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STATEMENT OF THOMAS EHRLICH

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DIRECTOR

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

BEFORE THE

003097

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

TUESDAY, FEBRUARY 5, 1980

I am pleased to present the first testimony of the International Development Cooperation Agency before this Committee. IDCA owes much to the House Foreign Affairs Committee for its existence. My objective today is to present an overview of all the development assistance programs proposed by the President for the coming year. To evaluate the individual programs, they should be viewed in the context of our entire development assistance effort.

The testimony is in two parts. The first describes our overall development assistance plans, indicates the range of our development assistance goals, and describes activities in some of the priority areas within that range. The second briefly explains the budget request for each of the separate programs, and indicates how they relate to one another.

Many now recognize the importance of developing countries to the United States and that assisting development is in the United States interest for humanitarian, economic, political, and strategic reasons. But it is also essential to step back and to see these objectives as part of a coherent effort to achieve an overriding goal: a world at peace in which we can overcome poverty.

President Carter, in his State of the Union Address, stated that "peace, a peace that preserves freedom -- remains America's first goal." A world at peace in which nations respect each other's national independence; in which each nation expands the participation of its people in its political process; in which each nation respects the human rights of its citizens; in which each nation strives to meet the economic aspirations of its people equitably -- that is a world in which our own people and institutions can flourish.

We have learned that dictatorships which consistently fail to meet the economic and political aspirations of their people raise the risk of internal strife. Frustrated and enraged people, mired in poverty and oppressed by a few, breed terror, revolution, and chaos. They do not produce nations that can resist subversion. Nor can such nations strengthen their national independence. They are prey to destabilizing influences from within and without. They raise the temptations of intervention for their neighbors and more distant major powers. Often those temptations threaten the peace we seek.

A world of nations striving to meet the aspirations of their people through the use of representative institutions, and caring about the human rights of their citizens does not guarantee peace and freedom, but certainly is a necessary precondition.

Those who fight for peace are also required to struggle against poverty.

American interests in Africa, Asia, and Latin America -- dramatized by the threat to our security that currently confronts us -- are diverse and significant. How we resolve the many challenges brought to us by the developing world in the 1980s will have a tremendous impact on the course of our own nation's development during the rest of this century.

The central feature of the developing world is change: social, economic, and political change that results from an up-swelling of nationalistic or religious feeling, from a desire to bring their nations to parity with developed countries, or from the economic injustice that is far too pervasive within the developing world.

In the midst of an interdependent world economy marked by much prosperity, hundreds of millions of people remain without adequate food, shelter, and health care. We must forge an American response to the twin problems of growing interdependence and world poverty. If America meets this challenge our own economy and society will be strengthened by the growth and adaptation that our response will require.

Each of the facets of our interdependent relationship with the Third World involves important domestic interests. There are those in this and other industrial countries who would take a protective stance in reaction to the growth in economic contacts between the developed and developing worlds. But our country can profit and grow as a result of, not in spite of, the political and economic development of the Third World. We need the courage and sense of purpose to do so.

In that context, I emphasize that our fiscal year 1981 development assistance budget is an important statement in relation to the current world turmoil. At a time when the world is watching all our actions, and reactions, the President's request says that the United States seeks to strengthen our relations with the nations of the Third World. Those relations will be strengthened in other ways as well: in international organizations, the United Nations, the General Agreement on Tariffs and

Trade, the World Bank, and the International Monetary Fund. The United States will continue to cooperate and negotiate on issues of significance to both developed and developing nations. As IDCA responds to its mandate in the field of development assistance it will also play its part with other agencies in setting policies toward the overall United States relations with the developing nations and toward international negotiations with them.

Mr. Chairman, I have just returned from a two-week visit to Africa. Throughout that trip I heard time after time -- directly and indirectly -- two quite different concerns that have arisen in the wake of the recent events in Iran and Afghanistan.

On the one hand, some Africans suggested the United States might simply turn inward and minimize its relations with developing countries. Those who expressed this fear were concerned that isolation from the Third World might be the apparent lesson of Iran to the United States -- we could expect only grief, not gratitude from our efforts to help the nations of the Third World and we would be best off to minimize our contacts in the hope of minimizing our losses. This possibility is of real concern to many in Moslem as well as non-Moslem nations.

The second possible shift in United States attitudes, equally feared by those in Africa with whom I spoke, would be in reaction to events in Afghanistan and our subsequent efforts to help Pakistan. Unless the Russians are coming, it is said by some, the United States will not provide significant help to developing nations.

