

PC-AAA-525

98th Congress }
1st Session }

COMMITTEE PRINT

**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,
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MAY 1979

Printed for the use of the Committee on Foreign Affairs

U.S. GOVERNMENT PRINTING OFFICE

44-401 O

WASHINGTON : 1979

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FOREWORD

This report on issues and options in the coordination of U.S. foreign aid policy was prepared by Jonathan E. Sanford of the Foreign Affairs and National Defense Division, Congressional Research Service, at the request of the Committee on Foreign Affairs.

Issuance of this report is particularly timely because the Congress is now considering Reorganization Plan No. 2 of 1979, submitted by the President to the Congress on April 10, 1979, which consolidates various foreign assistance activities of the U.S. Government. This reorganization plan is submitted pursuant to title III of the International Development and Food Assistance Act of 1978, which required the President to establish an International Development Cooperation Agency which would have primary responsibility for coordination of international development-related activities and would include the maximum possible range of U.S. Government agencies and programs related to international development.

Dr. Sanford's review of the various programs through which the United States provides economic assistance to developing countries and his analysis of alternative arrangements for improving coordination in this area should be of assistance to all Members of Congress and to the public in studying the President's proposed reorganization.

Findings and observations contained in this report are those of the author and do not necessarily represent the views of the Committee on Foreign Affairs or its members.

CLEMENT J. ZABLOCKI,
Chairman, Committee on Foreign Affairs.

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PREFACE

This study examines different programs through which the United States provides economic assistance to developing countries and explores alternative ways the U.S. policy coordination system might be improved. The United States channels its foreign aid through four kinds of programs—bilateral economic aid, bilateral food aid, international organization programs, and multilateral development banks. There are different U.S. goals and concerns for each program. The key reorganization issue is probably how one can strengthen the policy coordination process linking U.S. activity in each area without eliminating the special characteristics of each program or hampering continued U.S. pursuit of multiple goals through these development programs.

This paper reviews three options for improving the coordination process for U.S. foreign aid: (1) Consolidation of all development programs in a single agency, either State, Treasury, or a new International Development Cooperation Agency; (2) federation of the separate aid programs under the general authority of a Director for U.S. Development Policy; and (3) continuation and improvement of the present system of relatively autonomous aid programs. The study assesses the advantages and disadvantages of each option without making any concluding recommendations as to how the U.S. policy process ought to be organized in the foreign assistance area.

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INTRODUCTION

The United States provides foreign assistance through a variety of different programs. In some—such as U.S. bilateral economic assistance or U.S. food aid—it has direct control over policy and operations, while in other programs—such as U.S. participation in the international development banks and the United Nations or other international organizations—U.S. funds are mixed with those from other nations and managed through a multilateral agency. Recently, there has been a great deal of discussion about possibly reorganizing the U.S. foreign aid process or consolidating the different U.S. program offices or agencies in a single organization. In 1978, the Congress directed the President to present a report by February 1979 on the steps he had taken to strengthen the U.S. foreign aid policy coordination process. This paper is intended to facilitate congressional review and evaluation of the Presidential report.

Congress has long been concerned about whether the executive branch has adequate mechanisms to coordinate the different elements of U.S. international assistance operations. In 1945, Congress created the National Advisory Council on International Monetary and Financial Policies (NAC) in the legislation authorizing U.S. participation in the World Bank and International Monetary Fund. The NAC was created to insure that the administration had a formal mechanism for reviewing different U.S. international loan programs. In 1973, Congress created the Development Coordination Committee (DCC) in order to require the administration to give more attention to the way different U.S. foreign aid, trade and commercial policies affected developing countries. In 1974, the Council on International Economic Policy was established by law as part of another effort to improve the coordination of U.S. activities in the broad area of international economic policy. In 1978, the late Senator Hubert Humphrey proposed legislation to consolidate most U.S. foreign aid-related organizations in a single agency—an International Development Cooperation Agency (IDCA). Congress considered the Humphrey proposal later that year, but decided to defer the issue and require the President to improve the existing coordination process and to report early the next year. As this CRS study was being prepared, the administration was actively considering options for consolidating programs or strengthening the aid coordination system.

This study reviews the three main systems the United States might use to organize and coordinate foreign aid policy—consolidation of all the programs in a single agency, federation of separate agencies under a single director, or continuation of the present interagency process—and it raises issues the Congress might assess when it considers the President's 1979 report. The study also provides background informa-

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tion and a description of the interagency policy coordination process for U.S. bilateral economic aid (including security supporting assistance), U.S. multilateral aid channeled through international development banks, and U.S. multilateral aid through other international organizations. U.S. bilateral food aid is also covered in the discussion of alternative coordination systems, but a detailed description of program coordination procedures in that area is beyond the scope of this study because of the complexity of that program and its strong interrelationship with U.S. domestic farm policy.¹ Because they are not as directly related to development assistance, this paper does not include military assistance, the Export-Import Bank, or U.S. participation in the International Monetary Fund. Table 1 shows the impact each kind of economic aid has had on the Federal budget in the last 10 years. It also shows totals for the AID housing guarantee program, the OPIC investment insurance and guarantee programs, and appropriations for callable—or guarantee—capital contributions to the international development banks. Those figures are not included in the totals, however, as they represent U.S. Government guarantees for private activities rather than direct outlays through the Federal budget.

While all are aimed at development, the various U.S. bilateral aid programs differ significantly in their basic approaches, priorities, and operational concerns. The Agency for International Development's bilateral aid program, for example, emphasizes basic human needs, and almost all of its assistance funds go for health, population, education, or agricultural projects. Since 1973, development assistance has been increasingly targeted to benefit the poorest individuals in the recipient countries and security supporting assistance directed mostly to nations of real significance for U.S. foreign policy. The joint AID-Agriculture Department food-for-peace program (Public Law 480) includes a title I program (run mainly by USDA) which offers concessional credits to facilitate U.S. agricultural exports to major foreign markets, a title II program (run mainly by AID) which grants food aid to poor countries with serious food needs, and a title III program which forgives certain title I loans if the borrower country uses the funds earmarked for repayment for approved development programs. The Public Law 480 program provides food assistance both to help expand overseas markets for U.S. commodities and to help poor nations overcome food deficits which block their economic development. The Overseas Private Investment Corporation (OPIC) insures or guarantees U.S. private investments in eligible developing countries to encourage new ventures that will spur needed growth and to help reduce investment risks for American companies. The Peace Corps takes a person-to-person approach to development which combines technical assistance and encouragement of self-help with broadening growth opportunities for U.S. citizens.

U.S. multilateral assistance programs are also quite diverse in their methods and development objectives. The international development banks have traditionally concentrated on promoting growth in the de-

¹ For a fuller discussion of U.S. food aid and the U.S. policy process, see: Janice E. Baker and A. Ellen Terpstra, "The Food for Peace Program: Legislative Changes and Current Operations," CRS Report 79-104ENR, Apr. 2, 1979 (multilithed report); and Janice E. Baker, "Food for Peace, 1954-78: Major Changes in Legislation," Jan. 4, 1979 (CRS, typed report).

TABLE 1.—U.S. MULTILATERAL AND BILATERAL FOREIGN ASSISTANCE, BUDGET IMPACT BY YEARS APPROPRIATED

[Fiscal year 1970-79; in millions of dollars]

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Bilateral economic assistance:										
Development assistance ¹	996.7	1,233.5	862.1	721.5	715.4	677.9	820.4	974.8	1,054.4	1,340.0
Security supporting assistance ²	395.0	569.6	551.3	600.0	587.5	1,200.0	1,739.9	1,757.0	2,181.0	1,922.0
Refugee assistance ³	5.5	5.7	300.0	59.1	196.3	123.4	114.0	107.4	113.0	156.0
AID administration ⁴	54.7	55.1	58.6	54.3	60.9	60.9	211.3	216.2	234.0	278.8
Other AID programs ⁵			20.6	42.5	42.5	17.5	37.5	34.0	82.0	65.9
(OFIC Insurance and Guarantees) ⁶	NA	(1,894.9)	(670.5)	(649.5)	(1,001.8)	(1,237.2)	(1,238.0)	(756.0)	(675.5)	NA
(AID Housing Guarantee Program) ⁶	(163.0)	(194.0)	(259.0)	(309.0)	(383.0)	(463.0)	(570.0)	(672.0)	(769.0)	NA
Bilateral food-for-peace assistance (Public Law 480).....	920.0	702.0	1,320.0	895.0	554.0	778.0	1,236.0	1,169.0	923.0	806.0
International organizations and programs ⁷	113.5	116.7	151.1	127.0	145.5	139.2	193.8	243.8	231.0	260.0
International development banks:										
Paid-in contributions.....	480.0	255.0	459.3	570.0	1,055.0	619.1	599.1	755.1	1,103.5	1,632.2
Callable capital ⁸	(205.0)	(200.0)	(835.0)	(168.4)	(1,182.0)	(0)	(96.5)	(386.4)	(822.0)	(882.7)
Total.....	2,565.4	2,939.6	3,723.0	3,069.4	3,357.1	3,616.0	4,552.0	5,257.3	5,921.9	6,460.9

¹ Bilateral development assistance includes: AID development assistance, American schools and hospitals abroad, AID contingency funds, Sahel program funds, Inter-American Foundation authorized outlays, Peace Corps (ACTION), OFIC reserves, and loans from the OPIC Direct Investment Fund.

