportion of IDB loans should be targeted for the poor. This was a subject of considerable concern to AID and it advanced specific proposals for the definition of the poor. However, AID claims it was cut out of later discussions between Treasury, State and OMB on this issue in the summer of 1978. Subsequently, as a result of pressures by AID, it was, it says, invited back into the internal discussions and the international negotiations.

In another case, AID was not consulted on the ADB's 1979 administrative budget nor was the budget discussed in the NAC or the WGMA. Treasury considered the budget review a routine administrative function; it had adopted a general position of attempting to keep down the MDB budgets. However, because of the considerable number of ADB problem projects, AID felt strongly that the bank needed additional field personnel to monitor its projects. It therefore favored an increase in the administrative budget, but had no chance to express its views. Treasury is now considering this need because a recent field visit by Department officials also disclosed problems resulting from a lack of oversight.

BILATERAL ASSISTANCE

The Bilateral Assistance Subcommittee (BAS) is chaired by the Assistant Administrator of AID for Program and Policy Coordination and has a membership consisting of AID, State, Treasury, Agriculture, the Office of Management and Budget and the National Security Council Staff. Commerce and Labor also regularly attend BAS meetings. A major accomplishment of the BAS, in the view of some of its participants, was the early elimination of the reviews of all AID projects which had formerly been performed by the Development Loan Staff Committee. As in the case of MDB project reviews, these occurred at such a late stage as to make the reviews virtually meaningless. Though the formal project reviews have been terminated, AID project documents are circulated to BAS members who are free to raise questions and identify

issues for consideration by the Subcommittee. No projects have been flagged for such consideration. Only Commerce seems to have been unhappy about the dropping of the project reviews. It saw them as an opportunity to raise questions about the implications of AID's policies for U.S. trade promotion efforts and procurement from U.S. suppliers.

As previously noted, the principal activity of the BAS has been the review of topical papers relating to the AID program. These have covered such subjects as land reform, local and recurrent cost financing, the Basic Human Needs concept and aid to middle income countries. Although these were subjects with implications for multilateral as well as bilateral programs, only in the case of policy toward middle income countries was the issue raised to the DCC level and the paper subsequently broadened to cover policy in multilateral institutions. The paper on land reform was also discussed in the Food Aid Subcommittee. AID treated the BAS as an advisory body on these policy papers. It took account of agency comments to the extent it considered appropriate. The policy, when and if issued, was promulgated as an AID policy (e.g., the paper on land reform).

The spring review of AID's annual budget submission has provided interested agencies an opportunity for participation in a general review and critique of the AID program. The BAS was also briefed by the Subcommittee chairman on the AID budget at the time that the fiscal year 1980 budget was submitted to the Secretary of State. Beginning with the spring of 1979, the major opportunity for overall review of AID's programs is to be provided by the series of hearings on the new Country Development Strategy Statements (CDSS) to which interested agencies are invited. The CDSS's are submitted by field missions; following the reviews, AID issues 5-year country budget ceilings which govern subsequent budget planning. The review of the CDSS seeks to raise the major budget, policy and program questions. The DCC mechanism has played no role in these reviews; they are conducted by the AID regional assistant administrators, the Program and Policy Coordination Bureau, and AID's top management.

The Bilateral Assistance Subcommittee, like some of the other DCC subcommittees, was less effective than it might have been because of staff constraints. The topical papers discussed in the subcommittee had been in preparation before the May 1978 action to revitalize the DCC. After running through its initial agenda of papers, the subcommittee, which had been meeting almost monthly, ceased meeting for long periods. The loss of key staff in the Program and Policy Coordination Bureau and the press of other business,

including the reorganization issue, were responsible for the slow down. The BAS chairman had intended to submit a paper dealing comprehensively with AID's activities and identifying major issues in the bilateral program, but was unable to find the time and manpower for its preparation. Such evidence suggests that DCC activities had a relatively low priority for AID personnel much as it has often had for other DCC agencies.

In sum, the Bilateral Assistance Subcommittee appears to have performed moderately useful educational functions, and may have had some limited value as an informal interagency coordinator, but in general it has not played a significant interagency or interprogram coordination role despite the fact that the subcommittee itself has been more active than its multilateral counterpart.

INFORMAL COORDINATION

Our discussion has dealt primarily with the formal system of coordination centered in the DCC. Much coordination, it is widely claimed, is done by less formal means. It is almost impossible to assess these claims. They can become an excuse for the failings of the more formal system and a reason for not strengthening it. But all who are familiar with the way government works will accept the likelihood that such informal coordination is important. It is also likely, however, that there are some political obstacles to informal communication between U.S. and international officials. In such relationships, the personalities and orientations of the international officials are often especially important. Some will be more willing to consult and to share information than others.

In 1978 there were two official meetings between the Deputy AID Administrator and the World Bank Vice President for Operations, along with other officials, to discuss informally their respective development activities. The first of these meetings was preceded by a meeting of regional assistant administrators of AID and the regional vice presidents of the Bank for informal discussion of the AID and the World Bank programs.

All MDB Policy Issues Coordinated Through the NAC,June 27, 1978-August 8, 1979

(Source: Treasury Department)

<u>Date</u>	<u>Agency</u>	<u>Subject</u>
8-7-79	IDB	Portugal - Membership
7-31-79	IBRD	Allocation of FY 79 Net Income
	IDA	Commitment Authority
7-10-79	IBRD	Financial Flows to Developing Countries and the Adjustment Process
7-3-79	IBRD	World Development Report
	IBRD	Review of Lending Rate Policy
6-26-79	IBRD	Capital Increase
	IBRD/ IDA/IFC	Review of World Bank Group Financial and Operating Programs and FY 80 Administrative Budgets
6-19-79	IBRD	General Capital Increase
	IBRD/ IDA/IFC	Nomination of Accountants
5-22-79	IDA	United Arab Emirates - Membership
	IDB	Borrowing Outside U.S. (Germany)
		Annual Meeting - U.S. Position Papers
5-8-79	IBRD	Project Implementation and Supervision
	IDB	Rural Development and IDB Multi-sector lending
	AFDF	6th Annual Meeting - U.S. Position Paper
5-1-79	ASDB	Cooperation with European Economic Community
	ASDB	ADB Twelfth Annual Meeting - U.S. Position Papers

	ASDB	Malaysia Loan
4-24-79	IBRD	Advance Borrowing Against the FY 80 Borrowing Program
	IBRD	Operations Evaluation - World Bank Stand- ards and Procedures
	ASDB	Review of Uses of Consultants
4-10-79	IDB	Complementary Financing Program
4-4-79	ASDB	Gov't of India Offers Further TA Contribu- tion
3-27-79	IFC	Burundi - Membership
3-13-79	ASDB	2nd General Capital Increase (extend time for subscription to)
2-27-79	IDB	Investment of Liquid Assets
	IDB	Dollar Borrowing Outside U.S.
	IDB	Priorities on Assets to FSO
2-20-79	IBRD	General Capital Increase (Voting Power)
	IBRD	Special Increases in Certain Subscriptions to Capital Stock
	IBRD	Yugoslavia - Subscription Increase
	IDB	Investment of Liquid Assets
	IDB	Definition of Low Income Groups
2-13-79	IDB	Investment of Liquid Assets
2-6-79	IBRD	General Capital Increase (Paid-in Pro- portion)
	IBRD	Preference for Domestic Contractors
	IFC	Peoples' Republic of the Congo - Member- ship
	ASDB	Co-financing
	AFDB	Non-regional Membership

1-30-79	IDB	Agreement with Pan-American Health Organization
	IBRD	General Capital Increase (Paid-In Proportion)
1-23-79	IDB	Disbursement of Currencies and Exchange Risk Problems
		Japan - Bond Issue
	IBRD/ IDA/IFC	Program and Budget Review
	IFC	Fiji - Membership
1-16-79	IBRD/ IDA/IFC	Program and Budget Review
	IBRD	Distribution of Exchange Rate Risks Among Borrowers
	IDA	International Agricultural Research
	ASDB	Review of Lending Foreign Exchange for Local Currency Expenditures on Projects
1-9-79	ASDB	Co-financing
	IDB	Evaluation Report on IDB Operations in the Education Sector
	IFC	Niger- Membership
1-2-79	AFDB	Non-regional Membership
12-12-78	IDB	Sale of Portions of U.S. Denominated Loans
	IDB	Designation of Outside Auditors
12-6-79		NAC Alternates Mtg. on World Bank GCI and IDA VI
11-21-78	AFDB	Non-regional Membership
10-24-78	IBRD	Environmental Activities - A Progress Report
10-10-78	IBRD	Operations Evaluation - 3rd Annual Report

	IBRD	4th Annual Review of Project Performance Audit Results
	IDB	Bank Policy on Surplus Agricultural Com- modities
9-19-78	WB Group	5th Replenishment - Adjustment of Voting Rights
	ASDB	Review of Uses of Consultants Norway - TASF Contribution
9-12-78	IMF/ IBRD	Annual Meeting Position Papers
	IDB	Evaluation Report - Operations in the Education Sector
	ASDB	Netherlands - Contribution to TASF
9-5-78	IDB	Evaluation Report - Operations in the Education Sector
	ASDB	Review of Uses of Consultants
	IBRD	Borrowing in Japan
8-29-78	IBRD	SwF Borrowing in Switzerland
	ASDB	Yen Borrowing in Capital Markets Outside the U.S. and Japan
8-22-78	IBRD/ IDA	Cape Verde - Membership
	ASDB	Denmark - Contribution to TASF
8-15-78	AFDF	2nd Replenishment of Resources
8-8-78	ASDB	Post Evaluation Activities - Report of Audit Committee
	ASDB	New Zealand - Contribution to TASF
	IDB	Semiannual Report of the 1978 Program and Preliminary Projections for 1979
8-1-78	AFDF	United Arab Emirates - Membership

7-25-78	IBRD	Allocation of Net Income Dollar Borrowing Outside the U.S. DM Borrowing Yen Borrowing Solomon Islands - Membership
	IDB	Operational Policy for Economic and Social Evaluation of Projects
7-18-78	ASDB	Borrowing in Switzerland Procurement Opportunities - Publication of
	IBRD	Swiss Franc & Deutsche Mark Borrowing
7-11-78	IDB	Bidding and Procurement - Evaluation Report
	ASDB	Pakistan & U.K. Contribution to TASF
	ASDB	Operational Functions - Reorganizations
	IBRD	Stabilization of Export Earnings
6-27-78	IBRD	Borrowing in Japan and in Switzerland

FOOD ASSISTANCE AND DEVELOPMENT COORDINATIONTHE SOURCES OF THE COORDINATION PROBLEM

From its enactment in 1954, Public Law 480, the food assistance act, has served a multiplicity of purposes. It has been directed toward surplus disposal, market development, humanitarian assistance, economic development and the support of countries or regimes in which the United States has a foreign policy interest. As P.L. 480 shipments have declined as a percentage of U.S. agricultural exports to the point where they are now only 5 percent of such exports, the pre-eminent surplus disposal purpose of the original legislation has waned in importance relative to the foreign policy, development and humanitarian purposes.

This trend has been reflected in changes in legislation which has increasingly emphasized development and humanitarian purposes. It is not so much that other purposes have been supplanted as that development has become a purpose overlaying other purposes.

From one point of view, the new developmental emphasis may have helped clarify the purposes of P.L. 480, but it also tends to create new conflicts between developmental purposes and the several other continuing purposes of the program and between the agencies that represent those purposes in the policy and program process. The problem of administering and coordinating such a multi-purpose program has been described in a 1977 Department of Agriculture report:

"A program such as the P.L. 480 Program, which has multiple objectives but no clear thrust or predominant objective, lends itself to problems * * *. It is difficult to make policy for such a program, to implement that policy, and to evaluate its impact. Some of the objectives are mutually exclusive in certain situations. Therefore, only some of the major objectives can be embraced at any given time. The real question is which of the objectives shall be given priority * * *."

U.S. agricultural commodities are transferred to developing countries under two programs. The first is the Title I program of sales for dollars or convertible local currencies on concessional terms. A substantial part of the Title I program has an underlying political rationale. The largest such programs at present are in the Near East and provide general support for U.S. peacemaking efforts. However, such transfers of real resources may also provide budget and/or

balance of payments support to development efforts, serve humanitarian needs and create future markets for commercial sales of U.S. agricultural products. Title II of P.L. 480 supports the distribution of food to people in need, primarily through U.S. non-profit voluntary agencies, but also through the World Food Program administered by the U.N. Food and Agriculture Organization. In addition to its humanitarian purposes, Title II assistance is, under congressional mandate, required to contribute to the overall development process in poorer countries through such means as food for work programs.