It would be a grave error for the United States to follow either of these courses, or even to leave uncorrected a suspicion of our adherence to them. Our long-term political and economic well-being is far too enmeshed with the developing world to allow cynicism of that nature to be seen as the basis of our relations with them. On the contrary, Iran and Afghanistan present a prime opportunity to affirm United States support for developing countries. Failure to meet the challenge, however, would be more than just an opportunity missed; it could lead to serious trouble over time by creating unnecessary tension in our relations with the Third World.

President Carter underscored the significance of this opportunity in his State of the Union Address two weeks ago. He declared that:

We will continue to build our ties with developing nations, respecting and helping to strengthen the national independence they have struggled to achieve. And we will continue to support the growth of democracy and human rights.

He continued by pointing out that:

In repressive regimes, popular frustrations often have no outlet except violence. But when peoples and their governments can approach their problem together -- through open, democratic methods -- the basis for stability and peace is far more solid and enduring.

Our development assistance plans constitute a national statement that we want to work as partners with developing nations throughout the world. The creation of IDCA -- and the cohesion it will provide to the presentation of our development assistance programs -- could not have come at a more important time. This year the Administration has prepared a development assistance budget that makes clear we will not abandon those who look to the United States to help them bring an end to starvation, and who seek to meet the basic human needs of their people.

During our preparation of the fiscal year 1981 budget we paid particular attention to the relative advantages of different instruments for achieving different development goals. We compared the advantages of various bilateral programs and examined closely the ways in which United States bilateral aid can complement the activities of the multilateral programs to which we contribute.

This budget focuses on the priorities that Congress and the President have stressed as most important. In the bilateral requests, we are emphasizing several key sectors of development. These include agriculture, energy, health and population. Our bilateral requests also give emphasis to countries that have demonstrated strong support for human rights and equitable economic development. Furthermore, we have strengthened our support for private voluntary organizations.

I. DEVELOPMENT THEMES

In shaping our development assistance program we must be realistic in our expectations of what can be achieved.

We cannot expect foreign assistance to instantly buy us friendship among the developing nations.

Similarly, we cannot expect immediate, dramatic change. We alone cannot wipe out poverty or hunger. Yet change is occurring and will continue. The economic, political, and social forces that set development in motion are vast. Our task is to demonstrate a willingness to be involved, to help channel and accelerate the change to make it as productive and equitable as possible.

We must continue to aid the nations of the developing world. Unless we are willing to do so, and at the same time demonstrate sensitivity toward their national and cultural aspirations, we cannot expect them to respect our system and our values. The concrete accomplishments at each increment of our effort may seem small, but the results are cumulative and lasting.

In order to make sure our developmental goals are cast within a realistic framework, and to be certain that our limited development resources are being used most efficiently, IDCA defined a set of priorities for our development activities in the immediate future. The range of these priorities shows that assistance is only one of the activities that affect developmental concerns. Just as important to development are our policies in areas such as trade, raw materials, and international finance, which do much to shape the nature of growth and development in the Third World.

In defining the full range of policy areas for our attention, we examined both intensity of need and IDCA's ability to make a constructive contribution to United States policy. The result was an agenda for United States development efforts that is realistic in scope and that addresses immediate, pressing problems.

In brief, this development policy agenda deals with particular areas within five broad categories of concern where we will be directing our attention:

(1) Poverty: We will be guiding an accelerated attack on global poverty -- addressing the needs for food security, population control, and health, and emphasizing programs that recognize the role of women in development.

- (2) Economic Interdependence: We will stress areas in which the United States and developing nations have the greatest mutual economic interests -- particularly energy development, debt management, trade, raw materials and investment.
- (3) Regions and Countries of Concern: We will focus on regions and countries of particular importance -- especially the Caribbean Basin, sub-Saharan Africa, and countries demonstrating strong concern for human rights and equitable development.
- (4) Future Strategy: We will be involved with designing a development strategy for the coming decade through participation in United Nations Third Development Decade and through the negotiations at the global level in the United Nations and in other international agencies. We will also be addressing the needs of the future by fostering scientific research and development applicable to development needs, and by adjusting the allocation of United States development resources as needs change.
- (5) Efficiency: We will manage increased bilateral assistance with reduced staff size by use of the most effective techniques of assistance at different stages of development. We will also increase our development impact by improving coordination among bilateral and multilateral programs, and coordination with non-assistance programs.