² Security supporting assistance includes: Security supporting assistance, economic support fund, Middle East Special Requirements Fund, Indochina Reconstruction Assistance, assistance to Portuguese colonies achieving independence, Israel-United States Binational Agricultural Research and Development Fund. Does not include emergency grant assistance provided Israel in 1974.

³ Refugee assistance includes: AID international disaster assistance, State Department migration and refugee assistance, assistance to refugees from the Soviet Union, U.S. Emergency Refugee and Migration Assistance Fund, as well as single year appropriations for refugees or rehabilitation in (fiscal year 1972) Bangladesh, (fiscal year 1976) Cyprus, (fiscal year 1977) Indochina refugees, (fiscal year 1978) Italy, and (fiscal year 1979) Africa. Includes some funds contributed through these accounts to international refugee assistance programs. Does not include fund appropriated to HEW for aid to Cuban refugees in the United States.

⁴ AID administration includes: AID and State Department special administrative appropriations (through fiscal year 1975), AID operations funds, and AID contributions to the Foreign Service Retirement and Disability Fund. Before fiscal year 1976, the cited figures do not include the full operating costs of the Agency for International Development.

⁵ Other AID programs includes: International narcotics program, Middle East peacekeeping program. ⁶ Figures in parentheses show amounts for programs in the development assistance area which use the credit of the United States to guarantee private activities but have no direct budgetary impact.

⁷ International organization programs includes: voluntary contributions through AID budget to international organizations, contributions to UN environment program, contributions to UNRWA, contributions and loans for Indus Basin program. Excludes payment of assessed contribution to international organizations through State Department budget.

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veloping countries through loans for new infrastructure—power, transport, and communications—or major industrial or agricultural facilities. Recently an increasing share of their funds has also gone for basic needs programs or direct aid to the poorest.² The development banks provide aid on a largely nonpolitical basis at concessional or near-market terms, depending on economic conditions in the borrower country. Their programs are important to the United States because the banks strongly support Western economic principles and their loans often require operational or economic policy changes (“conditionality”) geared to strengthen the overall performance of the recipient’s economy. The aid programs of the United Nations and other international organizations are more diverse in their activities, seeking to provide technical assistance on a grant basis to poor countries needing help with development projects or education, health, or scientific-technical activities. They normally provide aid on a nonpolitical basis, giving priority to the recipient country’s concerns, and attach few performance conditions. The United States generally supports these programs because they focus mainly on human needs and encourage international cooperation in meeting world development problems.

The main question to be addressed in reviewing reorganization proposals has to do with whether the United States can better attain its objectives in the various aid programs through separate U.S. agencies or through a consolidated U.S. development administration. Considerable care is necessary in evaluating the potential benefits of consolidation or change in the aid coordination process. As Harold Seidman says, people often have unrealistic expectations in this regard:

The quest for coordination is in many respects the 20th-century equivalent of the medieval search for the philosopher’s stone. If only we can find the right formula for coordination, we can reconcile the irreconcilable, harmonize competing and wholly divergent interests, overcome irrationalities in our Government structures, and make hard policy choices to which no one will dissent.³

It is unlikely that any reorganization program can eliminate all the dilemmas or contradictions in the U.S. foreign aid policy process without fundamental changes in the basic objectives and processes themselves. Seidman has observed: “Coordination is rarely neutral. To the extent that it results in mutual agreement or a decision on some policy, * * * inevitably it advances some interest at the expense of others or more than others.”⁴

Furthermore, as Charles Wilson notes in his case study of the 1965 foreign aid reorganization controversy, “Reorganizations are rarely undertaken purely for the sake of good management, and the NAC case was no exception.”⁵ Reorganization efforts are usually products

² See U.S. Congress, House, Committee on Foreign Affairs, “The United States and the Multilateral Development Banks” (committee print by M. Goodman and J. Sanford, CRS), 93d Cong., 2d sess.; and Committee on Appropriations, Subcommittee on Foreign Operations, “Foreign Assistance and Related Agencies Appropriations for 1979” (hearings containing CRS study “Towards an Assessment of the Effectiveness of the World Bank and Inter-American Development Bank in Aiding the Poor”), 95th Cong., 2d sess., pt. 5.

³ Harold Seidman, “Politics, Position, and Power: the Dynamics of Federal Organization,” New York: Oxford University Press, 1976, 2d ed., p. 190.

⁴ Ibid., p. 194.
⁵ [Charles Wilson], “Reorganization of the National Advisory Council on International Monetary and Financial Problems: Conflict Within the Executive Branch,” Washington, D.C.: National Academy of Public Administration, April 1971, p. D-23.

of struggles among the affected agencies, as each reaches for more authority and a policy process more attuned to its concerns. Changing the agencies responsible for administering U.S. bilateral aid and U.S. participation in the multilateral agencies may alter the pattern of U.S. priorities and goals in their development programs. It may also increase or decrease the levels of congressional or public support for the different programs and the overall effectiveness of their operations.

Congress will need to examine the possible effects of any organizational change. It may also wish to assess the relative capability of various agencies to manage or coordinate U.S. foreign assistance, since some U.S. agencies have a history of organizational problems that might influence their capacity to manage the entire U.S. aid program. Congress will probably want to study the existing U.S. goals in the different aid programs, decide which priorities it wants to emphasize, and insure their preservation in any new policy coordination system being established. Finally, as it examines aid coordination procedures, Congress will need to determine whether it wishes a system that can effectively achieve multiple goals or whether it prefers a system designed to pursue a more limited range of policy objectives.

SECTION I: ISSUES AFFECTING THE ORGANIZATION OF U.S. FOREIGN AID

COORDINATION ISSUES

This section reviews different organizational systems the United States might use in coordinating its foreign aid policies. Section II provides a brief overview and description of the operations and coordination systems for the major U.S. foreign economic aid programs. Before discussing coordination issues or examining different organizational arrangements for U.S. development aid, though, one needs to identify and discuss some of the major conceptual problems and possible criteria for choice among the alternatives.

THE MEANING AND FOCUS OF COORDINATION

There are two ambiguous or confused concepts which require discussion here. The first has to do with the meaning of "coordination." Most analysts seem to agree that coordination is worthwhile, but there are significant differences as to what people really expect from interagency coordination schemes. The dictionary says the word coordination means "the combination [of things] in suitable relation for most effective or harmonious results; the functioning of parts in cooperation and normal sequence."¹ Some expect that a coordination system should also provide instruments for resolving interagency disputes and/or tools for imposing their particular views on other agencies.

From a point of view outside any particular agency, it seems that, at a minimum, a coordination system should help the participants stay informed about what the other parties are doing and why, identify problems and alternatives, and relate the different agencies' separate actions to some central priorities. A good system may be very complex, because it will bring many perspectives to bear on its issues. A coordination scheme should not be evaluated as though it were a game where one totals interagency victories on a scorecard, but rather as a process designed to sharpen the issues and clarify choice among the relevant options.

The second confusion has to do with whether the main focus of a coordination process should be policy goals or program operation. Policy and operations are certainly related, since programs can hardly be effective unless they are aimed at attaining stated goals. The link between development policy and operations is complicated, though, by the fact that the United States channels its aid money through both bilateral and multilateral programs. The U.S. goals in these two types of programs are sometimes rather different.

A policy-oriented coordination system could overcome some of the parochialism of the separate agencies and relate U.S. objectives in the

¹ Webster's Third New International Dictionary. Springfield, Mass.: G. & C. Merriam Co., 1971, p. 502.

various aid programs to a comprehensive plan showing the overall purposes of U.S. foreign aid. It might be rather detached from operations, though, and unable to give the agencies concrete guidance on their operational problems.

On the other hand, an operations-centered coordination system might improve operational links among the different programs but undercut some of their basic autonomy. Such a system might be used to encourage loose links between bilateral and multilateral aid activities. To get a tight fit between the programs, the United States would probably need to pattern its programs after the agenda set by multilateral aid operations, which would diminish U.S. control over its own aid policy. Or, it could seek to make the international agencies fit their activities to a framework set by its bilateral aid priorities, a move that would be difficult and might hurt the multilateral character and integrity of their programs.

There are already many international consortia and consultative groups in which the different donor countries and multilateral agencies seek to relate their programs in specific nations.² The United States might hope through its aid coordination process to use those forums as vehicles for improving the links between the aid programs of different national and international donor agencies.