Title III represents the latest effort to use the proceeds of Title I sales to promote development. It offers recipient countries multi-year supply commitments with forgiveness of repayment obligations if local currency proceeds are used for mutually agreed programs relating to agricultural and rural development, health services and population planning. Of the total dollar financing of Title I, a minimum of 10 percent in fiscal year 1979, and of 15 percent in fiscal year 1980 and thereafter is to be used in Title III programs.

The Secretary of Agriculture has responsibility for Title I, consulting with State and AID. Title II is under the joint responsibility of Agriculture and AID. Both of these titles have, in fact, been administered by an interagency committee--originally the Interagency Staff Committee and now the DCC Subcommittee on Food Aid and its working group, both under the chairmanship of Agriculture. Authority over Title III has been in dispute, but is also administered by the Subcommittee and the Working Group.

In the programming process, the several purposes of P.L. 480 are typically represented by those agencies with the most direct interests in each: Agriculture with surplus disposal and market development; AID with humanitarian and development assistance; State with foreign policy; OMB with expenditures; and Treasury with repayment terms. In reality, of course, interests are not quite so clearly and neatly defined. Agriculture, for example, has become increasingly interested in the past 2 years in the development aspects of food aid and OMB's concerns range over much of the program.

Both the differences in goals and the overlapping of goals are sources of conflict. Thus, there are often conflicts between State and AID over whether food aid should be used for primarily political or primarily developmental and humanitarian purposes. But there are also conflicts

between AID and Agriculture over what development goals should be pursued and over responsibility for designing development programs. Agriculture's growing interest in development has, therefore, both increased the degree of consensus within the food aid coordinating committees and generated new conflicts. (This is not, of course, to imply that conflict is necessarily bad.)

Existing coordination committees deal almost exclusively with the goal conflicts just described. But there are other problems of coordination relating to conflicts and complementarities between food aid and other development programs. A classic, and most familiar, problem is the potential disincentive effects that food aid imports may have upon indigenous food production. However, food aid may also have positive production effects. It may generate demand which subsequently helps sustain local food production. It may be used to create food reserves which are part of a program for maintaining price ceilings and floors which encourage local production while ensuring that food supplies are available at reasonable prices in periods of local crop shortages.

Food has been used for years in food-for-work programs to build public works projects such as roads or irrigation systems. As a general resource input, food may support general economic development or stabilization programs of all kinds, although " * * * it is more difficult to use food creatively for longer-term goals of structural change than it is to use cash." 1/

Because of the possibilities for both conflicts and complementarities between food aid and other development activities, there is an obvious need for the coordination of P.L. 480 with other development policies and programs. But existing coordination machinery is not designed for such coordination.

THE DCC COORDINATION SYSTEM

As part of the effort to revitalize the Development Coordination Committee a new DCC Subcommittee on Food Aid was created in May 1978. The old Interagency Staff Committee (ISC), which had administered the P.L. 480 program since its inception, was in effect, transformed into a Working Group

1/John G. Sommer, Beyond Charity: U.S. Voluntary Aid for a Changing Third World (Washington, D.C.: Overseas Development Council, 1977) p. 149.

of the new subcommittee. The Subcommittee and its Working Group are both chaired by Agriculture as is the Working Group's Committee on Title I. The Title II Committee is chaired by AID. The agency membership in the Subcommittee and Working Group is the same as the membership in the old ISC structure: Agriculture, State, AID, Treasury, OMB and the NSC staff.

The ISC made decisions by consensus and so does the new subcommittee and Working Group. Under the ISC, the ability of any member to veto a proposed action tended to delay program decisions; often the Secretary of State and the Assistant to the President for National Security Affairs became the P.L. 480 program officers, making final decisions. The creation of an Assistant Secretary level, or Deputy Assistant Secretary-level, subcommittee, whose members have some policy authority, has apparently had some useful effect in facilitating the decision process despite the continuation of a consensus process of decisionmaking. (In practice, the members of the Subcommittee meet only when major disputes require resolution; at other times, the level of representation--and, indeed, the individual participants--are indistinguishable from the Working Group.)

Under the new arrangements disagreements not resolved in the Subcommittee are to be taken to the DCC, and, if necessary, to the Policy Review Committee (PRC) of the NSC, just as in the case of the other DCC subcommittees. In reality, the DCC and the PRC have typically been bypassed and decisions have been made in the White House without such review. A subcabinet-level Presidential Working Group on Food and Agricultural Policy, created in 1977, which is concerned with overall U.S. agricultural policy, could become involved in food aid issues, but there is no evidence that such issues have been discussed in this forum. They would be most likely to come to this group in a food crisis situation where the link between domestic and foreign agricultural policies becomes critical.

The Food Aid Subcommittee determined that its initial tasks would be (1) to focus on policy issues and on the preparation of policy guidelines (including an agreed definition of key concepts) and to ensure that such guidance was implemented and evaluated; (2) to review Agriculture's Task Force report on the operation of P.L. 480; 1/ (3) to decide issues

1/The Task Force included interagency and private sector representation.

referred to it by its Working Group; (4) to assure that budget guidance for food aid programs is coordinated with budgets for other development programs; (5) to review country and commodity allocations; and (6) to coordinate P.L. 480 activities with other food and agriculture development programs.

If Treasury's attitudes have been crucial to the determination of policy towards the MDBs, Agriculture's attitude and role has been central over the years to the operation of the P.L. 480 program. The present leadership in Agriculture has more interest in, and knowledge of, development matters than has been characteristic of past high-level USDA leadership. An indication of this interest was the creation by the Assistant Secretary for International Affairs and Commodity Programs, 1/ within his office, of a new Office of International Cooperation and Development. This office provides leadership to the international activities of Agriculture, coordinating the relevant work of the Foreign Agricultural Service and the Office of General Sales Manager and providing the leadership and staff for Agriculture's participation in the DCC system.

As in the case of the DCC's Subcommittee on Multilateral Assistance, the principal work of the Food Aid Subcommittee has been done in its Working Group which continues the program review activities of the ISC in much the same manner as the ISC. The Working Group is somewhat more effective than the ISC because of a somewhat greater degree of policy consensus, strong Agriculture leadership and a subcommittee above it which has some ability to resolve disputes that the Working Group cannot resolve. The handling of policies and programs under each of the P.L. 480 titles is somewhat different and each deserves brief description.

The programming process for Title I is initiated in the field where AID missions, working closely with host governments, develop programs which include understandings as to self-help measures to be initiated by the government. Self-help agreements cover the use of local currency proceeds generated by sale of the commodities provided. In Washington, Agriculture has the lead responsibility for developing Title I programs on the basis of field proposals and for submitting those programs to the DCC Working Group. After Working Group approval and clearance of loan terms through the NAC, agreements are negotiated under the leadership of the U.S. ambassador. Procurement, shipping and the like are handled by Agriculture.

1/The position has since been upgraded to the Under Secretary level.

How far Title I sales serve development purposes depends upon such factors as the quality of national and U.S. field mission planning; the specificity of self-help measures and the degree of compliance with them; the extent to which foreign policy or immediate balance of payments considerations are overriding; and the degree to which pressures for disposal of particular U.S. commodities are determinant. With respect to the last, the current administration in Agriculture takes credit for having successfully resisted pressures for disposal of unwanted rice through Title I sales, insisting instead on the creation of a rice stockpile.

Basic responsibility for planning and programming of the Title II food donations program rests with the voluntary agencies or the World Food Program which administer the program in the field. (70 percent is administered by the voluntary agencies.) Annual programs based upon multi-year plans and upon Washington guidelines for the annual budget submission are prepared by the voluntary agencies; reviewed by the AID mission; submitted as part of the country aid budget; and reviewed by a Title II Committee consisting of AID (Chairman), USDA, and OMB. The Committee concentrates on the largest programs and those raising important issues or proposing large changes in program. Disputes are resolved in the Working Group or the DCC Food Aid Subcommittee.

Our separate study ^{1/} has found that the Title II program's deficiencies in meeting the objectives of the New Directions aid legislation are related to the limitations of the administrative and physical infrastructures of the host countries and the voluntary agencies. We found, as a consequence, little correlation between country program size and indices of national poverty. The voluntary agencies insist upon their full independence from the U.S. Government and the Government respects such independence. Because of their autonomy, the various voluntary agencies often pursue different policies and practices in administering the Title II Food donation program. As a consequence of the dominant role of the voluntary agencies, the Title II program tends to be looked upon by AID as a program administered by those agencies rather than as a development resource. The aid agency needs, therefore, to be more involved in determining the shape of the Title II program.

^{1/}"Changes Needed in the Administration of the Overseas Food Donation Program" (ID-79-25, Oct. 15, 1979).

Title III appeared to promise much, but so far has delivered relatively little. In almost two years it has been on the books, four country programs have been approved with a total value of \$85 million. Part of the reason for the slow progress is that it has not been a very attractive program to recipient countries. Since the terms for Title I are sufficiently generous to provide, according to the Department of Agriculture's estimate, a "grant element" which is as high as 68 percent over the repayment period, there is relatively little incentive to take advantage of the debt forgiveness provision of Title III. (Inflation would tend to further reduce the real repayment obligation.) In return for a multi-year food aid commitment, the recipient is asked under Title III to allow the United States to participate in development policy decisions relating to the use of local proceeds. (The difference between Titles I and III is not absolute since under Title I countries are required to agree to self-help measures, but these are often rather vague and general.)

A further problem, which is of more immediate relevance to the present study, has been the continuing dispute between AID and Agriculture over the focus of development programs under Title III and over the related question of lead responsibility for the administration of the Title. Although the 1977 legislation includes nutrition, health services, and population planning as well as agricultural and rural development among development goals of Title III programming, Agriculture has argued that programming should focus wholly on food production and rural employment generation. Health, nutrition and population planning are seen only as adjuncts of such rural development purposes. AID on the other hand, takes a broader view of the purposes of the title, understanding them to embrace most of the objectives of the New Directions aid legislation, whether in urban or rural settings.

Agriculture and AID accept the President's decision, made in connection with action on the IDCA reorganization plan, that Title III should continue to be jointly administered. There remains, however, some difference of view over which agency shall have lead responsibility. Agriculture sees itself as playing a co-equal role in the development of programs under the title. Agriculture officials argue that AID lacks the capability for the preparation of adequate agricultural development plans; that it has insufficient agricultural economists for this purpose; and that AID's agricultural specialists tend to be out of date. It argues that Title III is an integral part of Title I for which Agriculture has lead responsibility. AID, however, sees the program as

closely linked to other development programs under its influence and control and therefore a program in which it should play the leading role.

These differences over the program and its administration were reflected in somewhat contradictory messages on the program which AID and Agriculture sent to country missions. AID took the lead in drafting instructions on the Food for Development program in November 1977 and again in November 1978. Both messages, which were cleared with Agriculture, took the broader view of the purposes of Title III. In April 1979, however, Agriculture issued its own instructions to agricultural attaches, separately encouraging them (in consultation with AID) to generate Title III projects and indicating that USDA would give priority to those projects with an agricultural/rural focus. This message, to the dismay of AID officials, was not cleared with AID prior to transmission. To date, all the Title III programs that have been approved have been developed by AID. Agriculture, however, is said to be staffing up in order to play a larger role in the Food for Development Program. It is evident that, as Agriculture has come to take a greater interest in development, it has also sought to play a larger role.

Most of the work of the DCC Subcommittee on Food Aid has consisted of the P.L. 480 program review activity of its Working Group which is accomplished in much the same fashion as under the old Interagency Staff Committee. In addition to seeking to resolve disputes in the Working Group, the Subcommittee proper has reviewed the overall P.L. 480 budget and the levels of commodities allocated to the program. It has also periodically considered country or topical issues papers. The latter have included such subjects as policy toward development, P.L. 480 definitions, Title III, and general food aid policy. As elsewhere in the DCC, discussion of these papers has not been for the purpose of developing policy directives but for the general education of the members of the committee. While such discussions may have had some effects upon policies and programs, such effects are obviously subtle, indirect and difficult to identify with specificity.

COORDINATION ARRANGEMENTS: SOME PROBLEMS

From one point of view, the DCC Subcommittee, its Working Group and the committees on each of the P.L. 480 titles can be seen as quite successful operations. The program review process--with the exception of Title III--is well institutionalized as a consequence of the many years of experience with the ISC, and the recent creation of a policy-level subcommittee has facilitated the resolution of disputes. The system works in the sense that a complex set of potentially

conflicting objectives are reconciled or compromised in the context of a proposed country program. In these several respects the system is very much like the MDB project review system. It reflects the American way of government--government on an ad hoc, case-by-case basis and there is much to be said for it. But the system has some deficiencies.