Within this range of policy themes, we have begun to give particular attention to several of the most pressing sectors in which we can also make the most impact. Three of these sectors are food security and agriculture; energy development; and population and health. Because of their importance, and because they provide sound examples of what the different bilateral and multilateral programs can achieve, it may be helpful to describe briefly some of the activities in those sectors.

Food Security and Agriculture

Helping to meet the crisis of world hunger is the President's most important development priority. Kampuchea has made human starvation a current focal point of the public attention. But Kampuchea represents only the most visible example of the horror that hundreds of millions of people around the world face every day. Chronic starvation is rampant and growing. As stressed by the President's Commission on World Hunger, there is no more important way for us to demonstrate concern for the needs of people in the Third World than to work toward the eradication of hunger. And there are no clearer areas than food and agriculture in which development must occur if we are to be able to work peaceably and productively with the developing nations.

Obviously the United States cannot expect to feed the world. Instead, we will have to marshall our efforts on three levels. First, food production must be expanded in developing countries. Second, the earnings of poor people must be increased so they can buy the food they need. Third, the United States must continue to transfer food to areas where it is needed.

We are pursuing these goals through both bilateral and multilateral institutions. The bilateral A.I.D. program for agriculture, nutrition, and rural development has increased in emphasis considerably in recent years. The level of funding has grown from \$474 million in 1977 to \$729 million requested in fiscal year 1981, over half A.I.D.'s functional account budget. A.I.D. funds will continue to concentrate on institution-building, on the introduction of high-yielding and innovative technologies, and on services, commodities and generally smaller scale infrastructure aimed specifically at the needs of small farmers and the rural poor.

A second major bilateral tool in this effort is the P.L. 480 Food for Peace program, which provides both food for needy people and generates resources to support development activities.

From 1977 to 1979 the World Bank Group devoted more than \$8 billion to projects in agriculture and rural development. About one-third of the Bank's concessional resources were used for these purposes in fiscal year 1979. Within the sector, there has also been a greater emphasis by all the multilateral development banks on lending that assists small farmers, as distinct from larger infrastructure projects.

We are encouraging those banks, and the relevant UN agencies -- the Food and Agriculture Organization (the UN's leading organization in this sector), the World Food Program, and the International Fund for Agricultural Development -- to expand even further their agricultural development programs. The International Fund for Agricultural Development is unique in that it is charged with the task of dealing specifically with the problems of the rural poor, and also because a major share of its funds come from OPEC countries. We are monitoring IFAD's performance carefully with other members of that institution.

Energy

Energy is a sector in which our interests and those of developing countries are obviously linked. While we are struggling with the energy crisis, they are facing huge energy problems of their own, ranging from depletion of firewood and other traditional fuels to staggering -- and growing -- debt burdens brought about by their oil imports.

Clearly, we help ourselves by helping them develop energy resources of their own. Not only are we now competing for the same energy supplies, but their growing financial burdens are straining the international financial system.

In developing the fiscal year 1981 budget, IDCA has placed high priority on energy. The budget addresses the most pressing energy needs of the developing countries: assessments of energy requirements and potential energy sources in particular countries; full development of conventional energy supplies; development and implementation of new and renewable energy sources; and expansion of traditional fuel supplies to reverse or contain worsening environmental degradation.

As in agriculture, a description of the various donor programs for energy shows the relative advantages of the different institutions. IDCA is working to ensure that these energy assistance programs complement one another.

The multilateral development banks have the comparative advantage of being able to provide substantial amounts of capital for large projects. With strong United States support, the World Bank has now taken the lead in assisting developing countries to develop their own fossil fuel resources. The United States has also encouraged the development banks to become more involved in forestry and renewable energy. The World Bank is now beginning to include fuelwood as an integral part of rural development.

In our bilateral program, A.I.D. will undertake a wide range of energy projects in fiscal year 1981, with particular focus on renewable energy and on institution-building for improved management of all energy resources. The emphasis in our bilateral program on renewable energy reflects a concern for the needs of the poor who increasingly will be unable to meet the rising cost of conventional fuels. In this regard, A.I.D. is working at the frontiers of the use of alternative technologies to provide energy from

indigenous resources. The Peace Corps has been active in helping to carry out these efforts. In a joint project with A.I.D., the Peace Corps has begun to survey rural energy use in more than 30 countries, and has helped disseminate basic energy information at the village level.