FIVE CRITERIA FOR CHOICE AMONG COORDINATION SYSTEMS

Several issues seem particularly relevant to an assessment of alternative coordination schemes. First, what goals should the United States pursue in its overall foreign aid program and how much special emphasis should it give development objectives? Second, do the various coordination schemes allow for enough centralized authority to maintain accountability and enough decentralization to get alternatives studied from different policy perspectives? Third, do the various agencies have the resources and the personnel needed to perform the tasks required in managing the different U.S. foreign aid programs? Fourth, will changes in the coordination system affect the levels of congressional, executive, and public support necessary to continue the different aid programs? Fifth, how might changes in the coordination process influence the relationship between U.S. foreign aid and international financial and commercial activities which affect the Third World? A separate review of these five issues provides a useful framework for analyzing the merits of various coordination plans.

Policy goals for U.S. foreign aid

As shown in the description of the procedures for coordinating U.S. policy in different aid programs, the United States has often pursued a number of different policy objectives through its foreign assistance programs. Economic development and humanitarian assistance are now the central goals of most U.S. foreign aid programs. The way the United States implements its policy and its participation in these programs, though, can be influenced by other U.S. foreign policy goals, such as those affecting U.S. relations with specific countries, U.S. commercial priorities, U.S. national security concerns, U.S. preferences regarding the economic policies of the Third World, and U.S. concerns

² Jacob J. Kaplan, *International Aid Coordination: Needs and Machinery*. Washington, D.C.: American Society of International Law, Studies in Transnational Legal Policy No. 16, 1978.

regarding the strength of the international system for political and economic cooperation. These goals are not necessarily incompatible, but different agencies can have different emphasis and priorities as they seek to achieve their policy objectives. A coordination system needs to be able to evaluate different agencies' competing claims.

The current U.S. coordination system, according to some critics, places too little emphasis on development issues. They recommend that all aid programs be consolidated so as to give more weight to long-term development interests as opposed to shorter term political or economic interests. Others note that the United States has other policy goals in the Third World besides development and that the coordination process needs to be designed in a way that will include those issues in any review of U.S. aid policy goals. The way the United States structures its aid coordination system will have a significant impact on the priority it gives different policy goals. The Government needs to be sure its objectives are accurately reflected in the policy process because the dynamics of that process are certain to determine which objectives are emphasized in program operations.

Some interagency disputes are probably due more to differences over development priorities or expectations than to agency disagreements about the importance of development itself. The relative emphasis the United States gives to humanitarian relief, basic human needs, and infrastructure and industry in its development programs remains unclear. A coherent and balanced set of policy goals in this area can significantly facilitate effective coordination of U.S. aid policies with other U.S. foreign policy concerns.

Balancing central coordination and participation

The President and Congress both need ways to keep the U.S. foreign aid program accountable and make the goals of separate programs compatible with overall policy objectives. Budgetary and management control over the aid program would be enhanced if responsibility for administering U.S. aid policy and justifying budgetary allocations for the separate programs were centralized. A central spokesman would also help the administration present Congress with a coherent, comprehensive picture of U.S. foreign aid rather than the fragmented presentation it now receives. At present, the U.S. policy process seems to have serious weaknesses in this regard and efforts are probably needed to give greater accountability and central direction to the system.

At the same time, though, Congress and the administration need to avoid the danger of overcentralization if they make fundamental changes in the aid coordination system. Placing authority for U.S. aid policy in a single agency might give it more weight to defend development goals, but it might also limit input from agencies with different policy concerns. Other departments would have a smaller role in the aid policy process and their leaders might prefer to appeal only their most important dissents to the President for his consideration. If the United States wishes to have a broad range of values considered in its foreign assistance program, it will need to give the different spokesmen for those values standing in the policymaking system.

Agency capacity

A comparative study of coordination systems should also look at different agencies' strengths and their relative capacity to handle the

responsibilities they might receive from a new coordination task. Some agencies—State, Treasury, or Commerce Departments, for example—have traditional organizational missions or priorities that, though related to the effectiveness of the U.S. foreign aid program, are not sufficiently comprehensive to justify their serving as managers for all U.S. development aid activities. Some agencies—AID or State, for instance—may have histories of organizational or personnel problems that could hinder their ability to manage effectively all the tasks of a consolidated aid program. The different agencies' organizational resources and their capacity and scope are important, since a policy coordination system can only be as effective as the agency given primary responsibility for its implementation.

Effects on institutional supports

Another issue is how a coordination system will influence the overall levels of public or institutional support for the U.S. foreign aid program. Would a given coordination scheme broaden or narrow the congressional base for U.S. aid; would it include or eliminate important allies from the coalitions supporting or opposing the aid programs? Would actions which concentrate authority for these assistance programs in fewer agencies expand or diminish the aid program's bureaucratic influence? A strong aid agency might draw new political support to foreign assistance and develop a broader constituency for its programs. It is also possible, though, that a streamlined aid agency might diminish overall public interest in the aid programs because it provided fewer links between the foreign aid program and its legislative or bureaucratic allies than did the more cumbersome interagency process.

Foreign aid and the private economy

The last major issue raised in evaluating coordination schemes has to do with the relationship between foreign aid programs and the private commercial system and International Monetary Fund. Foreign aid programs provide only a small fraction of the money needed for growth and development in the Third World. Most development assistance efforts depend on private commercial activities and the working of the world monetary system to promote growth and the basic improvements in socioeconomic conditions their programs seek to encourage. A sound U.S. development assistance program should monitor and seek to influence the way U.S. international trade investment and monetary policies affect development prospects in the poorer countries. Some U.S. agencies are more skilled and influential in this regard than others. In practice, some official aid programs require few working contacts with the private sector—other than for procurement—as they implement their projects. Others—the multilateral banks programs, for instance—require a sophisticated knowledge of commercial and financial systems because their projects often relate closely to private activities and their bond sales activities require links with private financial markets. The multilateral banks also need to maintain close relations with the International Monetary Fund—a financial rather than a development agency—as they all cope with economic policy questions affecting developing countries. Different U.S. agencies' skills and their contacts with private and international financial organizations are important factors determining their relative capacity for managing some aspects of foreign aid programs.

ALTERNATIVE COORDINATION SCHEMES

In the past, experts have assessed the coordination issues which affect U.S. foreign aid and come to different conclusions as to how the executive branch should be organized. In 1975, the Murphy commission rejected the idea of merging all U.S. foreign programs in a single agency and recommended continued use of the then current inter-agency system. It proposed, though, that a new Under Secretary's subcommittee be formed in the National Security Council, chaired by the Department of State, to coordinate foreign aid and all U.S. international economic policy concerns.³ In his 1977 review of the inter-agency process, Sidney Weintraub recommended instead that the Development Coordination Committee be shifted to State and that its executive director—the Administrator of AID—be the Government's chief spokesman and coordinator for development policy.⁴ In 1977, Lester Gordon and his Brookings Institution associates considered different alternatives for coordinating the various U.S. foreign aid programs, including systems headed by a new Undersecretary of State, by the AID Administrator, and by the Treasury, before suggesting instead that the U.S. activities be orchestrated by a new Coordinator for International Development Policy in the White House.⁵ Robert Johnson also examined whether the aid coordination system should be run from the State Department or White House before concluding that it really did not matter so long as a new Deputy Secretary of State or a White House-based Director for Economic Cooperation and Development were given responsibility for that task.⁶

This study will look at three basic alternatives for coordinating U.S. foreign assistance policy. The first, consolidation, would integrate the multilateral and bilateral development aid programs under the authority of a single agency. The second, federation, would consolidate the U.S. bilateral programs in a single agency and leave the multilateral ones separate, but appoint an overall coordinator with general policy and budgetary control to integrate U.S. development policy. The third, continuation, would keep the various aid programs independent, as at present, but strengthen the coordination process linking the agencies. There are a number of ways these options could be implemented, each with its own positive and negative impacts on the criteria identified previously as important to the success of the coordination process.

CONSOLIDATION OF ALL AID PROGRAMS IN ONE AGENCY

The consolidation option offers the United States an opportunity to focus all its foreign assistance policies and create an organization with enough jurisdiction, resources, and capacity to implement co-

³ Robert D. Murphy (Chairman), Commission on the Organization of the Government for the Conduct of Foreign Policy, Report, June 1975. Washington: Government Printing Office, 1975, pp. 60-3, 70-1.

⁴ Sidney Weintraub, "The Anarchy of Policy Making Towards Less Developed Countries, Challenge, March-April 1977, pp. 13-19. Dr. Weintraub is Dean Rusk Professor at the Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, and formerly was Associate Assistant Administrator of AID for Interagency Coordination.

⁵ Lester E. Gordon and Associates, "Interim Report: An Assessment of Development Assistance Strategies," report submitted to the Department of State, Washington: The Brookings Institution, Oct. 6, 1977, pp. 50-3.

⁶ Robert H. Johnson, "Managing Interdependence: Restructuring the U.S. Government," Overseas Development Council Development Paper 23, Washington: ODC, February 1977, pp. 19-21. Dr. Johnson is Charles Evans Hughes Professor of Government at Colgate and was formerly an NSC staff member and member of the State Department Policy Planning Council.