Continuing Conflicts Over Program Objectives. The multiplicity of objectives and the conflicts over which objectives should have priority has been the central problem of the food aid program to which the present coordination system is addressed. To some considerable extent these conflicts are inescapable and can be resolved only through a bureaucratic political process. State and AID will inevitably do battle over the political versus the developmental uses of food and Agriculture will necessarily be concerned with the implications of food aid for the welfare of American agriculture.

The conflicts are accentuated by the fact that, while the greater emphasis upon developmental and humanitarian purposes is accepted at higher levels in the agencies concerned, this emphasis has filtered down much less to working levels where traditional attitudes remain relatively unchanged.

The lack of any reasonably comprehensive and systematic effort to assess the success of P.L. 480 programs in achieving their several objectives, such as market development and various economic development purposes, means that the debate takes place without the benefit of a factual and analytic context which might lead to more informed decisionmaking.

Continuing problems with respect to responsibility for Title III. Although AID and Agriculture officially support existing arrangements for the administration of Title III, it is evident that the question of authority has not been fully and satisfactorily resolved. Agriculture's view of the goals of the program are different from AID's and it seeks to play an expanded role in Title III programing. While there is an obvious sense in which Title III is, as Agriculture claims, an integral part of Title I, since it involves forgiveness of Title I repayment obligations, there is no inherent link between the design of Title III programs and the administration of Title I. Developing and monitoring Title III programs are clearly development planning and administration functions that are most appropriately performed by the development agency. At the same time, so long as Agriculture has primary responsibility for Title I, there must also be close cooperation between AID and Agriculture in the negotiation of Title I programs with a Title III adjunct.

There is also said to be a great deal of confusion in the field as to the administration of Title III. Such confusion is not helped by the issuance of instructions from Agriculture which appear to contradict previously agreed interagency instructions.

Neglect of Inter-Program Coordination. The existing system is preoccupied with attempting to reconcile the various purposes of the food aid program as reflected in the views of various U.S. agencies. There has been relatively little attention to the relationship between the development aspects of the P.L. 480 program and other development programs and activities. Although AID is deeply involved in the process of programming food assistance, its Food for Peace Office, which handles P.L. 480, has traditionally been poorly integrated into the rest of AID and inadequately cognizant of its activities. The new Country Development Strategy Statements (CDSS) appear, on the basis of a sampling, to make relatively little progress in integrating P.L. 480 with other program planning, although there are some individual exceptions. The U.S. has not yet found a satisfactory vehicle for relating the food aid program to overall country development and to country aid strategies, though the CDSS could become such a vehicle. (AID will seek to rectify this deficiency in the CDSS's, requesting the field missions to pay more attention to P.L. 480 and to its relationship to other development aid when the next set of such strategy statements are prepared.)

There has also been a neglect of the relationship between U.S. food aid programs and other bilateral and multilateral programs relating to food production and agricultural development. The relationship of the U.S. program to the International Fund for Agricultural Development has, for example, been virtually ignored. While there has been some informal communication and coordination with other food donors (Canada, Australia, European Economic Community countries), it is minimal and is not related to the U.S. food aid decisionmaking process.

Deficiencies in Subcommittee Operations. There are a number of particular problems with the operations of the subcommittee and its working group. Though the subcommittee has met more regularly than other DCC subcommittees, the level of representation in the subcommittee has shown some tendency to decline, suggesting a declining commitment and interest. In common with other DCC subcommittees, the work of the Food Aid Subcommittee has often had a lower priority within the agencies than other current activities of those agencies. The Subcommittee is a policy body, but, like the other DCC

Subcommittees, it has done little to develop new policy. It has discussed a few policy papers, but without any intent to produce an agreed policy statement. Moreover, much decision-making with respect to P.L. 480 programs occurs informally outside the subcommittee structure.

The Office of Management and Budget continues to play an important and broadly defined role in the Working Group; a role considered by many in Agriculture and AID to be disproportionate to the legitimate concerns of OMB with the program. OMB's role grew formally out of the fact that USDA's Commodity Credit Corporation had the authority to finance programs out of revolving funds at levels which exceeded a single year's P.L. 480 appropriations. This has caused OMB to play a larger than usual oversight role with respect to this program to ensure that expenditure levels are compatible with the President's budget. However, CCC no longer has such authority and OMB's role has expanded beyond oversight in any commonly understood sense of the term into a deep involvement in day-to-day program planning. With congressional establishment of specifications for country eligibility, minimum levels for Titles II and III and the like, the original justification for the OMB role has been weakened.

OMB argues that, because of unpredictable variations in worldwide crop conditions, the P.L. 480 budget is one of the most uncertain; that the interagency process tends to produce lowest-common-denominator decisions to proceed with all proposed programs; that pressure for supplemental appropriations is therefore common. If, however, the IDCA Director is to be the President's development coordinator, it does not seem appropriate that OMB should continue to perform the overall Presidential staff advisory function for the program. Other agencies (e.g., Treasury) with a very peripheral relationship to the program are members of the Subcommittee and Working Group. While Treasury has played an appropriately back seat role in recent months, it has considerable potential for intervention and could play a more activist role under different Treasury leadership.

Though the delays produced by the consensual system of decisionmaking have been erased by the greater degree of consensus in the Working Group and by the availability of the subcommittee to resolve differences, the ability of any member to veto a program does constantly threaten delay.

To sum up, that aspect of the DCC coordination of P.L. 480 that has been most effective is the aspect with which there has been a very long experience--the program approval process for Titles I and II currently conducted by the Working Group. But the DCC system can be said to work well only

if one defines its objectives narrowly. It provides generally adequate interagency coordination, but does little to promote interprogram coordination.

COORDINATION OF THE DEVELOPMENT ACTIVITIES OF
INTERNATIONAL ORGANIZATIONS

The United States has a substantial investment in the United Nations system. The President recently reaffirmed the U.S. commitment to support the U.N. system, stating that "the United States will make the fullest possible use of the United Nations to assist in solving the many political, economic, legal, and humanitarian problems that press upon the international community." The U.S. continues to be the largest financial supporter of the U.N. family of organizations, and the absolute size of the American contribution has steadily risen though its relative contribution has declined. The fiscal year 1979 U.S. assessment for the U.N. and its specialized agencies is estimated at over \$273 million or about 24 percent of total assessed budgets. U.S. contributions to voluntary programs are estimated at another \$244 million, or about 25 percent of all voluntary contributions.

As the size, scope, and importance of multilateral programs have increased, the quality of U.S. participation in the international organizations has failed to keep pace. One of the most recent in a long series of reports on the subject by us concluded that there is "a continuing lack of unified policy, direction, and coordination with respect to U.S. participation" ^{1/} in most of the U.N. system. The State Department agrees. In a comment on executive branch coordination last year, it concluded: "The U.S. Government faces a growing problem of being unable to speak to international organizations with sufficient policy coherence to have the influence we want.... Adequate coordination does not exist today among the various U.S. Government agencies involved."

The complex array of international organizations and the diversity of their activities complicates U.S. participation. The IO programs involve a broad range of activities--developmental, humanitarian, scientific, educational, and cultural--which engage the interests, and encourage the involvement, of a large number of U.S. agencies in the development of U.S. policy. Although the management of U.S. participation in the U.N. system has been the responsibility of the Secretary of State, the IO

^{1/}"U.S. Participation in International Organizations," (ID-77-36 June 24, 1977)

Bureau of State Department has little technical expertise in the functions and programs of the various international organizations and, consequently, tends to rely largely upon the relevant "domestic" agencies for advice. But because the United States has multiple goals in these international bodies and because of the parochial orientations of the domestic agencies, they have, at times worked at cross-purposes with each other and with State. Moreover, there has often been insufficient attention to the development dimensions of policies and programs.

Efforts during the past year to strengthen the State Department's management of U.S. participation in the IO's and to improve interagency coordination produced little improvement. Neither the new IO policy Management Process nor the new DCC Subcommittee on International Organizations (DCC/IO) has so far provided an effective means of coordination among agencies or among programs.

In designing a system of development coordination to cover IO activities, one problem has been to identify which organizations should be included. There are approximately 15 organizations in which the United States participates that were created specifically to provide technical, developmental or humanitarian assistance. The assistance activities of these organizations are financed out of "voluntary" contributions. The United States has opposed, in principle, the use of funds from assessed contributions for technical assistance programs on the grounds that member governments should be free to decide which programs they will assist and at what levels. However, there has been an increasing tendency in some organizations to use funds from their regular, assessed budgets for assistance to Third World countries, often at the expense of the organization's traditional functions which are related to the needs of all member governments. This tendency has fueled an international debate and affected the Administration's recent decisions as to which international organizations should be included within the authority of the newly established IDCA Director. Consistent with the U.S. Government's position on aid from assessed contributions, only organizations with assistance activities financed from voluntary contributions have been included. That means that some organizations with substantial assistance programs--the U.N. Food and Agriculture Organization (FAO) and the World Health Organization (WHO) in particular--will remain under the lead responsibility of the Secretary of State since the U.S. does not make voluntary contributions to these organizations.

ALTERNATIVE APPROACHES TO INFLUENCE

With the increasing proliferation and expanding memberships of international organizations, with the growing number of development activities initiated by such organizations, and with the increasing injection of North-South political issues into UN debates, it has become more and more difficult for the United States to influence such organizations. U.S. objections to multilateral programs or U.S. attempts to slow down the growth of IO budgets tend to be viewed by the developing countries as denials of the Third World's aspirations for development as reflected in their demands for a New International Economic Order. Although the fact that the United States is the largest contributor to the U.N. system gives the United States somewhat more influence than other states, American voting strength is no greater than any other member.

In addition to being the largest contributor, the United States has some other sources of influence, the extent of which varies from one international organization to another. In some organizations, the United States may be on the Executive Board or its equivalent. It may also be a member of regional governing bodies where they exist (e.g., two of the six WHO regional commissions). U.S. bilateral aid efforts and U.S. technical expertise may give it a leading role in a particular field (e.g., health, population). In some cases (e.g., UNDP and UNICEF) Americans are the top administrators. While the United States scrupulously avoids instructing such international civil servants, their American professional background and experience naturally has some influence on their orientations.

There are at least four kinds of processes through which the United States can seek to influence the development assistance activities of international organizations: (1) formal program and budget meetings held by each of the agencies (e.g., UNDP's Governing Council; WHO's Executive Board, Program Committee and the World Health Assembly; and FAO's Program and Finance Committees and the FAO Council); (2) donor meetings, such as aid consortia or consultative groups and the Geneva Groups of major Western donors; (3) formal regional meetings of international organizations and informal meetings on regional programs between AID and international organizations; and (4) informal contacts in-country and at headquarters between American aid officials and representatives of the IOs.

The U.S. Government is represented in the formal meetings of the international organizations by delegations which generally include representatives of State Department and

the relevant functional agencies (e.g., AID, USDA, HEW). Meetings of the UNDP Governing Council focus on the UNDP 5-year country programs and other broad issues. FAO's Program of Work and Budget are prepared biennially and reviewed by the FAO Council for approval. The U.S. has formal opportunities to influence the work of WHO at several junctures. The WHO prepares a general 6-year program of work which is approved by the World Health Assembly, consisting of all member governments. Within this program framework and tentative budget allocations made to the regions by the Director General, the biennial programs are prepared at the regional level and presented to members of the respective regional committees for comment and approval. Regional program proposals are then forwarded to WHO headquarters for review and consolidation into the Organization's proposed program. This program is examined in detail by the Executive Board (of which the U.S. is a member) and its conclusions and recommendations are submitted to the World Health Assembly for final approval.

Two sets of factors affect the possibilities for U.S. influence through these formal meetings. The first set relate to the nature of the planning programming and budgeting processes. Broadly speaking, planning and programming is quite decentralized and dominated by a combination of self-defined country needs, the views of functional specialists and the Director Generals of the organizations.

UNDP programming begins with indicative planning figures prepared in advance of the five-year planning cycle on the basis of projected funding from member governments. These figures developed by the Secretariat are subject to Governing Council approval. Allocation formulas, based principally on population and GNP per capita, determine the level of funding available to each country. Country programs are developed by the recipient countries themselves, although general guidance regarding sectoral distribution of development activities is often provided by the Secretariat and the UNDP Resident Representative. Technical advice to recipient countries on projects comes mainly from the U.N. specialized agencies and programs which administer development programs on behalf of the UNDP.

With variations, the general approach to planning of other international organizations whose activities are financed by voluntary contributions involves three elements. Groups of functional specialists from members states define broad lines of effort which are embodied in short to medium term plans. These plans or work programs are approved by member governments through the organizations'

general governing bodies. Broad plans are translated into country programs and projects by recipient countries, working with the staffs of the international organizations. Country programs are cumulated in overall budgets which are submitted for approval by the organizations' general governing bodies. By the time budgets are considered, however, the organizations are already committed to a set of country programs and projects which, it is typically argued, were authorized by the original plans. Hence, the definition of broad programs and plans by the functional specialists and the determination by recipient countries and by the Director Generals and their international staffs of country programs essentially determine the programs of the organizations.