Current bilateral activities also include an Overseas Private Investment Corporation program to encourage and assist private US energy companies to explore and produce petroleum, natural gas, and other energy resources in energy-deficient developing countries. This began as a special program in 1977, and has increased in activity since then. In a major achievement this past year, one of the first OPIC-sponsored petroleum projects reached commercial production in Ghana.

In addition, the Institute for Scientific and Technological Cooperation (ISTC) will play a major part in our bilateral energy program. It will have principal responsibility for long-term research and development, for evaluating the applicability to developing countries of different energy technologies and for fostering the ability of the developing countries to do research and development in energy-related areas.

Population and Health

Progress in all major fields -- agriculture, energy, industry, health -- is threatened by rapid population growth. If present trends continue, the world's population would only stabilize in 2090 -- at 10 billion compared to today's 4.3 billion. The implications not only for development but also for peace and security throughout the world are obvious.

Moreover, high fertility strains the health of both mothers and children, through the effects of close birth-spacing and through septic abortion, particularly in countries lacking family planning services.

The United States can and should do more to encourage family planning. The proposed fiscal year 1981 budget reflects this need, particularly through increased support for private voluntary organizations working in the field. As emphasized at the UN World Population Conference and the UN International Women's Year Conference, all couples should have not only the right to plan their families but also the safe, effective, and affordable means to do so, as couples in developed countries have had for years. Family planning assistance is being requested by the governments of most people in the Third World, from countries of many faiths and cultures. IDCA is therefore directing a study of assistance needs in this area and of the strengths of other donors, notably the World Bank and the United Nations, as well as the opportunities for increased United States efforts.

Equally important, we will develop policies and programs that help make small families a more attractive option, particularly by improving opportunities for women so that they are less dependent socially and economically on large families.

Poor health also hampers development, particularly through its effects on productivity and on learning ability. The principal threats to health in the third world are malnutrition, common infections, and, of course, high birth rates. IDCA is working to improve health by supporting primary care, safer water and better sanitation, disease control (especially for malaria), and health planning. In conjunction with the UN system and the World Bank, we are expanding through A.I.D. (and, through the Institute for Scientific and Technological Cooperation, will be expanding even further) recent efforts to bring United States scientific skill to bear on health problems of the third world, focusing particularly on primary care.

II. COMPREHENSIVE DEVELOPMENT BUDGET

The most important initial task of IDCA has been to work with the President in establishing a coordinated, comprehensive budget for the total United States development assistance effort.

The President's budget request for the full range of development assistance and development-related programs in fiscal year 1981 is \$8.3 billion. This includes \$6.4 billion for bilateral programs, \$1.7 billion for multilateral development banks, and \$244 million for contributions to the United Nations and Organization of American States.

I am convinced that this comprehensive budget is well balanced and makes maximum use of the unique advantages of the various donor mechanisms. IDCA conducted an intense review of the program budgets as they were developed to assure consistency and to assure appropriate emphasis.

The budget reflects the priorities I have already mentioned. It also provides positive incentives for countries with good records in human rights and equitable economic growth and seeks greater use of Private Voluntary Organizations.

Two other features of the fiscal year 1981 budget are worthy of note.

First, we are proposing a change in the budgetary treatment of callable capital subscriptions to the multilateral development banks. Although the MDBs are not within the jurisdiction of this Committee, the callable capital point is important in terms of the full impact of the development assistance budget. This year we are not seeking budget authority for this type of capital. As a result there is a substantial lowering in the amount of our request. Callable capital accounts for about 90 percent of our total subscriptions to bank capital. It is not paid in to the banks. It serves only as a guarantee for bank borrowings from private capital markets, and

could only be called to meet obligations on those borrowings. It is highly unlikely that it will ever be called. More than \$11.0 billion is already available in case of a call, \$5.7 billion in appropriated funds and another \$5.7 billion through authority for public debt transactions. None of these funds has ever been spent and we do not think it is necessary or desirable to seek further appropriations of funds for this particular purpose. In recognition of these factors, the Administration proposes enactment of program limitations, rather than budget authority, for control of callable capital. For 1981, the budget authority for the multilateral development banks is therefore \$1.1 billion less than the previous system would have shown.

Second, the Administration is requesting a separate \$50 million emergency special requirement fund for the Economic Support Fund. This will allow rapid and flexible responses to changing international situations without disrupting planned programs elsewhere, and without relying on supplemental requests. Allocations from the emergency fund would be done with congressional consultation.