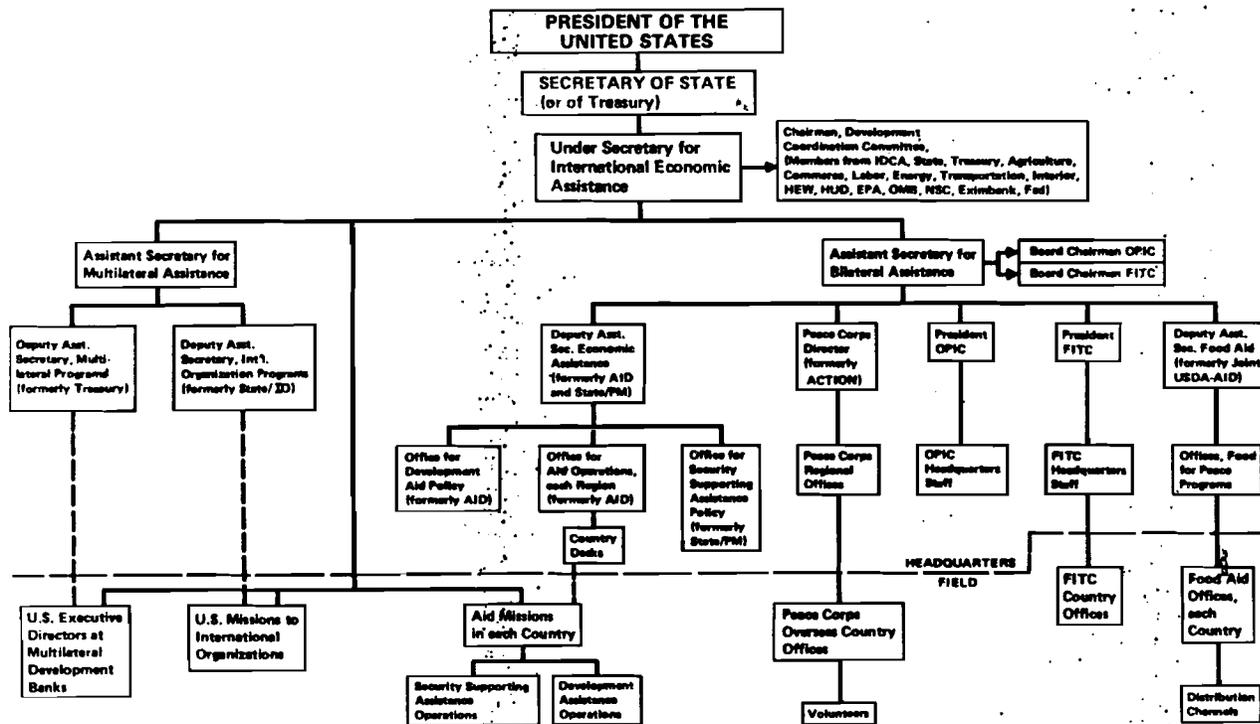
ordinated aid programs. A single agency could also give the United States a vehicle for judging the comparative value and the relative budgetary emphasis it wishes to give each kind of development aid without raising automatic interagency bureaucratic complications. Consolidation, however, could also narrow the range of issues considered in the U.S. policy process, thereby expanding the emphasis the United States gives some goals or values and diminishing the emphasis it gives other objectives in its foreign aid programs.

Placing all development aid programs in a single agency would not eliminate the need for an interagency coordination process. The agencies concerned with foreign policy, defense, trade, and financial issues would still wish to influence U.S. aid policy whenever it touched on their concerns. Consolidation would probably expand the administering agency's influence in the interagency process, however, and diminish the impact that other agencies would have on the overall direction of U.S. aid policy.

Whether consolidation would expand public support for foreign aid or improve its links with the private sector would depend largely on the character of the organization given the responsibility for overseeing U.S. aid and the types of people appointed to manage the consolidated program. There appear to be three likely institutional candidates for the job of administering a consolidated U.S. development program: the State Department, the Treasury Department, and AID or its successor agency. The following discussion examines costs and benefits of giving each the principal role in coordinating and managing U.S. foreign aid policy.

State Department

The United States might place the principal authority for managing foreign aid in the Department of State, since aid is often considered a major foreign policy tool and State is supposed to be the main agency dealing with U.S. foreign relations. Foreign assistance programs give the United States mechanisms for shaping U.S. relations with other nations and means for advancing U.S. interests in the international system. Development and other related economic issues are major concerns of the Third and Fourth World countries, and a continuing U.S. concern for development may be a prerequisite for success in other U.S. policy goals in the developing world. The link between U.S. aid and other U.S. international policy concerns might help the U.S. position in the North-South dialog and provide leverage for improving U.S. relations with some developing nations. Primary State Department responsibility for foreign aid policy might also strengthen the Department's role in other areas of U.S. foreign policy and reverse some of the trend toward diffusing functional responsibility for U.S. international policy among different U.S. agencies. Figure 1 shows how a consolidated foreign assistance program might look if placed in the Department of State (or in Treasury, the next option).



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FIGURE 1.—Centralization of U.S. aid policy under State or Treasury Department.

There are problems, however, with giving the State Department primary responsibility for U.S. aid policy. It has few of the organizational skills or resources necessary for implementing development programs, and its staff in the past has been reluctant to manage programs that do not use classic Foreign Service diplomatic skills. The State Department also lacks the public constituency and many of the contacts with private groups needed to build confidence and support for an effective aid program. Some of these skills and contacts could be brought into the Department if it were to absorb the relevant parts of Treasury and AID. It may already have some of the resources it needs through its experience with a merged AID-State Latin America bureau. Before the State Department would be ready to manage all parts of the U.S. foreign aid program, though, a considerable learning process might be required.

Giving State the main responsibility for aid policy might also change some of the underlying goals and purposes of U.S. foreign aid. One of the Department's main responsibilities is the monitoring of U.S. relations with other countries and assessing the effect current events might have on U.S. international concerns. The Department might continue emphasizing political and diplomatic implications of actions and programs and give less weight to the development or economic policy significance of U.S. international aid programs.

Merger of the development program offices into State might also hurt the overseas image and credibility of many of these aid programs. Some observers claim that it is often already difficult to convince foreigners that the United States provides aid for more than the narrowest political motives. In their view, this difficulty might be compounded if State managed U.S. aid policy through its country desks and foreign posts. If it chose, the Department could establish formal procedures to insulate its foreign assistance offices from the regional bureaus. However, this would probably reintroduce some of the problems intended to be solved by creating a system to coordinate U.S. development policy with other U.S. international goals. It would remain to be seen whether an intradepartmental system would be any more effective or simpler than is the current interagency coordination process.

Treasury Department

The second alternative would give the Treasury Department the central responsibility for directing U.S. aid policy. [See also figure 1.] This option is one which builds logically on Treasury's key role directing U.S. participation in the international development banks and the IMF, and on the important role U.S. aid plays in U.S. international economic policy. It would seem appropriate, because of the central place the dollar and IMF still play in the world financial system, for the Treasury to continue managing U.S. policy in the Fund. Giving it additional authority over U.S. foreign aid policy might help assure that the United States pursues similar goals in its international financial and development policies. This might help the United States avoid a situation where, for example, its representatives at the IMF supported policies designed to encourage a borrower country to undertake one course of action while its delegates at the multilateral banks or the U.S. bilateral aid program endorsed a different set of economic programs for that country.

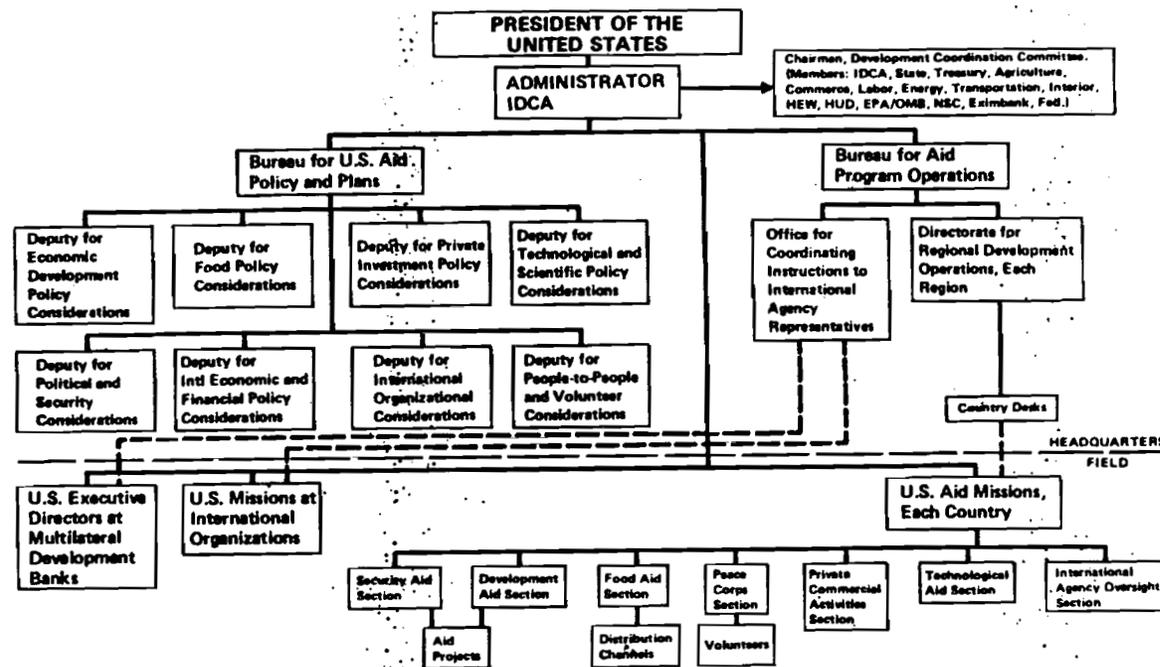
Development programs are really specialized applications of general economic policy, and many foreign aid programs involve the analysis of loans—both areas in which Treasury has current competence. If it had responsibility for all areas of U.S. foreign aid, Treasury might also eventually get more authority for other international economic policy issues (trade or investment, for example), reducing the fragmentation now present in this area of the U.S. foreign and economic policy. Interagency relations might be further clarified if the State Department spoke only to political and security issues and Treasury addressed the economic and developmental dimensions of U.S. foreign aid.