In the case of WHO, where the regional offices play an important role in the planning and programming process, it is generally agreed among the member nations that they will not discuss individual country projects after they are incorporated in regional program documents. Discussion centers, instead, on intercountry and interregional programs.

The FAO budget does not provide enough detail to allow U.S. agencies to deal with the substance of the programs. Moreover, the budget reviews concentrate almost exclusively on the regular, assessed budget, largely bypassing the two-thirds of FAO's expenditures which come from voluntary contributions and which mainly support developmental activities. (As previously noted, the United States does not make voluntary contributions to FAO.)

The second kind of factor which affects U.S. influence in formal meetings of international organizations is the introduction of international political issues, including major North-South issues, into the deliberations. Much of the energy in the periodic meetings of international organizations is devoted to such issues.

Meetings of donor countries are important forums for the exercise of U.S. influence and coordination among bilateral and multilateral donors. Country aid consortia or consultative groups provide formal development coordination on a country or regional basis. The groups, which meet once or twice a year and are chaired by a World Bank official, examine country programs and exchange information. The U.S. also participates in the Geneva Groups (first based in Geneva, but now also in New York, Paris and Rome), which are consultative groups composed of the major western donors to the international organizations, and that are concerned with budget totals and administrative questions.

The United States is a member of two of WHO's six regional committees (American and Western Pacific). These committees are closer to the regional and country levels where policy and program decisions are generally made. To facilitate development coordination on a regional basis, AID met with FAO last year to discuss problems in Africa and possible ways of dealing with them. A similar meeting was planned for 1979 to review problems in another region, most likely Asia.

Liaison activities with the United Nations and its specialized agencies are carried out through seven U.S. missions which are headed by State Department officials but also backstopped by personnel from the relevant domestic agencies. For example, a Public Health Attache, funded by HEW, supports the U.S. mission in Geneva, reporting through the U.S. Ambassador to the European Office of the United Nations to the State IO Bureau on WHO activities; a USDA official is part of the U.S. mission to FAO; and AID has representatives in the USUN mission in New York. AID also has annual meetings with the WHO leadership to discuss program areas of common interest (e.g., primary health care, family health, population, nutrition, tropical diseases, environment, and women in development) and to encourage closer coordination of the development assistance activities of the two agencies.

Many U.S. officials believe that, since key program decisions, particularly on sectoral priorities, are made at the country level, the most effective way to coordinate aid activities is to encourage in-country exchange between the AID Mission Director and IO personnel. Particularly important is the UNDP Resident Representative, who, under arrangements now being worked out, will generally be designated by the U.N. Secretary General as the lead person/coordinator of all U.N. development activities in the field and who will often chair in-country donor meetings. The State Department and AID also require U.S. embassies and aid missions to prepare regular reports evaluating new or ongoing UNDP programs in their countries. Most AID field missions, however, concentrate on the implementation and administration of the American bilateral assistance program and give very little attention to multilateral activities.

It is evident from our brief description of IO policy processes that the possibilities for U.S. influence are limited and, often, indirect. If the Director General or the field representative of a U.N. organization happens to have views that are similar to those of U.S. representatives, there may be relatively considerable opportunities

for influence, though the influence of international officials themselves is often quite limited because of the strong role of recipient countries in the planning and programming processes--a role that the United States has supported.

OBJECTIVES AND METHODS

Until recently coordination of U.S. policy toward international organizations has been managed through the development, under the guidance of the State Department, of position papers prepared for various meetings of such organizations. The mechanisms of coordination presently utilized include a new "policy management process," separate DCC Subcommittees on International Organizations and International Health, the Interagency Working Group, and the United Nations Economic Council.

To provide the Department of State with a greater capability for exercising its responsibility for leadership and coordination within the executive branch, the State/IO Bureau has, in the last 18 months, developed a policy management process. It is designed to enable the Bureau to: (1) identify and analyze issues and related U.S. interests; (2) elicit effective involvement of the relevant Executive Branch agencies; and (3) assure that U.S. multilateral policy objectives are identified, coordinated within the Executive Branch, and related to overall U.S. foreign policy goals.

This process involves the formulation and implementation of "Action Programs" which are to serve as comprehensive annual statements of U.S. policy in a particular international organization. The Action Program system was not originally conceived as a development coordination device. Developed before the revitalization of the Development Coordination Committee in May 1978, the Action Programs were designed to be comprehensive statements of U.S. policy objectives and courses of action. They were to focus upon major issues, alternative courses of action, and possible U.S. initiatives. An implicit purpose was to provide the basis for carefully calculated political judgments as to the appropriate trade-offs between U.S. support for aid activities and the other benefits to the United States from the activities of an organization. The Bureau also sought through the Action Programs to establish more clearly State's role as coordinator, manager and director of U.S. policy toward the IOs. While inputs were to be sought from other departments and agencies, the Action Programs were not intended primarily as an interagency coordination device.

When the DCC was restructured, and the IO Bureau given responsibility for the International Organizations Subcommittee, Bureau officials saw the Action Programs as a useful tool for also coordinating development activities. It was envisaged that the final programs would be reviewed by the Subcommittee before they were forwarded to the Secretary of State for approval.

The process began in spring of 1978 with cognizant offices in the Bureau preparing Action Programs for eight major organizations in the U.N. system: the United Nations itself, Food and Agriculture Organization, International Atomic Energy Agency, International Civil Aviation Organization, International Labor Organization, United Nations Development Program, United Nations Educational, Scientific and Cultural Organization, and World Health Organization. The expectation was that, by September 1978, the Bureau would have issued a series of five to seven page Action Program Decision Memoranda containing the Secretary of State's decisions on the issues raised in the programs.

Unfortunately, the Action Programs encountered difficulties which diminished their value as tools for improving U.S. participation in the international organizations. According to Bureau officials, they have had insufficient time and staff to administer the new process; day-to-day responsibilities and departmental efforts relating to the Helms Amendment put the action program process far behind schedule. As of June 1979, when it was already past time to have begun work on the CY 1980 papers, only one 1979 Action Program Decision Memorandum (FAO) had been prepared and reviewed by the DCC/IO, and no interagency consensus was reached on it.

The quality of the initial Action Program drafts varied considerably. Several of the submissions did not follow the prescribed format outlined by the Bureau, a number were quite late, and some were inadequately analytical. Issues had not been assigned financial implications. U.S. UN Mission officials were informed of the new process but there was no requirement that the Action Programs be coordinated between the Bureau directorates and the Mission. Consequently, there was only scant input from USUN. The extent and quality of information submitted by relevant executive agencies also varied, although the IO action officers were directed to draw heavily on the substantive expertise of other agencies. AID was consulted in the drafting of both the WHO and FAO Action Programs but, according to a State Department official, the AID responses were minimal. AID was not consulted during preparation of the UNDP Action

Program. HEW was consulted on the WHO Action Program; USDA provided no input for the FAO Action Program. The lack of more extensive interagency participation in the new system may have reflected the generally held view that the Action Programs were internal State Department management tools. The IO Bureau has noted that, in the future, it intends to involve other Executive Branch agencies more fully and to place a greater emphasis upon developmental issues.

In view of these problems, the policy guidance benefits of the 1979 Action Program documents have been minimal. The Assistant Secretary of State for International Organization Affairs has characterized the utility of the initial programs as "limited, at best." Nonetheless, State/IO officials consider the initial round as having had educational benefits. It highlighted the Bureau's need to know more about the substantive operations and orientation of the international organizations and programs, and not to limit its concerns simply to procedural and political matters. In our recent update review of U.S. participation in the IOs,^{1/} we concluded that the policy management process is a serious first attempt to come to grips with the need for comprehensive policy statements for the IOs, but that process needed fuller and more consistent support from the Department.

The Action Programs have suffered from other, perhaps more basic, defects as instruments for the coordination of U.S. views on development issues. It is difficult to ensure that their time phasing coincides with IO budget and program cycles. Because they are comprehensive statements, dealing with many non-development issues, it is difficult, though not intrinsically impossible, to ensure that they pay adequate attention to development issues. Although the UNDP and WHO Action Programs necessarily dealt with development activities, the issues raised in them were mainly organizational and managerial in character. The FAO program raised more substantive development issues. The organization and management emphasis is not surprising, given the decentralized character of the programming process in most of the organizations and the difficulty, therefore, of influencing that process. Little attempt was made to relate U.N. programs to other multilateral programs or to U.S. bilateral programs. In this respect they reflected a common deficiency of other DCC coordination efforts. In sum, while the Action

^{1/}"U.S. Participation in the United Nations: An Update," (ID-79-26, August 10, 1979).

Programs have greater potential than they have so far demonstrated as vehicles for development coordination, it is still uncertain whether they can successfully serve as primary vehicles for such coordination.

When the Development Coordination Committee was restructured in May 1978, a Subcommittee on International Organizations (DCC/IO) was established. Chaired by the Assistant Secretary of State for International Organization Affairs, it is responsible for the IO developmental activities which the U.S. supports through voluntary or assessed contributions. Representation on the DCC/IO includes the Departments of State, Transportation, Commerce, Interior, Labor, Housing and Urban Development, Health, Education, and Welfare, Energy, Treasury and Agriculture, the Office of Management and Budget, the Agency for International Development, the Environmental Protection Agency and the National Security Council Staff.

A work plan drawn up by the IO Bureau outlined the responsibilities of the DCC/IO Subcommittee: (1) Review, from a developmental perspective, proposed Action Programs. The Subcommittee's views would be taken into account by the IO Bureau when preparing final drafts of Programs. (2) Participate in the preparation and review of the AID Administrator's annual aid policy statement to ensure that multilateral developmental activities were given adequate consideration. (3) Provide advice and assistance on the level and type of U.S. contributions to multilateral agencies. The subcommittee was also to be concerned with assessing the total developmental effort of multilateral agencies, clarifying budget responsibility for multilateral developmental activities and proposing means for assessing the impact of multilateral developmental assistance. (4) Ensure that positions taken by U.S. representatives are the product of prior consultation and coordination so that policies in each IO are consistent and reflect overall U.S. developmental goals and objectives.

Measured against this work plan, the performance of the IO Subcommittee to date has been disappointing. While officials from member agencies believe it offers an opportunity to enhance interagency communication and to influence the policy process of the IO Bureau, it is generally agreed that the Subcommittee has been under-utilized and has done little to improve overall coordination of development activities. The IO Subcommittee has provided some good interagency exchange on some important issues--a major problem is that it has not met frequently enough. In its first year of operation, the Subcommittee was convened only five times.

The initial meeting dealt with procedural matters. The second was dedicated to interagency review of the FY 1980 international organizations budget proposal for voluntary contributions prepared by the State IO Bureau. It is said to have been a valuable discussion. Agency representatives reacted to the proposed level of funding for particular IO programs and exchanged views on broader issues such as the need to establish priorities among the proposed contributions and the relationship between voluntary and assessed contributions. Because the Subcommittee review took place before the proposal had been submitted to AID, the IO Bureau was able to take account of agency comments before completing its submission. The third meeting was devoted to discussion of the measures the U.S. could take to strengthen U.N. nutrition activities. Issues related to the U.N. conference on Technological Cooperation among Developing Countries were discussed at the fourth Subcommittee meeting. The FAO Action Program Decision Memorandum was reviewed at the fifth meeting. Although no interagency consensus was reached, the proposed decision memorandum generated a good discussion between AID and State on the issue of the propriety of funding technical assistance activities from assessed contributions.

The Subcommittee has not fulfilled several important functions outlined in its original work plan. None of the FY 1979 Action Programs, with the exception of the FAO paper, have been considered. The AID Administrator's annual policy statement was not reviewed, although IO Bureau officials underscore its potential importance in providing the general framework for U.S. participation in IO programs. Finally, the Subcommittee has not discussed U.S. positions for specific IO meeting as might be expected if it is to "ensure that positions taken by U.S. representatives *** are the product of prior consultation and coordination within the Executive Branch," as the work plan specifies.

Some of the weaknesses of the IO Subcommittee are those that are common to the DCC structure. Like the Bilateral and Multilateral Assistance Subcommittees, the IO Subcommittee has become inactive as other responsibilities have absorbed the time and attention of the lead agency and the Subcommittee Chairman. As in the case of the multilateral and bilateral assistance subcommittees, the IO subcommittee is an advisory body, and it is advisory, not to the Chairman of the DCC, but to the lead agency--in this case, State. Moreover, it is advisory only on the developmental aspects of IO programs. Since its role is so limited and since it has yet to find an effective way to play that role, it is not surprising that it has been inactive. Moreover, it is evident that this advisory relationship has meant that the Subcommittee

has added almost nothing to the strength of the DCC organization or its chairman. Finally, while the IO Subcommittee has helped coordinate the positions of U.S. agencies on some IO matters, it has not coordinated U.S. participation in the U.N. system with overall U.S. development policy or with policy toward bilateral aid or multilateral bank programs.