At this point, let me summarize the major program accounts.

(1) Bilateral Programs

Agency for International Development -- Development Assistance:

The A.I.D. development assistance request of \$1.882 billion will allow A.I.D. to provide substantial increases for a number of countries that have performed well in human rights and economic development, and also to undertake almost \$80 million in energy programs (compared with about \$30 million in fiscal year 1980).

The emphasis in A.I.D. development assistance programs is on meeting basic human needs in poor countries. In carrying out this emphasis, A.I.D. specializes in areas where U.S. experience, technology, and carefully

programmed resources can multiply the effectiveness of others and make use of our comparative advantages. It has a strong tradition of leadership in innovative approaches to development, many of which are now supported by large investments from the banks. Country programs are at the heart of A.I.D.'s efforts -- programs that emphasize not only A.I.D.'s programmatic strengths, but also respond to this nation's concern for support of institutions that encourage popular participation and equitable development.

Food for Peace: The request for P.L. 480 program levels totals slightly over \$1.6 billion; in addition a budget amendment will be submitted shortly to increase this amount by \$100 million to make use of some of the grain diverted from sales to the Soviet Union. Based on December estimates of 1981 seasonal average prices, this should allow for a program of about 6.4 million tons.

Food aid is provided primarily for humanitarian and development purposes to poor countries. Concessional sales under Titles I and III, which are basically resource transfer mechanisms, share some of the attributes of both the multilateral aid and the A.I.D. programs in encouraging sound economic policies. For example, where appropriate, Title I programs are used in support of changes recommended by the International Monetary Fund and the multilateral development banks. Title III multilateral year programs require developing countries to undertake additional development efforts, particularly in the field of agriculture and rural development. Food donated under Title II is used by U.S. voluntary agencies and the multilateral World Food Program in various ways to benefit the needy, including increasingly large amounts for refugee feeding.

The food program has become more development-oriented in recent years under both congressional and administrative direction. IDCA is working to further that trend, and to ensure that it complements our other developmental efforts.

We urge speedy enactment of the Food Security Reserve legislation now pending before the Congress. It provides for a reserve of up to 4 million tons of wheat, a large part of which would consist of wheat that had been destined for the Soviet Union. The wheat reserve would be used in times of scarcity to provide for emergency food needs in developing countries even when our food production is relatively low, and without disrupting the United States market.

Overseas Private Investment Corporation: No budget authority is requested for OPIC because, as a self-sustaining United States government corporation, it does not require annual appropriations to fund its programs.

OPIC offers political risk insurance for private United States investments in developing countries, guarantees loans by United States business in these countries, and, in some cases, invests its own funds. OPIC has carried out its mandate well. OPIC's basic authorities expire in fiscal year 1982. As we approach the time for reauthorization, IDCA and OPIC will need to consider whether OPIC's programs can be made more effective in achieving United States development and export objectives.

Economic Support Fund: For fiscal year 1981, the President is requesting \$2.1 billion for the Economic Support Fund, including Peacekeeping Operations. This also includes the proposed \$50 million emergency special requirement fund for the ESF. Such a fund is important for avoiding disruptive emergency reprogramming at times when changing situations require unanticipated use of ESF funds.

The Economic Support Fund provides economic assistance to countries where United States foreign policy interests can be served by bolstering economies that have been affected by political or economic crises. ESF can finance balance-of-payment assistance through cash transfers or commodity import programs, and large infrastructure projects, as well as programs of more immediate benefit to the poor.

The Secretary of State allocates ESF funds among countries based on foreign policy considerations. A.I.D. manages the ESF projects, taking into account economic development criteria.

Institute for Scientific and Technological Cooperation: The President is requesting budget authority of \$95 million for the proposed ISTC in fiscal year 1981. Of this amount, \$57 million is for the continuation of projects to be transferred from A.I.D.

ISTC was authorized by Congress as a component of IDCA in the International Development Cooperation Act of 1979. Since funds for ISTC have not yet been appropriated, the Institute has not begun operations.

Currently, a very small fraction of the world's research and development is focused on the problems of the poor countries. Through ISTC, we will be able to channel much more research effort into the same areas upon which we are placing priority emphasis throughout our developmental efforts. Furthermore, the program will be structured to emphasize research in the developing countries themselves, thus fostering their self-help capabilities.