There would be a number of drawbacks, though, to giving the Treasury Department primary responsibility for all U.S. foreign aid. The range of the policy process would probably be narrowed, reducing U.S. attention to the noneconomic aspects of aid and placing U.S. foreign assistance policy in the hands of an agency with a traditionally cautious approach to economic matters. Just as moving foreign aid to the Department of State would tend to make it more of a tool of U.S. foreign policy, transferring it to the Treasury would probably tend to subsume it under U.S. international economic policy and reduce the special emphasis given development concerns. In addition, while the Treasury currently has some of the skills needed to manage U.S. foreign aid, its international staff is too small and specialized to cope adequately with many other aspects of aid operations. Treasury could obtain many of the necessary skills if it took over parts of the other agencies that now manage parts of the U.S. aid program, but it would still need time to absorb and master the key tasks in planning and implementing development assistance programs.

In addition, one might ask whether Treasury has the appropriate image or the broad contacts needed to engender public confidence or support for U.S. foreign assistance programs. Its reputation as a conservative financial agency probably would detract as much as it would add, as far as public or congressional support for the foreign aid program would be concerned. Besides firmness and efficiency, the U.S. aid agency also needs a public image emphasizing humanitarian concern for the poor, a quality which the Treasury image may not portray. Vesting responsibility for aid policy in the Treasury or State Departments would also tend to diminish the program's visibility and the amount of top-level attention it would receive. The Secretaries of State and Treasury have many other responsibilities, and they are unlikely to devote as much time or political capital to this program as might the head of a smaller or less comprehensive organization.

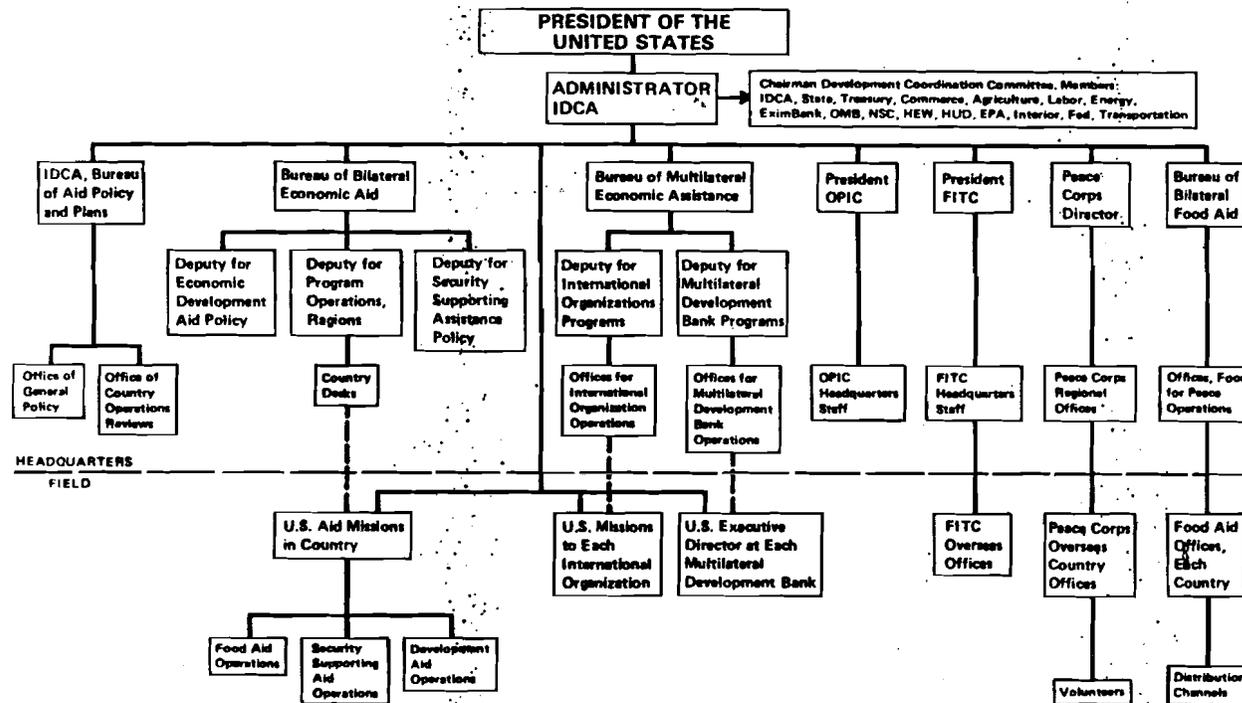
International Development Cooperation Agency

The most prominent current proposal for a single foreign aid agency is the plan to create an International Development Cooperation Agency (IDCA), as a Cabinet level agency managing all U.S. development assistance activities. Figures 2 and 3 show different ways the AID programs could be consolidated within IDCA.



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FIGURE 2.—Centralization of U.S. aid policy under International Development Cooperation Agency (complete integration).



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FIGURE 3.—Centralization of U.S. aid policy under International Development Cooperation Agency (partial integration).

Consolidation of all the different U.S. aid programs in a single foreign assistance agency could have a number of desirable effects. It might limit the effect the Departments of State and Treasury have on U.S. aid policy and allow more innovation and emphasis on developmental goals. It might also create a strong center within the administration for assessing the impact that U.S. trade, investment and other nonaid policies have on developing countries. By upgrading the image and position which development would hold in U.S. policy, it might help improve the U.S. standing in the North-South dialog through a clear demonstration that the United States places priority on the importance of aid and the developmental needs of the developing nations.

Formation of a single foreign assistance agency like IDCA might also help streamline the process for U.S. development aid policy formulation and give the Government a vehicle for balancing its expenditures for different programs and countries according to a unified set of priorities. The head of the consolidated aid agency would be the administration's principal spokesman on development policy issues. His annual congressional presentation documents would give the agency an opportunity to describe all U.S.-funded aid programs and to show how they all fit into a comprehensive U.S. development strategy. Supporters of this concept claim it would improve public understanding of the U.S. aid program and help expand congressional and public support for continued U.S. development assistance efforts.

From an operational perspective, some proponents agree that a consolidated U.S. aid program would lead to economies of scale or operational efficiencies as the support and administrative services of the several existing programs are merged into a single agency. It is also argued that consolidation would encourage the growth of an experienced field and headquarters staff which could perform developmental analyses of different aid programs, monitor the preparation and implementation of international agency programs and assess the relationship these programs might have to U.S. bilateral efforts in specific situations. The proponents claim that broader field analyses and links to the U.S. bilateral aid program would also strengthen the U.S. position in the multilateral agencies and expand the level of U.S. influence on their development operations.

There appear to be two major alternative methods—complete and partial consolidation—for organizing a merged U.S. aid agency, though a range of variations exist through different combinations of components. Both major systems would combine administrative and support services for all existing U.S. aid programs in a single headquarters staff. Neither, of course, would change the fact that the multilateral development banks and other international bodies would continue to have their own independent country offices and headquarters staffs. The first method—complete consolidation—would eliminate any differentiation between bilateral and multilateral aid and form a single program office directing U.S. policy and field operations in each recipient country. Figure 2 shows how a fully consolidated IDCA might be organized. This system would maximize coordination and economy in U.S. aid but diminish the flexibility and characteristic style of the different U.S. aid programs as they currently exist. The second method—partial consolidation—would allow the existing U.S. aid programs to maintain relatively autonomous program and field

operations, under the direction of a policy office in Washington designed to coordinate their country plans, policies, and general program goals. Figure 3 shows how a more loosely integrated IDCA might be organized. It seems unlikely that the predicted economies of scale would be realized if the various IDCA subunits were to keep their separate country desks and autonomous field offices. Congress would probably need to examine the numbers closely before accepting as valid any arguments about major administrative savings from a merger plan.

It is quite likely that, as discussed in option 3 below, many of the benefits from consolidation could be achieved without new legislation or establishment of a single U.S. aid agency.