Several months after the restructuring of the DCC a new Subcommittee on International Health was established within the DCC system. The Subcommittee is co-chaired by AID and HEW (Public Health Service), and includes representation from the Departments of State, Agriculture, and Defense, ACTION, OMB, NSC, Office of Science and Technology Policy (White House), and the ISTC Planning Office. One of the primary purposes of the Subcommittee is to assist HEW and AID in the coordination of their respective development activities in the health sector, but its terms of reference specifically state that the Subcommittee's work is not limited to developmental matters. It has become involved in an array of international health matters that are only peripherally related to development, such as the potential effect of pending legislation on ongoing international health efforts and planning the HEW Secretary's trip to China.

The Subcommittee also deals with general WHO matters, including: general U.S. policy toward WHO; the statement of the Secretary of HEW delivered at the World Health Assembly; the planning and implementation of International Health Initiatives; and coordination of U.S. bilateral health programs with WHO activities through these "Initiatives." Participants believe that the International Health Subcommittee plays an important role. There has been no serious conflict between the IO Subcommittee and the Health Subcommittee because the latter has, in effect, taken over the major responsibility for WHO.

The control by State over the coordination of U.S. participation in the developmental activities of IOs was also circumscribed by the creation at the first meeting of the IO Subcommittee of an Interagency working Group for International Organizations in Food and Agriculture under the chairmanship of Agriculture. While nominally under the control of a subcommittee chaired by State, the new Working Group, in fact, itself has primary responsibility for ensuring that U.S. policy in food and agriculture organizations is consistent and that the programs of such organizations are complementary. The Working Group consists of State, Agriculture and AID, with other agencies being represented on matters of interest to them.

The Interagency Working Group, which replaced the FAO Interagency Committee, performs a variety of specific functions: development of policy concerning food and agricultural organizations, program and budget reviews, nominations of delegations to conferences, preparation of position papers, and other activities. Its scope of responsibility extends not only to FAO but also to the World Food Council, the International Fund for Agricultural Development and other food and agriculture organizations. There are 14 committees under the Working Group, usually chaired by USDA officials, dealing with such issues as food aid, rural development, animal health, commodities, nutrition, technical agriculture, forestry and fisheries. The Working Group has considered requesting a DCC/IO Subcommittee discussion of the FAO Technical Cooperation Program because of its use of assessed contributions for technical assistance, but the USDA officials decided against such action because the Subcommittee meets too infrequently. The Working Group is generally viewed by its members as an effective body for the discussion of international food and agriculture issues.

A final interagency coordination mechanism which predated the new DCC structure is the United Nations Economic Committee (UNEC). UNEC is a working-level body that serves as a coordinating mechanism for the assignment, development and clearance of position papers for U.S. delegations for major U.N. meetings. It coordinates U.S. positions for the U.N. General Assembly, Economic and Social Council, U.N. Industrial Development Organization, U.N. Children's Fund, UNDP, and other U.N. organizations. Positions for FAO are established through the Interagency Working Group; for WHO, through the DCC International Health Subcommittee. UNEC is chaired by officials of the State Department and its membership includes representatives from all agencies involved in international organizations.

UNEC serves as a task assignment device. At an initial assignments meeting the agenda for the forthcoming international organization meeting is presented. Such agendas include country project proposals, country programs, policy papers and other issues that will be discussed. Agencies agree to write position papers on the item(s) of particular interest to them, or ask to be a clearing agency. Subsequently, a clearance meeting is called to enable the relevant agencies and offices to sign off on the papers. Generally, clearances will have been already obtained and the meeting serves as a forum for raising technical points. The State Department, in any case, retains the final clearance authority. It is through this standard UNEC position

paper and clearance process that much of the general policy for the international organizations is still developed.

The effectiveness of UNEC is a subject of some inter-agency disagreement. State IO officials believe it has served as an effective coordination mechanism for formulating U.S. position papers and see no need to change it, only to broaden its scope and strengthen its operation. State officials say that other participating agencies take a similar view. AID officials, on the other hand, argue that UNEC reflects an ad hoc approach to the international organizations; that no attempt is made to develop general strategies and comprehensive U.S. positions. One such official has suggested that it would be desirable to create a group which would meet regularly to consider economic development issues raised by international organization programs.

UNEC has no direct relation to the DCC/IO Subcommittee and, in the view of one IO Bureau official involved in UNEC, does not need to be integrated into the DCC system. Although the IO Subcommittee could, perhaps, consider issues when interagency disagreements arise on a position paper, the official thought it more efficient to continue to deal with such disputes outside a committee meeting which would include agencies without a direct interest in the issue in question.

If the annual aid policy statement were directed at general policy issues (e.g., aid to middle income countries; the roles of various bilateral and multilateral aid programs in a basic human needs strategy), it might serve as a relevant guide to U.S. policy in the IOs. The decentralized character of program decisionmaking and the limited U.S. influence in IOs would, however, severely limit its operational significance. These factors limit even more the utility of multiyear country papers as guides to U.S. action in IOs.

COORDINATION ARRANGEMENTS:
SOME PROBLEMS

The Proliferation of International Problems,
Organizations and Development Programs

With growing global interdependence, an increasing number of problems, previously considered domestic, have become matters of international concern. One result has been a proliferation of international programs and organizations. Organizations to deal with environmental problems, population growth, crop emergencies, multinational corporations and the like have been added to the UN system. Meanwhile,

the growing numerical dominance of developing countries within the system has stimulated the creation or expansion of development and humanitarian aid programs by a variety of old and new international organizations. The result, in the words of a 1977 report by the Senate Committee on Governmental Affairs, 1/ has been that:

"The proliferation of international organizations makes it more difficult to draft and implement a comprehensive and consistent overall development strategy because of the increased number of autonomous international organizations which must be consulted and their interests satisfied * * * Really effective coordination has not been achieved, especially in the development assistance area."

If development of coherent, coordinated strategies within the U.N. system itself has been almost impossible, the development of coherent U.S. policies has been doubly difficult. The U.S. faces not only the disarray in the U.N. system, but also a parallel disarray within its own ranks as a variety of U.S. agencies have developed an interest in IO programs and as the capacity of the State Department to manage U.S. participation in the system has correspondingly declined.

The U.S. has sought to improve coordination within the U.N. itself by attempting to establish the principle that the development effort will be coordinated by the United Nations Development Program and that all development efforts will be financed out of "voluntary" contributions by member governments so that the administrators of international organizations cannot undertake development programs without the explicit support of donor governments. But neither principle has been fully accepted.

The fact that some relatively large assistance programs (e.g., some FAO and WHO programs) are financed out of assessed contributions presents a dilemma for U.S. coordination arrangements. Some believe that to include these programs among those to be coordinated by the development coordinator is to give an implicit stamp of legitimacy to such financing practices. But to ignore them in creating U.S. coordination arrangements is to leave out some important development

1/"U.S. Participation in International Organizations," Senate Committee on Government Operations, 95th Congress, 1st Session, Document No. 95-50 February 1977.

programs that very much need to be coordinated with related bilateral and multilateral programs. The administration's reorganization plan omitted specific reference to such activities.

Problems Arising out of U.N. Decisionmaking Processes

The United Nations has been decentralizing its planning and programming process for development assistance along the lines outlined above. It has done so with U.S. encouragement and in parallel with a similar effort by AID to decentralize its planning and programming to field missions. The object has been to make programs more responsive to country needs. But the new emphasis upon development coordination tends to introduce a centralizing tendency into the administration of foreign assistance. While coordination can occur in the field--and many argue that with respect to multilateral programs in particular, that is where it should occur--field coordination cannot accomplish many of the objectives of a coordination system. A decentralized system of decision-making discourages efforts to bring the greater overall coherence into programs.

A further obstacle to improved coordination is the introduction into the debates of international organizations administering development programs of divisive international political issues. At the most recent meeting of the UNDP Governing Council, for example, the questions of aid to the Palestinians and to liberation movements became matters of debate.

Proliferation of U.S. Domestic Agency Involvement

In parallel with the proliferation of international organizations, there has been a proliferation of involvement by U.S. domestic departments and agencies in the work, including the development-related work, of the international organizations. In part this tendency is inescapable because the State Department cannot hope to duplicate the in-depth expertise of domestic agencies on technical issues. However, once involved, they tend to strengthen their own staffs to deal with the new function. The tendency therefore takes on a self-reinforcing aspect. Some examples will illustrate the problem.

USDA maintains direct contact with the U.S. Mission in Rome regarding FAO issues, clearing all cable traffic with State Department. The IO Bureau encourages direct USDA communication with FAO for the exchange of technical and statistical information, but one important Agriculture official commented that his department's responsibilities

should be broader. He felt that the responsibility for enunciating U.S. policy should not reside solely in State, although State should be primarily responsible for ensuring policy consistency. It was his belief that there should be a division of responsibility for IO's which was more consistent with the division of expertise within the government (i.e., that Agriculture should play a larger role with respect to international food and agriculture matters).

Similarly HEW is heavily involved in IO health activities. The State Department permits the Public Health Service to consult directly with WHO on technical and program matters. A Public Health Attache supports the U.S. Mission in Geneva, acts as a technical/medical liaison with WHO, and provides informational summaries of WHO issues and activities to the Ambassador, the State Department and HEW. HEW is primarily responsible for preparing the U.S. position for the World Health Assembly and the HEW Secretary has headed the U.S. delegation the past 2 years.

International activities have an understandable attraction to agency heads. But if the Secretary of Agriculture takes a personal interest in FAO and the Secretary of HEW takes a similar interest in WHO, the capacity of the State Department to coordinate U.S. involvement in international organizations is further undermined. An Assistant Secretary of State for International Organization Affairs is poorly situated to give instructions to a cabinet secretary and it is most unlikely that the Secretary of State will take on the Secretary of Agriculture over an FAO issue. There is an asymmetry of interest and involvement in such situations which undermines the capacity of State to coordinate.

Inadequate Commitments of Resources of IO Activities in State and AID

Officials from both State and AID involved in U.N. program management feel that their agencies give IO matters a low priority. The number of staff in the State IO Bureau has decreased significantly in the past decade, even as there has been a dramatic increase in the number of organizations and programs and in U.S. contributions to them. Insufficient personnel have hampered the Bureau's efforts to implement the new policy management process. Bureau officials believe it is almost impossible to manage U.S. participation in the IO's effectively, given staff limitations. Our study 1/

1/"Improving U.S. Participation in the United Nations: An Update" (ID-79-26, August 10, 1979).

similarly reached the conclusion that the Assistant Secretary of State for International Organization Affairs continues to lack sufficient authority and command of resources to effectively coordinate U.S. efforts in multilateral affairs. Yet, the IO Bureau's requests for additional personnel to strengthen its management capabilities have been denied. (We also previously noted that too frequent rotation of officers makes it difficult to build a needed continuity of experience.)

Officials of State and AID believe that there is a need to sensitize State Department officials to development issues and activities of IO's. This could increase the flow of information from the embassies regarding IO activities in the field and also help broaden the scope of the Action Programs.

AID's involvement in IO development programs and activities could also be improved. One AID official responsible for U.N. matters commented that, outside the Intragovernmental and International Affairs Bureau, AID dedicates few resources and little attention to IO matters because the agency's principal concern is with administering the American bilateral aid program. He has difficulty obtaining inputs on position papers from the geographic bureaus and desk officers. International organization activities, like MDB activities, are given relatively little attention by most AID missions as well. This lack of commitment of resources in State and AID to IO activity both stimulates domestic agencies to play a larger role and limits the capacity of State (or AID) to manage that role. The ICDA Director is unlikely to make much headway in carrying out his new responsibilities for IO development activities with his relatively small staff unless the capabilities of the International Organization Affairs Bureau in State are also strengthened.

Inadequate Interagency Coordination

As in the case of other development policies and programs, coordination arrangements have focused on interagency coordination rather than upon inter-program coordination. Relatively little attention has been paid to the relationships between IO policies and programs and MDB and bilateral policies and programs. However, in this particular program area, the problems of interagency coordination seem the more serious problems as well as those most amenable to action, given a willingness to commit the necessary resources.

Numerous officials agree that there is inadequate coordination between the various Executive Branch agencies

involved in U.N. activities. As domestic agencies have become increasingly active in IO matters and have established direct lines of communication with U.N. organizations, the State Department has found it more difficult to manage U.S. participation. Agencies do not always keep the IO Bureau informed of their contacts and do not always coordinate positions with State Department. For example, according to an FAO source, HEW encouraged WHO to provide technical training in agricultural education while USDA was, without HEW's apparent knowledge, pressing a similar recommendation upon FAO. And, according to a State Department official, USDA encouraged FAO to continue technical assistance activities financed from assessed contributions at a time when the official U.S. position opposed such use of assessed contributions.