To help in the fight against hunger, ISTC will lead a sustained research effort in the developing countries on the crops, the soils, the actual farming conditions of poor farmers who do not have access to irrigation or the money to buy commercial fertilizers used in the high-yielding rice and wheat varieties.

In the energy sector, ISTC will support centers in selected developing countries, which improve and adapt technologies that are not yet ready for practice, doing the work under actual LDC conditions. These centers will serve as central points of information, problem-solving and training.

Health is a third area in which ISTC will play a leading role. A tiny percentage of the world's health research effort is spent on diseases that ravage the poor of the world. As a result, we labor in our assistance efforts with inadequate vaccines, health equipment unsuited for the conditions of developing countries, and most of all lack of knowledge on the causes (and thereby on potential low-cost prevention) of these diseases. ISTC will manage a program that links United State health science to training and experimentation by researchers in their own countries to help address these problems.

Other donor nations have recognized the importance of this type of help and have restructured their foreign assistance programs to give special focus to science and technology. Canada's IDRC, separately organized from the Canadian bilateral program, has been exceptionally successful in strengthening the local problem-solving capability of Third World scientists and practitioners. Sweden, West Germany, the Netherlands, Australia and Austria have all set up similar institutions. ISTC will be able to work closely with these organizations, as well as with the new U.N. Fund for Science and Technology for Development.

The principal things that distinguish the ISTC from any other activities supported by the United States in the development field (including the U.N. Fund, which is described elsewhere in my statement) are:

-- its program will be built around key subject areas in which scientific and technological investigation can produce results that are broadly applicable throughout the developing world;

-- it will work extensively with the scientific and technological institutions and skilled individuals in developing countries, linked along lines of common interests with counterparts in the United States, to enhance capability within the selected key areas;

-- it will monitor the results of scientific and technical research in the United States for new applications to the problems of developing countries.

Peace Corps: \$118.8 million is requested for the Peace Corps in fiscal year 1981. This unique organization continues to be extremely successful. By working directly at the village level the Peace Corps volunteers often enhance the development prospects of the countries where they serve.

The Peace Corps also provides support to the domestic development service programs of Third World nations and to multilateral volunteer programs.

Inter-American Foundation: In fiscal year 1981, the Administration is requesting \$17 million for the IAF. The Foundation is an independent government corporation that has focused on small-scale development in Latin America and the Caribbean. It has successfully worked with local private organizations that normally would not have direct access to United States development assistance programs.

(2) Multilateral Development Banks (MDBs)

The President is requesting a total of \$1.7 billion for the World Bank Group and the Regional Development Banks. (As discussed previously, this incorporates a proposed change in the budgetary treatment of callable capital subscriptions.)

The largest request is for budget authority of \$1.1 billion for the first of three installments for our share in the Sixth Replenishment for the International Development Association (IDA VI). IDA is the "soft loan window" of the World Bank, making only concessional loans, and only to the poorest countries. It is the major source of this type of assistance. The Administration thus places a very high priority on providing our full share of resources for the replenishment of IDA.

I also want to highlight the request for \$18 million for the first portion of our subscription to the capital of African Development Bank (AFDB). This will be the United States first subscription to the AFDB. It constitutes an important sign of our commitment to growth and development in the African continent.

The MDBs are the largest source of financial development assistance. They receive subscriptions and contributions from many donor countries in addition to the United States, and they mobilize substantial amounts of private capital in markets throughout the world. As a result, they can support large scale infrastructure projects in critical sectors, and they can help in instances where United States bilateral assistance is small or entirely absent. They also provide assistance to middle income countries with whom the U.S. does not have a bilateral assistance program. These countries continue to need substantial amounts of external financing for development purposes and many of them are important to the United States for foreign policy and national

security reasons. The banks, as a consequence of their size and multilateral character, are also an important force in coordinating donor activity and in encouraging recipient governments to implement appropriate policy measures for fostering equitable growth.

In recent years the MDBs have moved increasingly toward our policies of supporting development in rural areas in poor countries. IDCA is actively working on furthering those policies within the banks, and on establishing specific mechanisms to assure that MDB projects and United States bilateral projects are coordinated for maximum effectiveness.

(3) International Organizations and Programs

The President is requesting \$244 million for United States voluntary contributions to United Nation programs and to the Organization of American States. The largest of these requests is for \$140 million for the U.N. Development Program (UNDP), which plays a key role in coordinating multilateral and bilateral assistance at the country level. Also included are requests for \$40 million for UNICEF, \$17.5 million for technical cooperation programs of the OAS, and \$15 million for the new U.N. Interim Fund for Science and Technology for Development.