There would also likely be some drawbacks to formation of a separate U.S. foreign aid administration, regardless of whether it is fully or partly consolidated in its internal operations. Some plans for a consolidated aid agency seek to expand IDCA's emphasis on development policy by loosening the authority that the Secretary of State would have over its operations. Care would probably need to be taken, in this case, that the new agency does not become a rival and that it coordinates policy with the Department of State. An independent IDCA with a large budget and many overseas field offices might eventually become the de facto U.S. State Department for relations with some developing nations. Were this to happen, serious problems might arise concerning the coordination and implementation of U.S. foreign policy.

The Treasury Department has voiced concern that a single aid agency might erode the distinction between concessional and non-concessional lending in the multilateral banks and thereby diminish the financial stability of those institutions and the investment community's confidence in them. The concern is real, but may well be overstated. A well-organized IDCA should give sufficient autonomy to its multilateral aid subunit to permit continued emphasis on high financial and economic standards in the international lending agencies' programs. It is true that the Treasury Department is probably more cautious in its standards than is AID or a likely successor agency, though, and less IDCA insistence on "bankable" projects and sound financial practices might lead eventually to realization of some of Treasury's fears. Congress might want to insure that any consolidated aid agency maintains adequate standards to protect the special financial character of the multilateral development banks.

Another concern is whether consolidation might excessively narrow the range of issues given serious consideration in the U.S. policy process. Some of the coordination problems between AID and Treasury seem to be related to the fact that each group has different ideas about the key elements of a good development program. One should not overstress the differences, for there are many similarities in the two agencies' concerns. It does seem, though, that AID puts more emphasis on basic human needs and programs directed to the poor while the Treasury tends to give more stress to issues like financial soundness, the developmental impact of local government policies, and the balance between general economic growth and specific aid for the poor. Both viewpoints are important. If Treasury were to lose its institutional responsibility for the multilateral banks, it might lose much of its interest

in foreign aid generally and shift its energies elsewhere. This could mean there would be no strong spokesman dealing with the issues previously raised by Treasury, and the economic integrity and the viability of the U.S. development program might be seriously weakened. Congress might want to insure that any new policymaking system does not oversimplify the complexities of development issues by eliminating one viewpoint from active participation in the process.

The last major drawback that might arise from consolidation involves doubts as to AID's capacity to shoulder all the burdens that will be placed on a consolidated agency. IDCA would be more than just AID, to be sure, but at least two-thirds of its staff and most of its top management would probably come from the bilateral aid agency unless many are fired and new leadership found to run all the IDCA programs. The bilateral aid agency has been subjected to many reorganizations; its priorities, programs and emphases have been frequently changed and restructured; and it is said to have lost many good people through recent reductions in force. A major new reorganization may not help promote stability in its own internal operations.

Many critics argue, though some of their arguments seem overdrawn, that AID is seriously flawed and lacks many of the crucial skills and personnel needed to accomplish its present goals. Some proponents of consolidation agree and say unification would be an important step toward forcing the aid agency to improve its standards. One might question this approach, however, and ask whether organizational or program weaknesses in an agency can really be solved by giving it new or broader responsibilities, and whether AID has the capacity to play the central role in the IDCA reorganization plan.

FEDERATION—A STRONG COORDINATOR OVERSEEING SEPARATE PROGRAMS

Instead of full merger of all U.S. foreign aid programs under one agency, one might consider instead a system of partial integration under a special Director for U.S. Development Policy. Figure 4 (see p. 20) illustrates how this system might be organized. The bilateral aid programs—AID, OPIC, Peace Corps, Public Law 480 and the proposed new Foundation for International Technological Cooperation (FITC)—could be combined under a single-umbrella agency (called IDCA in our illustration) to maximize efficiency and improve operational links among these U.S. Government programs. Multilateral assistance programs would remain with State and Treasury because of the special international character of those programs. The Director for U.S. Development Policy would have his own policy review staff and country desks to set U.S. policy for multilateral and bilateral aid and facilitate coordination in recipient countries, along with a budget staff to prepare budget plans for all types of aid. The Director would oversee the interagency process, serving as the administration's prime spokesman for development issues, coordinating policy, and seeing that agency budgets reflect an appropriate division of U.S. aid resources among alternative programs.

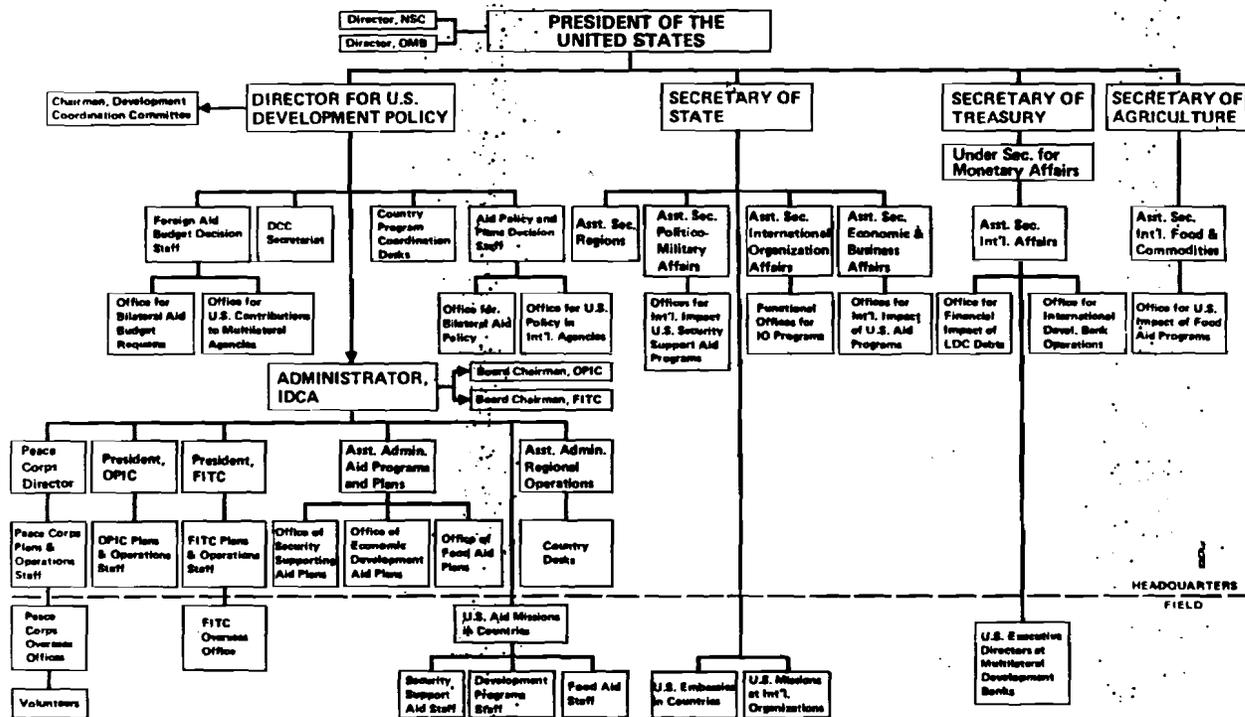


FIGURE 4.—Federation of U.S. aid policy under a single Director, with program operations in separate agencies.

There are several reasons for keeping U.S. participation in the multilateral aid programs separate from the U.S. bilateral activities. American bilateral aid is often associated with foreign policy goals and seen by the recipients and other countries as direct evidence of American concerns or interest in particular situations. Some of the U.S. bilateral programs might be more effective if they were all managed as part of the same basic U.S. development aid operation. The multilateral programs might be damaged, on the other hand, if their international character were diminished or their activities became clearly linked with the national policy goals of individual member states. Separating the two kinds of aid would also emphasize the difference between coordinating policy and coordinating aid operations. The United States has complete authority over its bilateral programs, and it can reorder its priorities or change the various parts of its national foreign aid programs as it wishes through administrative or legislative action. A more indirect approach is required in the multilateral agencies, though, because of the international character of their programs. Greater emphasis on coordination or consolidation of actual programs of the banks and U.N. agencies with U.S. bilateral programs would be difficult to accomplish without violating the integrity of either the bilateral or multilateral programs.

Some discussion of the merits of functional differentiation in the administration of U.S. economic aid is relevant here. Jan Tinbergen, the Dutch economist and Nobel laureate, argues that a country needs separate economic tools if it wishes to pursue different objectives simultaneously in its national economic policy. One tool can only maximize one policy goal at a time. Extension of the Tinbergen rule to the foreign assistance area creates other possible reasons for preserving the separation of multilateral and bilateral aid. The U.N. agencies' grant and technical aid programs tend to emphasize a collaborative, multinational approach to development assistance and their meetings are often major forums for the North-South dialog between rich and poor countries. The multilateral banks' lending programs are more influenced by donor country concerns and emphasize sound economic policies and the link between the recipient's own policies and its development prospects.