Moreover, domestic agency personnel provide technical advice to the specialized agencies of the United Nations in the planning and programming stage which, in effect, commits the U.S. to support certain kinds of country programs when the agencies' budgets are up for review and the State Department has a more decisive voice. It is such reasons that led the IO Bureau to conclude that:

"Too frequently our multilateral efforts demonstrate a lack of common purpose as Executive agencies at times have worked at cross-purposes ***. We too often speak with one voice at the technical level, another at the budget level and yet another at the political level. Because other agencies do not feel obliged to channel their activities through the Department, we often do not even know what we are telling the multilateral bodies."

Lack of Comprehensive Policy Guidance

For a combination of all of the reasons described above, the United States has never developed adequate comprehensive policies containing clearly stated objectives and priorities to guide U.S. participation in international organizations. This is a deficiency to which we have pointed time after time. With respect, more specifically, to the development activities of international organizations, the State/IO Bureau noted, in a paper last year, that "We do not currently have a consensus within the U.S. Government on the U.N.'s role in development."

The State Department's Policy Management System and its Action Programs were intended to remedy the general policy

deficiency. For reasons discussed above, they have so far not succeeded. We have expressed the belief, in our most recent report on U.S. participation in International Organizations, 1/ that with stronger State Department support, the Action Programs can meet the need for general comprehensive policy guidance. For reasons discussed above, it is less clear, however, that these papers can also serve the needs of development coordination.

It is evident from this discussion that we are still some distance from having an adequate system for coordinating U.S. policy toward development activities of international organizations or of ensuring coordination between bilateral and multilateral development efforts.

1/"Improving U.S. Participation in the United Nations: An Update" (ID-79-26, August 10, 1979).

OTHER PROGRAMS AND ACTIVITIES

In this chapter we examine more briefly some other activities of the U.S. Government which have a bearing upon development. We look first at three organizations, two of which--the Institute for Scientific and Technological Cooperation and the Overseas Private Investment Corporation--are to be included in IDCA and another of which the President decided should be left outside IDCA (the Peace Corps). We also consider the problem of coordination as it relates to nonaid resource transfers, in particular to trade and debt policy.

THE NEW INSTITUTE FOR SCIENTIFIC AND TECHNOLOGICAL COOPERATION

In a March 1978 speech before the Venezuelan Congress, President Carter announced his intention of creating an Institute for Scientific and Technological Cooperation (then referred to as the Foundation for Technological Cooperation). A number of studies of the U.S. foreign aid program during the past decade concluded that the longer-term problem-solving research programs and sustained efforts at building scientific and technological capacity in developing countries should be separated from the other functions of the bilateral assistance program. The most recent such recommendation was made in a 1977 Brookings Institution study on foreign aid alternatives. The plan for the proposed ISTC was subsequently developed by a planning office in AID. Legislation to create the new Institute was transmitted to the Congress in February 1979.

The Characteristics of ISTC

The need for a new, separate institution has been frequently questioned. The planners and supporters of ISTC argue that the proposed Institute will

- provide a means for developing, testing, adopting, and bringing to the stage of application technology appropriate to both development problems of the poor and to global problems;
- aim at building problem-solving capability in the developing countries themselves;
- involve experts from developing countries in the planning and program implementation of the Institute;

- allow for a new relationship with advancing, "middle tier," countries on a cost sharing or reimbursable basis;
- provide a focal point in the U.S. Government for monitoring research and development done by various agencies having relevance to development;
- seek greater involvement of U.S. science and technology communities in addressing development problems;
- provide a means of engaging the private sector more directly in meeting needs in developing countries; and
- demonstrate U.S. commitment which will strengthen the U.S. role in the U.N. Conference on Science and Technology for Development (UNCSTD).

It is claimed that what will distinguish ISTC from AID is "different personnel, a longer time frame, a different programming process, an alternate system of evaluation and a set of [quite different] relationships." To put the matter somewhat differently, what will mainly distinguish ISTC will be a quite different operating style, in a broad sense of that term. ISTC will develop closer relationships with third world research institutions, will seek to develop third world research capacity, and will have a group of third world Institute Fellows on its staff for periods of 2 to 4 years. It will also recruit noncareer specialists for relatively short, fixed-term assignments to staff the organization; will simplify contracting procedures; will be more independent from day-to-day AID operations; and will generally seek to introduce a problem orientation, more flexibility and a longer term perspective. into its operations.

Ten problem areas on which ISTC will concentrate were outlined in the administration's congressional presentation. They are: (1) increasing agricultural productivity and rural income; (2) improving health conditions; (3) improving population programs; (4) nutrition improvement; (5) strengthening indigenous science and technology capacity; (6) improving processes of technological cooperation; (7) communications and information systems; (8) energy planning and new energy supplies; (9) environmental protection and natural resource management; and (10) nonagricultural employment.

The first-year of ISTC operations will involve a combination of new initiatives related to these problems and

the absorption and redirection, as appropriate, of some ongoing projects from the Agency for International Development, especially the centrally funded research projects which were directed primarily toward the search for new knowledge or the testing of technologies rather than toward the direct support of AID field missions. Also included will be projects in fields of secondary interest to AID, which are, however, of major importance for ISTC because of ISTC's particular problem focus. The administration's budget request for the initial year of operation (FY 1980) is \$25 million, plus \$66 million of AID activities tentatively planned for transfer.

The Coordination Problem

During the past year and one half, a number of our reports have identified problems in the coordination of development research activities which merit attention in light of the establishment of the ISTC and the designation of the IDCA Director as coordinator of U.S. development assistance activities. These problems include: continuing weaknesses and deficiencies in AID's management of its own research work; a lack of coordination or information exchange between most U.S. agencies regarding their research and appropriate technology projects applicable to developing countries; problems in managing U.S. participation in the international agricultural research centers; the existence of a number of executive branch agencies in the energy sector but no U.S. policy as to their respective roles.

Our recent report 1/ pointed to some problems with the management of certain AID research activities. It was found that because of a lack of coordination and information exchange within AID and with other Federal agencies and donors, numerous studies and research activities were duplicating, at least in part, already completed or ongoing work. This was mainly the consequence of AID procedures which do not require project managers to screen information banks to first determine whether the desired study or research was already available. Also, there is no central supervision of AID's total research program. AID bureaus operate quite independently in initiating and approving studies and research. There is limited communication between the central and regional bureaus even though

1/"Agency for International Development Needs to Strengthen Its Management of Study, Research, and Evaluation Activities" (ID-79-13, June 12, 1979).

they are often involved in projects in the same functional development areas. Consequently, there were numerous examples of bureaus and missions simultaneously conducting studies and research in the same general development areas unaware of related work being done elsewhere, although a substantial amount of this work probably had interregional application. These facts led us to conclude:

AID needs a more effective system for determining and using the extensive study and research previously done by AID and others, and needs to take full advantage of study and research existing outside AID.

Another problem identified in the same report was AID's failure to collect and disseminate information generated in its own development assistance efforts for use by other aid donors. The Agency had not systematically sent information on its ongoing research efforts to the Smithsonian Science Information Exchange nor regularly transmitted the results of its work to the National Technical Information Service.

Along this same line, in another study, 1/ we concluded that the "U.S. Government presently lacks a centralized coordinated, and effective information system for Appropriate Technology projects" and "interagency coordination of AT projects and programs is virtually nonexistent except through informal personal contacts by interested officials. This results in little knowledge of other agency programs and no program comparison." Many domestic agencies were found to be performing AT projects that have potential for overseas application but there appear to have been few efforts to identify, collect, and make these projects available for transfer to, or use in developing countries. Although a number of separate information storage and dissemination systems are maintained (by NTIS, AID, USDA, and Department of Energy), NTIS is the only centralized government system which specifically designates a project as "appropriate technology" and retains the information for future use. Unfortunately, that system is not comprehensive because some agencies are not submitting all project information. Consequently, it is difficult readily to obtain information on appropriate technology projects.

1/Briefing Summary for Congressman Clarence Long, on U.S. Preparation for the U.N. Conference on Science and Technology for Development, 1/25/79.

Another report 1/ pointed out problems in managing U.S. participation in the international agricultural research centers--a responsibility which is planned to be transferred from AID to ISTC. It was found that AID had no formal mechanism for coordinating and monitoring assistance to these international centers and that the coordination of AID's own research programs and those of the international centers could be improved. We recommended that AID develop a more specific overall strategy for administering agricultural research activities.

There is much potential for duplication and interagency coordination difficulties in a number of issue areas in which ISTC will concentrate its efforts. These include energy, population, and training. Our recent review of U.S. energy assistance to developing countries 2/ found that serious problems already exist in this area. A number of U.S. agencies, including AID, Department of Energy, the Export-Import Bank, OPIC, and Peace Corps, are involved in energy development assistance work. There has been a great deal of intra-agency and interagency conflict in the energy area. We also noted there was a great potential for duplication, particularly between ISTC and AID's Office of Energy.

ISTC will work in the population program and policy area but AID will continue to need a population research capacity because of its ongoing population control work. None of AID's scientific and technical education and training projects are to be transferred to the ISTC and the Institute will conduct its own projects in this area.

It is rather paradoxical that, at a time when a major effort is under way through IDCA to better integrate development programs, action should be taken to spin off much of AID's research and development function as a separate operation. As our reports summarized above have pointed out, there are already serious problems of coordination of research relating to science, technology, and development. AID's own

1/"U.S. Participation in International Agricultural Research" (ID-77-55, 1/27/78).

2/"U.S. Energy Assistance to Developing Countries: Better Planning Needed" (draft report).

capacity for research management is likely to be drained off into the new agency which, like IDCA itself, is to be created within existing personnel ceilings. AID is already critically short of technicians and its complement of technicians has been declining. The problem-orientation of ISTC and the country-orientation of remaining AID research could further complicate the coordination task.

At best, the coordination of government-sponsored research activities is a difficult task. Private contractors often pursue their own particular research interests. Where research supports programs, the program managers may be reluctant to keep others informed, especially until it is certain that the research will come out "right." Moreover, such research is so embedded in operating programs that it is often difficult to distinguish from other components of the programs. Problems of communication between various scientific disciplines complicate the task of comparing potentially related research. Problems of communication between expert and layman make research difficult to coordinate when layman play--as they necessarily must--a role in the coordination process.

The problem of coordination receives only brief and passing references in the last version of the ISTC proposal--its congressional presentation. There are references to "joint working committees and field arrangements," not otherwise developed. An earlier version of the report noted that the research coordination committees would operate under the DCC. Certainly this problem must receive early attention from IDCA and ISTC if a great deal of conflict and duplication are to be avoided.

THE OVERSEAS PRIVATE INVESTMENT CORPORATION

A continuing subject of controversy is the appropriate organizational placement of the Overseas Private Investment Corporation. The administration chose to make OPIC an autonomous unit within IDCA, with the IDCA Director replacing the AID Administrator as chairman of the OPIC Board, and the Board continuing to establish all Corporation policies and budget. A legislative proposal (S. 377) to provide for a Department of International Trade and Investment provides, in part, that OPIC will be transferred to the new Department. The administration's trade reorganization plan does not, however, include the transfer of OPIC.

The differences of view result from the fact that OPIC legislation and its programs have elements of trade and

investment on the one hand, and development assistance on the other. OPIC encourages and assists those private investments which promise to accelerate economic growth in developing countries. Proposals are examined on the basis of the sponsor's estimates (and, in some cases, the host government's assessment) of its potential contribution to economic development in the host country, including net foreign exchange gains; net effect on tax revenues, jobs, and local prices; compatibility with national development plans; backward and forward linkages to the local economy; technology to be utilized; participation of local capital and management; the extent of training programs; and potential environment impact.

The development orientation of OPIC has been strengthened in recent years. A task force created at the beginning of the present administration to review OPIC policies recommended that the developmental aspect of the Corporation's work be further emphasized. Legislation proposed by the administration, and passed in 1978, directed a major shift in OPIC priorities. The Congress directed the Corporation to give preferential treatment to investment projects in the poorest countries (those with a GNP per capita of \$520 or less) and to see that its operations supported projects which complement or are compatible with other developmental assistance projects or programs of the U.S. and other donors.

Officials of OPIC and the Commerce Department initially opposed the IDCA reorganization proposal on the grounds that the positive image of the Corporation within the business community would probably suffer if OPIC were identified as part of the U.S. foreign assistance administration and the authority of the OPIC Board were undermined. But, because the final reorganization plan essentially preserved the current status of OPIC, these same officials now believe the association with IDCA will have positive results. Closer ties with the development coordination system will allow OPIC to become more involved in U.S. development policy formulation, improve interagency information exchange, and make it easier for the Corporation to work with AID and the MDB's to complement their development activities, especially in the agricultural sector.