The new Science and Technology Fund, which will be managed by the UNDP, is an initiative growing out of the Conference on Science and Technology for Development which took place last summer in Vienna. The Fund's multilateral character will permit it to take an active role in areas where bilateral efforts are necessarily limited.

In contrast to the problem-oriented approach of the Institute for Scientific and Technological Cooperation, the Fund, as a United Nations program, will devote the major part of its resources to meeting the specific requests from member countries and regional groups. The Fund will primarily undertake institution-building activities which would complement the basic needs focus of A.I.D. and the problem-oriented research approach of ISTC. The Fund will, for example, help developing countries through technical assistance, training and policy advice to build up basic scientific competence. Increased scientific capabilities will in turn enable these countries to participate in and benefit from the programs of ISTC and other agencies.

The Fund is planned to be in existence for a two year period, with a target for total resources of \$250 million. A second United States contribution in fiscal year 1982 will be considered as the program becomes more detailed and the intentions of other OECD and OPEC donors become clearer.

Conclusion:

The President's reorganization of the foreign assistance programs will assure a well coordinated, government-wide approach to United States development assistance goals. Three bilateral assistance organizations -- AID, OPIC and the proposed ISTC -- are components of IDCA. United States participation in the developmentally-oriented UN voluntary programs falls under the new agency's direction, and responsibility for United States participation in the multilateral development banks is shared by the IDCA and the Department of Treasury. Thus, IDCA is in a unique overview position to both observe and influence overall United States programs.

The comprehensive foreign assistance program I have outlined is, I believe, well reasoned and well balanced. It reflects our nation's compassion for the millions of our fellow human beings who face staggering burdens in simply obtaining the most basic of human needs. It also reflects the need to make the most efficient use of our development assistance dollars.

More than ever, it is essential that we efficiently marshal our foreign assistance so that we are identified in the international community with a strong commitment to economic progress and human decency. The Administration's program for fiscal year 1981 meets that objective.

Appendix

IDCA OPERATING EXPENSES

Fiscal Year 1981

The International Development Cooperation Agency was created to ensure that clearly defined development goals are considered in all executive branch decision-making on policy issues which affect less developed nations, to provide informed and consistent direction for U.S. policy toward the developing world, and to establish a coherent strategy to guide U.S. bilateral development programs and U.S. participation in multilateral development programs. The Director of IDCA serves as the President's principal advisor on international development issues.

In order to fulfill this mission, IDCA is requesting an appropriation of \$4,700,000 for FY 1981 to meet operating expenses which will include personnel compensation and benefits, travel, transportation, rent, communications, utilities, printing and reproduction, other contractual services, supplies, materials and equipment.

IDCA has recruited a small and talented staff with a broad range of development experience. Staff members have been drawn from the executive branch, multilateral development institutions, and the private sector. Within the IDCA structure there are six separate office units: The Office of the Director, the Office of the General Counsel, the Office of Legislative and Public Affairs, the Office of Administration, and the Office of Policy and Budget. Within the Office of Policy and Budget

there exist specific staff expertise in the areas of budgetary review and priority ranking, international monetary affairs, rural development, policy and program analysis, energy, international trade, and human resources. There are also Policy and Budget staff members assigned to coordinating the activities of IDCA's several component programs and a staff member who is examining and coordinating efforts concerning a wide range of North/South issues.

Within its six office units, IDCA will employ during FY 1981 a total of 39 professional staff members, 31 support staff members, and 6 professional staff members on detail from other federal agencies and component programs. IDCA will also make use of expert consultants as necessary for the effective execution of its responsibilities.

IDCA OPERATING EXPENSES BUDGET
FISCAL YEAR 1981

SUMMARY

OBJECT CLASS	DESCRIPTION	(\$000)
11	Personnel Compensation	\$ 3,057.3
12	Personnel Benefits	237.4
21	Travel and Transportation	185.0
23	Rent, Communications, Utilities	459.2
24	Printing and Reproduction	40.0
25	Other Contractual Services ^{1/}	598.2
26	Supplies and Materials	20.0
31	Equipment	103.0
Total Budget (Rounded)		\$ 4,700.0

^{1/} Includes: Data Processing
Space Preparation
Equipment Rentals
Vehicle Operation and Maintenance
Special Communications
Entertainment
Other Miscellaneous