U.S. bilateral programs stress a number of different goals. The food aid program emphasizes humanitarian relief and markets for surplus agricultural commodities; the economic aid program stresses basic human needs and direct aid to the poor, and the United States has a number of programs like OPIC, the Peace Corps, and the proposed FITC that have their own specialized goals. A single aid agency might perhaps be able to coordinate the various U.S. programs in a way that would allow them operational autonomy but support a unified set of priorities. It would seem more difficult, however, for a single agency to also have the ability to coordinate U.S. policy toward the multilateral and bilateral programs in a way that allows for pursuit of their more disparate goals.

Some of the potential benefits of consolidation that might be realized through appointment of a special interagency coordinator to oversee general U.S. policy in both the bilateral and the multilateral programs have already been discussed. In the early 1950's, the Director of Mutual Security served as a quasi-autonomous official in the State Department but operated directly out of the White House. In the late

Eisenhower years, the Under Secretary of State for Economic Affairs exercised general authority over U.S. foreign aid. Professor Johnson advocates appointment of either a new Deputy Secretary of State or a special Director for Economic Cooperation and Development to direct U.S. bilateral and multilateral aid policy and U.S. participation in North-South discussions.⁷ The Brookings group proposes appointment of a Coordinator for International Development Policy in the Executive Office of the President to oversee all U.S. aid policy.⁸ It might be asked whether Congress would want to encourage the President to vest authority for U.S. aid policy in a special assistant who might be free, under a claim of executive privilege, from direct congressional examination.

Instead of placing the aid coordinator either in the White House or State, one might consider a system based on the present arrangement whereby the Director of the Central Intelligence Agency serves simultaneously as director of intelligence and has budgetary and general policy authority and the power to assign tasks and require reports from other agencies in the U.S. intelligence community.⁹ As Director for U.S. Development Policy, the head of the expanded aid agency would have the standing and resources to deal on a more equal basis with the Secretaries of State, Treasury, and Agriculture on issues affecting the intersection of their mutual roles. He would be the administration's principal spokesman on development issues, testifying and presenting comprehensive reports to Congress on U.S. foreign aid policy. The Director could also prepare a consolidated U.S. foreign aid budget and serve as the final U.S. authority during multilateral bank replenishment negotiations, overseeing decisions by the Secretaries of State and Treasury as to how much money the United States should pledge for the international development banks and the other international organization programs. State, Treasury, and Agriculture would still have operational responsibility and standing, in order to see that their views were heard in the development policy process. To give the new aid agency head more prestige and authority, he could be given cabinet rank, much as the U.N. Ambassador now has cabinet status because of the presumed value of his office despite the fact he is technically the Secretary's subordinate.

CONTINUATION OF THE CURRENT INTERAGENCY PROCESS

Finally, a case could also be made that no fundamental weaknesses exist in the current U.S. aid coordination system and no extensive restructuring of the executive branch agencies is needed. "If it isn't broken, don't fix it," say critics of the current reorganization plan. Many bureaucratic struggles are essentially efforts in which one party tries to win through reorganization battles powers that it cannot win through normal policy debates. The formulation of American foreign aid policy is complex, for the United States is often seeking to accomplish multiple goals, and development aid programs often affect other major U.S. interests. Figure 5 illustrates the current policy pro-

⁷ Johnson, "Managing Interdependence," p. 20.

⁸ Gordon and Associates, "Interim Report," p. 50.

⁹ U.S. President, Executive Order 12036, "United States Intelligence Activities," Jan. 24, 1978. Weekly Compilation of Presidential Documents, vol. 14, No. 2 [1978], p. 194.

ess in which different agencies have or share responsibility for separate programs. Congress will probably want to determine whether basic changes need to be made in the underlying goals of the various U.S. foreign aid programs or whether the administration should be directed to give development goals precedence when they intersect with other U.S. economic, commercial, or foreign policy concerns.

Congress might also consider whether further reorganization of U.S. foreign aid is needed at this time. The executive agencies have been gradually implementing many of the basic policy changes required in the 1973, 1975, and 1977 Foreign Assistance Acts and the 1977 International Financial Institutions Act.¹⁰ Additional time will probably be needed before the fruits of those efforts are fully visible. Some would caution that one should not uproot a plant all the time to see if it is growing. Significant improvements could be made in the current interagency coordination process. It is possible, however, that new reorganizations might sidetrack the agencies and actually hamper their pursuit of the development, basic human needs, and human rights objectives mandated in the recent legislation.

Another major argument of those who oppose consolidation of U.S. foreign aid programs in a single agency has to do with the damage this might do to the coalition supporting U.S. foreign aid. The many interests served by the different U.S. programs tend to expand foreign aid's constituency and—as long as the proponents avoid attacking one another—to obtain support and appropriations—this tends to build executive, congressional, and public support for the whole U.S. international aid program. Reorganization might make the foreign aid agency a force to be reckoned with and give it the visibility to draw public and congressional support to itself. Reorganization might also limit the goals of U.S. foreign aid, however, and thereby eliminate some groups from the constituency now supporting aid legislation. It remains to be seen whether the increased enthusiasm of the remaining groups would be enough to compensate for a narrower public and congressional base the focused program may have. Reorganization of the executive branch could eventually lead to changes in the congressional committee system and the formation of single House and Senate panels to oversee the consolidated U.S. international aid program. Should this occur, one might reasonably ask whether there would be increased power in the new committees or whether fewer Representatives and Senators would be interested in defending foreign aid because fewer would have an institutional role in shepherding part of the aid program through the Congress.

There are steps which could be taken, even without a major reorganization of the U.S. foreign aid establishment, to improve policy coordination in the interagency system. Raising the AID Administra-

¹⁰ Public Law 93-189 [Foreign Assistance Act of 1973; S. 1443] 87 Stat. 714, approved Dec. 17, 1973; Public Law 94-161 [International Development and Food Assistance Act of 1975; H.R. 9003], 89 Stat. 849, approved Dec. 20, 1975; Public Law 95-88 [International Development and Food Assistance Act of 1977], 91 Stat. 533, approved Aug. 3, 1977.

tor to cabinet rank and appointing him the administration's permanent spokesman for development issues would probably help increase the visibility and priority that development issues receive in the U.S. aid process. Improvements could also be considered for the Development Coordination Committee, strengthening its ability to analyze U.S. development policy goals and the relationships among the different aid programs. At present, the head of AID has not used all the leverage over U.S. development policy that might be available from full use of the power and jurisdiction he received as chairman of the Development Coordination Committee. The 1973 Foreign Assistance Act gave the AID Administrator responsibility for coordinating all U.S. development-related activities and named him Chairman of the DCC, an interagency panel with authority to review and coordinate all U.S. policies and programs affecting development, and advise the President on these issues.¹¹ Bilateral and multilateral aid were both included within the purview of that authority, a potentially significant point since Treasury's control over U.S. participation in the international development banks is only based on executive orders, not legislation. The AID regional desks could be directed to monitor the multilateral programs and the overall development need of their countries, and the AID Administrator could substantially increase his impact on U.S. development policy if he systematically integrated these data from his country desks into the DCC analysis process. Congress might wish to determine whether the administration is currently using all the resources available to it to promote efficiency and policy coordination in existing U.S. development aid programs.

The administration could improve its annual presentation to Congress on the U.S. foreign assistance program without establishing a separate aid agency. If the AID director continued to be the administration's prime spokesman on development matters, his agency's annual congressional presentation document—which already includes data on international organization programs—could be easily modified to include information on OPIC, Peace Corps, Public Law 480, and multilateral bank operations. Country summaries could also be prepared showing all activities in individual nations. Most of this information is already available elsewhere and the annual DCC report is supposed to explain U.S. development goals and the existing relationships among different aid programs.

Regardless of whether they are prepared by IDCA or AID, the congressional presentation documents would not be able to present advance data on multilateral bank loans. The banks differ from AID and the U.N. agencies in that they make their loan decisions on a case-by-case basis instead of preparing a comprehensive package showing their scheduled commitments in the coming year. The presentation document could show what the banks are doing in each country, but it could not say beforehand what projects they might approve in the

¹¹ Public Law 87-195 [Foreign Assistance Act of 1961; S. 1983], 75 Stat. 424, approved Sept. 4, 1961, as amended by the FAA of 1973, secs. 102b(7) and 640B.

next year. An expanded presentation document would also have to make clear that projects funded by the international agencies use money from many countries other than the United States and that Congress is thus unable to exert the same degree of control over the international programs that it exerts over purely bilateral ones.

No new legislation is needed to require greater AID field offices involvement in assessing multilateral aid operations. To be sure, foreign governments and international agencies might give more respect to the U.S. aid missions if they knew their reports to a consolidated U.S. aid agency would have a direct impact on U.S. policy toward their programs. The AID Administrator could have the same effect without new legislation, though, if he required AID missions to monitor multilateral programs in their areas and directed the headquarters staff to include more field report data in AID's contribution to DCC and NAC deliberations. The State Department and AID already have directives requiring periodic reports on international programs in their areas from their missions. Administrative orders would probably have more effect improving weaknesses in the present reporting system, furthermore, than would new legislation. The impact these comprehensive field reports might have on multilateral programs would depend, in any case, at least as much on their quality and persuasiveness as on the vigor with which U.S. representatives press them on the international agencies.