The administration's decision regarding OPIC does little to increase the authority and responsibility of the IDCA Director with respect to OPIC since it preserves the OPIC Board's responsibility for the policies and budget of the Corporation. IDCA will have authority to comment on OPIC budgets and to recommend senior staff appointments. The

loose association could be used to improve coordination of programming and to give OPIC officials more access to development assistance coordination forums.

THE PEACE CORPS

Since 1971 the Peace Corps has been a component of ACTION which combines domestic and foreign volunteer programs. The Humphrey bill of 1978 proposed that its connection with ACTION be severed and that it be placed within IDCA as a component of a semiautonomous International Development Institute, responsible for coordinating the development activities of Peace Corps volunteers, private voluntary agencies, and cooperatives.

The Director of ACTION, while generally supportive of inclusion of the Peace Corps within IDCA, expressed concern that there be more assurance that the special identity and autonomy of the Peace Corps be preserved and that the Peace Corps not simply become an arm of a larger foreign aid agency. The President, in his decisions on the Humphrey bill, took a parallel line. In the debate on this question in the year following, the questions of the special identity and the autonomy of the Peace Corps remained the heart of the question.

The President did not include the Peace Corps among the organizational components of IDCA when he approved a reorganization plan in February 1979, but directed instead that a separate study of the Peace Corps issue be undertaken. When the House of Representatives approved legislation placing the Peace Corps within IDCA, the executive branch study was telescoped with the President opting in favor of a largely autonomous Peace Corps within ACTION. The Senate supported the President's decision and in conference the House accepted the Senate's view. The legislation enacted left the Peace Corps within ACTION.

Among the arguments for incorporating the Peace Corps within IDCA were that it would improve coordination between the Peace Corps and other assistance efforts; that it would make IDCA something more than just a re-named AID and would marginally enhance the authority of the IDCA Director; that it would strengthen the Peace Corps' ability to advocate, within the development community, development strategies which promote local self reliance and participation; and that it would give the Peace Corps more direct access to the material and financial support of AID.

On the other hand, it was argued that its inclusion would submerge the Peace Corps and ultimately end its separate identity as happened with comparable organizations

in several European countries; that such a merger failed to recognize the nondevelopmental roles of Peace Corps as a unique people-to-people program; that it would increase Peace Corps identification with U.S. foreign policy and encourage claims that it was an intelligence-gathering agency; that it would consequently be less acceptable to host countries; that it would become simply a source of inexpensive low-level technicians for AID; and that transfer of Peace Corps from ACTION might undermine, and lead to the demise of, the domestic volunteer programs of ACTION as well as sacrifice whatever benefits may accrue from cross-fertilization between the domestic and foreign programs.

Even while this argument was going on, there has been an unprecedented increase in the extent of actual cooperation between the Peace Corps, AID and multilateral aid agencies. This shift from an arms-length relationship with other programs was a consequence of changed attitudes in the Peace Corps toward such cooperation and of AID's change to a basic human needs development strategy which meant that the Peace Corps and AID programs were closer in basic spirit than they had ever been before.

Thus, for example, Peace Corps volunteers played a major role in the relief activities in the Sahel and in the subsequent efforts to avoid the devastating effects of prolonged drought in that region in the future. Similarly, the Peace Corps has cooperated with AID on an agricultural productivity project in Ecuador, on biogas research in Nepal, on well restoration in Tunisia and the like. In FY 1978 Peace Corps Volunteers participated in AID-supported programs in about 29 or the 38 countries in which both had missions. (In about 20 countries the Peace Corps provides the only U.S. development assistance presence.)

An April 1978 joint AID-Peace Corps letter to AID and Peace Corps country missions urged AID officers and volunteers "to seek additional opportunities for cooperation and coordination." It also recommended that, in countries where joint programming does not exist, such programming be explored. The letter concluded on the following note:

"We would like to bring AID and the Peace Corps into closer contact from the very beginning of the project planning cycle to ensure that Peace Corps and AID resources are considered when program plans are designed, developed, and implemented*** [such] participation by the Peace Corps might well serve to increase project effectiveness

and provide particularly satisfying PCV job assignments."

In testimony before the House Committee on Foreign Affairs on February 7, 1979, the Deputy Director of ACTION, also indicated that mechanisms were being developed to coordinate AID's Country Development Strategy Statements with the Peace Corps' Country Management Plan Process. In addition, a Peace Corps Fellow has been assigned full time to AID's Office of Program and Policy Coordination for the purpose of improving combined programming between the Peace Corps and AID.

Collaborative relationships have also developed between the Peace Corps, UNDP, WHO, the Pan American Health Organization, and the World Bank. With the Bank there is agreement that contacts will be maintained between both field personnel and planning offices of the two organizations with a view to identifying and developing opportunities for collaborative effort. In general, collaboration between the Peace Corps and these various aid entities is project-oriented.

It could be argued that present and prospective arrangements are ideal. The Peace Corps will have virtually complete autonomy within ACTION, yet its association with ACTION dissociates it from American foreign policy. It retains its special identity and its special characteristics, while at the same time it has increasingly coordinated its activities with those of other aid donors, thereby enhancing the development potential of its activities. The Peace Corps is a member of the DCC and thus has a channel for communicating the relevance of its particular experience to the wider development community.

There are, however, problems in the Peace Corps-AID relationship as we pointed out in our March 1979 report, "U.S. Development Assistance to the Sahel--Progress and Problems" (ID-79-9, Mar. 29, 1979). They grow out of different planning and programming systems, unsatisfactory past collaborative experiences and limited Washington followup. The Peace Corps' increased dependence upon AID support makes it vulnerable when AID fails to meet its commitments on time. Such failures can be demoralizing to Peace Corps activities which depend, more than most government activities, on the esprit of the participants. An opposite problem is that the Peace Corps' sense of its own uniqueness and purity of motive may still limit its willingness to collaborate.

The question of where the Peace Corps should be lodged organizationally is a very close one. We have not studied the impact upon ACTION's domestic programs of transfer of

the Peace Corps to IDCA, a problem, which, we understand, was very important in determining the decision of the executive branch. If IDCA had involved more consolidation of foreign aid activities, the argument for including the Peace Corps would have been stronger. Its activities are much more akin to foreign aid activities than to the domestic activities of ACTION and it could have been largely autonomous within IDCA, as it will be within ACTION. It would have been illogical to keep it out of IDCA while consolidating many other development programs. To the weak IDCA that has now been approved, the Peace Corps would have added very little, given the progress that has already been made in Peace Corps collaboration with other aid agencies.

NON-AID ISSUES

In the 1950s one of the political slogans was "Trade, not Aid". It reflected a desire to substitute private, commercially-motivated flows of trade and investment for official, tax-supported foreign assistance. Although the United States has paid relatively little specific attention, in the period since, to how government policy might be used to stimulate the flow of trade and investment to developing countries, there has been a marked shift in the relative importance of public and private flows. Thus, for example, U.S. official development assistance increased between 1960 and 1977 from about \$3 billion to somewhat over \$4 billion, but total exports of non-OPEC developing countries increased from \$19 billion to \$143 billion in that period. Similarly, whereas official aid averaged 66 percent of total U.S. public and private resource flows to developing countries in the period 1965-67, they had declined to 52 percent by 1977. Private flows increased from 34 percent to 41 percent of the total.

These dramatic changes in the sources of foreign exchange of developing countries were affected by general U.S. policies designed to maintain an open world economy and by a few specific tax and other policies. More generally, they reflect a whole array of forces that have produced the condition that is generally characterized as one of growing world interdependence.

The importance of such non-aid resource transfers to development has been recognized by those concerned with development for many years. This recognition was reflected in the Foreign Assistance Act of 1973 which made non-aid resource transfers a concern of the new Development Coordination Committee created by that legislation. The reorganization of the DCC in the spring of 1978 gave the Chairman of

the DCC the right to a voice on all economic decisions having a major impact on developing countries. The new IDCA charter gives similar rights to the Director of IDCA. Meanwhile, the demands of the developing countries for basic changes in trade, investment, debt and other economic relationships have been central to their demands for a New International Economic Order.

Yet, despite the DCC mandate and the pressures from developing countries, change in policy has been slow. To be sure, there have been gradual shifts in U.S. policy on particular issues, but these have been more the product of changing personnel and changing circumstances than of any concerted effort to represent the developmental interest in decision forums.

There have been several general reasons for the limited extent to which the government has developed policies specifically targeted at developing country needs. First is the general American belief, reflected in trade policy for 45 years, that our basic goal should be a non-discriminatory world economic system. Developing countries, it is argued, will benefit much more from such a system than from special arrangements for them. Data such as those in the first paragraph of this section, are cited to support such a conclusion. A second reason has been the much higher priority given to U.S. relations with other industrial nations in foreign economic policy making.

A third reason has been the inadequate access to the decision process, and the lack of influence in that process, of those who most clearly represent the development interest in the government--in recent years, the Chairman of the DCC. AID (including the DCC staff) has generally not sought involvement in these decision processes and has not developed the technically qualified staff required. Because the DCC Chairman has no program or policy authority in this area, it would probably have been fruitless for him to establish a DCC Subcommittee on non-aid issues. Such questions are settled in other forums and if he was to exercise influence, it would have to be in those forums.

The problems of influencing non-aid issues can be illustrated by examining briefly the areas of trade policy and policy toward developing country debt.

Trade Policy

At least four kinds of decisionmaking with respect to trade issues can be distinguished for present purposes. The

first are the periodic GATT (General Agreement on Tariffs and Trade) negotiations over the basic structure of the world trading regime. These are handled by the Office of the Special Representative for Trade Negotiations backstopped by the cabinet-level Trade Policy Committee and its subgroups. The TPC is supported by a three-tiered structure consisting of the Trade Policy Committee Review Group, the Trade Policy Staff Committee and a loose subcommittee substructure under the latter which includes, among others, subcommittees on less developed country trade issues and on the Generalized System of Preferences for developing countries. The STR staff and, typically, the staffs of the constituent agencies of the TPC, have units concerned with trade relations with developing countries.

With the recent completion of the Tokyo Round multi-lateral trade negotiations, it seems unlikely that there will be major negotiations of this character for some years to come. These negotiations can be seen as an effort to stem the wave of protectionism that has threatened the world trading system in recent years. The principal task in the future, from this perspective, may be to deal with more particular pressures for protection against developing country exports.

While AID has occasionally been represented in meetings of these trade committees, it is not a member and has not been an active participant. Because STR and the committees play a role in the administration of trade agreements and GSP, IDCA/AID should be a full voting participant on all issues affecting developing countries. (Votes are of some importance since decisions are made by majority votes, with rights of appeal by losers to higher levels.)

A second kind of decisionmaking is involved in the preparation for major North-South negotiations and related preparatory meetings of the Organization for Economic Cooperation and Development. (Issues other than trade issues are, of course, also involved in such negotiations.) These negotiations have occurred in such forums as the United Nations Conference on Trade and Development, the Committee of the Whole of the U.N. General Assembly and the Paris-Based Conference on International Economic Cooperation. The next round will be the U.N. General Assembly discussions of international development strategy for the third and fourth U.N. Development Decades which are scheduled for 1980. Such meetings focus comprehensively on the NIEO demands of the developing countries. Preparations for these conferences have been under the direction of the State Department's Economic and Business Bureau. AID has generally contributed to the preparatory work. U.S. positions have in the

past been criticized for their lack of comprehensiveness and coherence. In part, at least, this is a function of the fact that the United States has consistently argued that the issues must be treated separately on their merits rather than as a comprehensive package.

A third, and closely related, kind of negotiation and decision process is involved in the preparation for negotiations on more particular trade issues--e.g., a particular commodity agreement or a particular "orderly marketing agreement" (agreements designed to regulate U.S. imports, often from developing countries, which adversely affect U.S. industries). Preparations for such negotiations have been under the general control of the Economic and Business Bureau of State, but with interdepartmental participation.

Commodity policy, for example, has been coordinated by the Commodities Task Force under the chairmanship of the Assistant Secretary of State for Economic and Business Affairs. The Task Force operates on the basis of consensus and most issues have been resolved without being raised to higher levels. Although STR and AID are represented on the Task Force, there is no coordination between it and the Trade Policy Committee or the DCC. Since commodity exports still constitute over 80 percent of the exports of developing countries and of the foreign exchange earned from exports, they are an important development resource. The United States has consistently argued, however, that commodity agreements must be designed for price stabilization and not as resource transfer mechanisms.

A fourth category of decisionmaking revolves around allegations of import injury under such legislation as the Anti-Dumping Act of 1921; the countervailing duties and unfair competition provisions of the Tariff Act of 1930; and the discriminatory practices and import-injury provisions of the Trade Act of 1974. Responsibility for making findings and recommendations for action varies from one legislative provision to another, but the principal participants are Treasury, the International Trade Commission, STR, and, very often, the President. While the process varies from provision to provision, opportunities for intervention by officials concerned with development could occur while the findings are being made or considered by the Secretary of the Treasury, the TPC, STR or the President.

In order to intervene effectively in any of these four types of decision making processes, the IDCA Director needs access to the process; good staff analysis; and influence. In a response to a question from the Senate Committee on Governmental Affairs, the administration indicated that the

IDCA Director would be a member of all policy councils having an important impact on development issues, including the Trade Policy Committee. It also stated that no difficulty was anticipated in assuring ready access to other councils when the Director wished to obtain it. Good staff can certainly be obtained if the activity is viewed as sufficiently important by the Director of IDCA and by those whom he might employ. Influence clearly will be most difficult to assure.

On the assumption that protectionist pressures are growing, a major general role of the IDCA Director should be to ensure that developing countries' access to the U.S. market is not eroded. An effort should be made to define a regular role for the IDCA Director in import-injury proceedings. If the IDCA Director were made the coordinator for major North-South conferences, responsible for pulling together a coherent, overall U.S. position, he would also have a role and a position of leadership which should give him some leverage on trade and other non-aid issues extending beyond the conference preparations themselves.

Developing Country Debt

As a consequence primarily of oil price and related price rises since 1973, the public and publicly guaranteed debt of developing countries which are not major oil exporters shot up from \$73 billion in 1973 to \$135 billion in 1976. In the wake of this development, the question of debt relief became a major issue in the North-South dialogue. Since an UNCTAD ministerial meeting on debt in March 1978, it has been less central, but the problem remains.

Since 1956 the United States has participated in the rescheduling of official and officially guaranteed debt on 20 different occasions. Such rescheduling was undertaken when countries were in serious balance of payments difficulties, even though default was not necessarily imminent. In recent years, however, the policy has changed. Current official policy on rescheduling is as follows:

"Debt service payments on international debt should be rescheduled only on a case-by-case basis in situations where default makes rescheduling necessary to ensure repayment. Debt relief should not be given as a form of development assistance."

A principal reason for this hardening of position, according to a DCC study, has been a hardening of Congressional attitudes toward debt relief, which has come to be viewed by the

Congress as a backdoor form of assistance. Other reasons for the shift included the fact that most other creditor countries treat debt relief as a regular part of their aid budget rather than an add-on, as does the U.S.; a desire to take a strong stance vis-a-vis developing country demands for generalized debt relief; and a view that new aid was a preferred form of assistance because its use by the developing countries was more subject to U.S. influence.

It is not our objective here to critique present policy. Suffice it to note that the policy does create some problems and dilemmas. The U.S. aid program no longer includes assistance that can be readily used as balance or payments support in substitution for debt relief, except in the case of those countries which are eligible for Security Supporting Assistance. To wait until default is imminent is likely to make the adjustment process for the developing country more painful and costly than it might otherwise be. Such costs and pains can have political consequences which may be unfavorable to U.S. interests. The U.S. policy is more rigid than that of other creditor countries and may sometimes deprive us of a useful policy tool. Finally, even when debt relief is only provided in situations of imminent default, it does, in fact constitute aid, though a kind of aid that, it can be argued, benefits the United States directly by helping ensure the eventual repayment of debts owed to us.

General policy on debt repayment is established by the National Advisory Council. Treasury and State are the key policy agencies. Under present policy, debt is normally only rescheduled within the framework of an international agreement reached in an ad hoc creditor club established to deal with the debt problems of a particular country. Negotiating delegations are led by State. AID plays almost no role in the decision process on debt, although the DCC staff has prepared a very useful discussion paper on the subject.

According to the DCC study, there are few legislative prohibitions on a more liberal policy on debt relief; there are, instead, mainly Congressional attitudes. Despite these critical attitudes, the Congress has passed legislation providing for a retroactive adjustment of the terms of AID credits to the poorest developing countries. The explicit purpose of this legislation is to increase the net availability of resources for development. It permits forgiveness of interest payments as well as the allocation of local currencies to special accounts which will be used for jointly-agreed development activities, in lieu of repayment of the principal in a foreign currency.

If there is a case--as there appears to be--for policy review, the IDCA Director, who is to be the administration's spokesman to the Congress on development matters, might play a useful role both inside the administration and in relationship to the Congress on this issue. He might initiate, or stimulate, a study on the subject, consulting with the Congress on what changes might be acceptable to the Congress as the study evolves.

The above discussion illustrates, but obviously does not exhaust, the possible kinds of non-aid issues that are important to development. As in the case of development aid programs, each has its own characteristics and involves its own decision-making processes. IDCA will need to review the list of such activities more comprehensively and decide where to invest its personnel resources.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

September 28, 1979

Dear Mr. Fasick:

We have reviewed the draft GAO report to the Congress entitled "Improving Development Coordination: An Analysis of Problems Facing the International Development Cooperation Agency".

We also met with your staff to comment on the wide range of issues raised by the report. Nevertheless, because we are particularly disturbed by the view taken in the report of Treasury's management of U.S. participation in the multilateral development banks (MDBs), we are also providing our views on this issue in writing. As we indicate in detail in the enclosed statement of our views, we believe that, under Treasury leadership, this Administration has taken a strongly positive leadership role in the MDBs. As a result, we have succeeded in a number of important ways in moving the banks in directions which support overall U.S. development policy objectives.

We understand that some changes are being made in the draft report as a result of our discussions with your staff. We do request, however, that our statement be attached as an annex to the report.

Sincerely,


C. Fred Bergsten

Mr. J. K. Fasick, Director
International Division
United States General
Accounting Office
Washington, D.C. 20548

Enclosure

Treasury Comments on the Draft GAO Report,
"Improving Development Coordination"

The draft GAO report discusses in detail the management of U.S. participation in the multilateral development banks (MDBs). While Treasury leadership in this participation is characterized as having been "reinvigorated" under this Administration, the report still raises serious questions about Treasury's current supervision of the banks. The alleged shortcomings include:

- lack of a positive policy towards the MDBs;
- inadequate coordination of policy toward the individual banks; and
- poor coordination with bilateral aid, which produces a "patchwork" policy, which is ad hoc at best.

We fundamentally disagree with these charges. We believe Treasury has taken a vigorously positive role in the MDBs, that policy towards each bank reflects an integrated approach, and that our bilateral and multilateral aid policies are broadly consistent. We do acknowledge the desirability of further improvements in bilateral/multilateral coordination, which we fully expect the establishment of IDCA to address.

1. Treasury Policy Leadership Towards the MDBs

To the charge that Treasury has not taken a positive and activist attitude with respect to the banks, we can only respond that a review of the major areas where we have influenced MDB policy over the past several years unquestionably demonstrates otherwise. We believe our accomplishments clearly show that U.S. leadership towards the MDBs has been as vigorous as at any time in the history of the banks. Major policy areas where we have taken important positive initiatives include:

a. Graduation.

Graduation of countries from the concessional windows of the MDBs, and eventually from the hard-loan windows and into positions as donors as they reach higher levels of development, has been a major Treasury initiative. Its result has been to increase the effectiveness of the MDBs by assuring adequate access to financing by those countries where the need for resource flows is greatest.

In the World Bank, our initiative has led to a full scale review of the graduation concept and the preparation of a Bank policy paper which is currently under review by the Executive Directors.

In the IDB, which serves a region where past development progress has lifted living standards in most countries beyond the need for highly concessional financing, we have succeeded in reducing the magnitude of the current replenishment of the Fund for Special Operations (FSO), the IDB's soft-loan window, from the level of previous replenishments. This will lead to a shrinking in the absolute size of the FSO, releasing concessional U.S. resources for higher priority regions. At the same time, we reached agreement to concentrate FSO resources more heavily in the poorest countries and to freeze borrowing levels of the more advanced Latin American countries in nominal terms -- thus shifting a much higher share of IDB conventional lending to needier countries.

Complementary to the effort to reduce concessional funding to the IDB has been our effort to increase such funding in Asia and Africa, where extreme poverty is much more pervasive than in Latin America, in order to help meet the enormous needs of these regions. We have pledged \$125 million to the second replenishment of the African Development Fund and \$445 million to the second replenishment of the Asian Development Fund, compared with \$25 million and \$100 million in the first replenishment of each. We are also planning to join the African Development Bank, with a substantial capital contribution.

b. Reaching the Poor

We have aggressively promoted a shift in lending by the MDBs towards projects that more directly improve the lives of the world's poor. This effort has had an important measure of success in all of the MDBs, both in shifting the sectoral composition of lending towards agriculture and other basic needs areas, and in increasing the attention to distributional impacts of those projects not directly targeted to the poor. In the World Bank and IDA, lending for agriculture and rural development has increased from 22 percent in 1975 to 39 percent in 1978. In the IDB, we have obtained a commitment under the current replenishment that half of total IDB lending will benefit low-income groups.

c. Energy Lending

We have taken a lead role in advocating increased MDB lending for energy development. The World Bank has recently announced a major program of lending for this purpose, which will produce 2-2.5 million barrels per day of oil equivalent by 1985. The IDB is also actively exploring possible initiatives.

d. Project Evaluation

We have strongly supported the creation of independent evaluation and auditing functions in the banks as mechanisms for assuring maximum program effectiveness, and for assuring

effective oversight of bank operations by the Executive Boards. In each bank, concrete steps have been taken to strengthen this function.

e. Analysis of Development Priorities and Needs

We have actively encouraged the World Bank to provide intellectual leadership to international development efforts by drawing on its strong technical and analytical capabilities. We have also supported an improved sharing of studies and research findings among the MDBs. We actively promoted World Bank issuance of an annual World Development Report that would summarize recent development experience and highlight major issues for development policy, in order to stimulate international discussion and improved development policy. The second of these annual reports, which have proven to be of high quality, was recently issued.

f. Administrative Issues

We have actively pursued policies in the administrative area to assure cost-effective and efficient operation of the banks. In the World Bank and the IDB, this has resulted in revised travel policies and the establishment of objective standards for employee compensation. We are convinced that the new compensation standards will assure that salaries will be held closely in line with comparable positions in the public and private sectors.

g. Burden Sharing

One of the advantages of multilateral assistance is that it provides for a sharing of the financial burden. Where appropriate, we have sought to assure equitable burden-sharing by encouraging other countries to increase their contributions. Except in the African Development Fund, where our original contribution was small (4.4 percent of total funding), we have succeeded in each institution in reducing the U.S. share of current replenishments from its level in past years. This has meant a decline from 34 percent when the IBRD was founded to only 19 percent of the current Selective Capital Increase. In IDA, the U.S. share has declined from 40 percent as recently as 1971 to 31 percent for IDA V, the present replenishment. In the Inter-American Development Bank, our share has declined from 41 percent to 35 percent for capital, and from 68 percent to 40 percent in the last replenishment of the Fund for Special Operations. A similar comparison for the Asian Development Bank shows a decline from 20 percent to 16.3 percent, and in the Asian Development Fund from 28.6 percent to 20.7 percent.

2. Coordination of Policy among the Banks

We have worked effectively to promote policy consistency among the banks. On each of the issues raised above, we have worked with each of the banks to promote necessary policy changes,

with a clear idea of the extent to which we were likely to be influential. The specific approach in each case has differed in response to various factors -- e.g., the past history of the bank, the extent of U.S. participation in it, and pre-existing policies. The timing of such initiatives was also different in each case, since certain situations, such as replenishment negotiations, provide the best opportunity for influencing the future direction of the institution, as was demonstrated in the case of the recent IDB replenishment. The result of these efforts has not been perfect identity of policies by the banks, but this is neither possible nor desirable.

3. Coordination with Bilateral Aid

We have coordinated all positions taken in replenishment negotiations with other agencies through either the Development Coordination Committee or the National Advisory Council on International Monetary and Financial Policies (NAC) prior to such negotiations. In both examples cited in the draft report as cases where Treasury negotiating positions were not cleared with AID, the general outlines of our approach were discussed prior to negotiations at the policy level by the NAC Alternates, including AID representatives.

We do believe that opportunities for improved coordination continue to exist, and we expect the establishment of IDCA to deal effectively with such issues. The draft report contains some useful suggestions in this area, such as for the creation of offices in other AID regional bureaus along the lines of that in the Latin American and Caribbean Bureau. We have already held extensive discussions with the IDCA leadership on future directions in U.S. policy towards the MDBs and its relationship to our bilateral programs, and we are, so far, quite encouraged that the process will yield significant benefits in increased effectiveness of U.S. development policy.







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