SECTION II: U.S. NONMILITARY FOREIGN AID PROGRAMS

U.S. BILATERAL ECONOMIC ASSISTANCE

The United States has four major channels for its bilateral economic aid. Most of it goes through programs managed by the Agency for International Development (AID), mainly for development programs aimed at meeting basic human needs of the poor in areas such as nutrition, health, population, and education and for supporting assistance to countries of special importance to U.S. foreign policy. The Overseas Private Investment Corporation (OPIC), a Government-owned corporation, attempts to encourage development primarily by guaranteeing or insuring private U.S. investments in eligible developing countries, thereby helping improve the environment for future growth and expansion in the economies of the less developed countries. The Peace Corps manages a program which promotes development through the transfer of technical knowledge and sociocultural self-help skills from American volunteers to local residents of the developing countries. The newly proposed Foundation for International Technical Cooperation (FITC) would be intended to promote development in the developing countries by improving the diffusion of technical and scientific information and encouraging cooperative research between U.S. and local institutions on questions affecting economic development.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The structure and purpose of U.S. bilateral aid have varied over the last 30 years as administering agencies have been reorganized and changes have taken place in U.S. foreign policy and the international political environment. The U.S. Government has direct control over the bilateral aid program, and Congress has the authority to specify the policies, priorities and operational goals for virtually all U.S. bilateral foreign assistance. Congressional and administration efforts have been responsible over the years for many organizational and policy changes in the bilateral aid program.

Trends in U.S. bilateral aid

The United States provided some initial humanitarian and recovery aid after World War II through the Foreign Economic Administration, the Army, and other U.S. agencies. The first separate U.S. foreign assistance agency was formed in 1948 with the passage of legislation establishing the Economic Cooperation Administration (ECA), an independent Cabinet-level entity, to administer the Marshall plan and other U.S. postwar reconstruction and relief operations. The Marshall plan combined humanitarian goals with a concern that Europe must be helped to recover if the postwar world economy was to be healthy and the Europeans were to have the internal stability and capacity to defend themselves against Soviet expansion.

Following a Presidential speech promising more U.S. help for the world's poor nations, a Technical Cooperation Administration (TCA) was formed in State in 1950 to provide technical aid to less developed countries. The President directed the Secretary of State to take the lead coordinating U.S. foreign aid policy. An interagency International Security Affairs Committee was also established later.

In 1951, after the North Korean invasion of South Korea, Congress created a new independent Mutual Security Agency (MSA). With this, the focus of U.S. foreign aid broadened beyond European recovery and U.S. global confrontation with Communist power. Dissatisfied with the existing interagency coordination system, Congress authorized appointment of a Director for Mutual Security in the White House to run MSA, direct U.S. policy, and allocate funds for bilateral and multilateral aid programs. The MSA received authority, as had ECA, to maintain its own overseas missions, although the U.S. Ambassadors were placed in charge of coordinating all U.S. aid programs in their countries. An informal arrangement was later worked out giving MSA responsibility for U.S. aid programs in Europe and Southeast Asia and TCA authority for U.S. assistance programs elsewhere. A Brookings Institution study later reported that this period was the high point for centralized direction and coordination for U.S. foreign aid.¹

The functions of the different aid agencies were consolidated with the formation of a new independent Foreign Operations Administration in 1953. Growing congressional opposition to the idea of an independent aid agency led to new legislation abolishing FOA in 1955. Authority over U.S. bilateral aid was then vested in the International Cooperation Agency (ICA), a new subunit of the Department of State. The Agency for International Development (AID) was formed in 1961 in the State Department to replace ICA and to expand the emphasis given development aid programs in the poorer countries.

Table 2 shows changes in the pattern and terms of U.S. bilateral economic assistance. The United States provided by far the largest part of its initial foreign aid to Europe, and most of it—nearly half the postwar and 86 percent of the Marshall plan money—on a grant basis. During the 1950's, an increasing share of U.S. bilateral aid went to developing countries on the periphery of the Communist world which were important to U.S. foreign policy, and most—81 percent—continued to be available as grants.

¹ U.S. Congress. Senate. Foreign Aid Program "Compilation of Studies and Surveys" S. Doc. 52 [Prepared by the Brookings Institution], 85th Cong., 1st sess., July 1957, p. 424.

TABLE 2.—U.S. BILATERAL ECONOMIC ASSISTANCE, REGIONAL BENEFICIARIES

[Percentages of current dollars]

	Postwar relief period, fiscal year 1946-48	Marshall plan period, fiscal year 1949-52	Mutual Security Act period, fiscal year 1953-61	Foreign Assist- ance Act, period No. 1, fiscal year 1962-74	Foreign Assist- ance Act, period No. 2, fiscal year 1975-77
Near East and South Asia	0	7.2	29.3	29.3	59.9
Grant	0	6.6	23.5	14.6	50.5
Supporting assist- ance		83.3	11.3	9.8	86.3
Latin America	.9	.5	6.5	25.8	10.1
Grant	1.5	.6	5.8	13.2	7.6
Supporting assist- ance				6.9	
East Asia	18.6	16.9	41.4	30.1	9.8
Grants	30.2	17.5	48.2	57.2	11.7
Supporting assist- ance		11.4	72.4	76.9	7.9
Africa	0	0	5.3	9.5	7.0
Grant	0	0	3.8	10.7	8.6
Supporting assist- ance			0.1	5.7	1.4
Europe	80.3	75.3	17.3	.5	2.4
Grant	68.2	75.4	18.4	.5	3.7
Supporting assist- ance		5.2	15.6	.8	14.8
Oceania	.2	.1	0.3	1.8	10.2
Grant	.1	.1	0.4	3.8	17.8
Supporting assist- ance					
Total aid	\$10,750,000,000	\$18,060,000,000	\$16,210,000,000	\$25,930,000,000	\$8,370,000,000
Grant	4,970,000,000	15,570,000,000	12,890,000,000	11,690,000,000	4,490,000,000
Supporting assist- ance	none	2,090,000,000	7,780,000,000	7,660,000,000	5,040,000,000

1 Table shows percentages of total aid, per region and program; percentages of total grant aid, per region and program, and percentages of security supporting assistance provided, per region and program. Figures for loan aid omitted from table. Security supporting assistance provided on both a grant and loan basis, so figures for region/program group are not necessarily additive.

Source: U.S. Overseas Loans and Grants, 1945-77 (AID publication), omitting food aid and grant aid for Peace Corps or payments to regional development banks.

With the formation of AID and the passage of the Foreign Assistance Act of 1961, the United States expanded its emphasis on aid to Latin America and Africa. The terms of U.S. bilateral aid tightened significantly, however, as more was made available as loans and less as direct grant aid. In the most recent period, since 1975, there has been a significant increase in the annual size of the U.S. bilateral aid program and a modest expansion in levels of U.S. grant aid. There has also been a drop in U.S. bilateral assistance to Latin America and East Asia, as, respectively, the portion provided to midlevel developing countries declined and the Vietnam war came to an end.

Foreign aid has been a controversial program over the years. Critics have often sought to terminate its funding. On several occasions, the administration or Congress encouraged more U.S. emphasis on multilateral aid and a gradual end to U.S. bilateral development assistance. The executive branch has proposed and the Congress has initiated many policy changes or reorganizations of AID to accommodate critics and strengthen the agency's operations.

Security supporting assistance

One important move was the organization of a Bureau of Supporting Assistance in 1971 and the functional separation of security and development assistance. Security supporting assistance is provided for direct foreign policy purposes when the United States has a specific reason to promote political or economic stability in a developing nation through budgetary support. Security supporting assistance

has always been a significant portion of the U.S. bilateral aid program, though in recent years the proportion for this program has increased significantly. It now amounts to half—50 percent in fiscal year 1979—of AID's budget, while one-third—35 percent—goes for development assistance and a modest portion—7 percent each—goes for voluntary U.S. contributions to international organizations or AID administrative expenses.

The security supporting assistance program is flexible, and funds go to areas where U.S. foreign policymakers believe action is required and there are good prospects of success. The Middle East and South Asia were initially primary recipients of U.S. security supporting assistance. After the period in which aid to Southeast Asia dominated because of the Indochinese conflict, again the Middle East has become the principal focus (since 1975) for this type of U.S. aid. Over four-fifths of the fiscal year 1979 security supporting assistance is slated for Israel, Egypt, and Jordan. In recent years modest sums have also gone to key countries in Southern Africa, as well as Spain and other countries that allow U.S. use of their military installations. As with U.S. voluntary payments to international organizations—discussed later—security supporting assistance is implemented by AID but decisions as to which countries shall receive funds are made by State and White House authorities. Despite the essentially foreign policy character of the program, Congress ordered in the 1977 International Security Assistance Act that security supporting assistance funds be linked, to the maximum extent possible, to New Directions policies and programs in recipient nations.

New Directions

The major change in U.S. bilateral aid has been the "New Directions" policies, the congressionally initiated effort begun in 1973 to focus U.S. aid more on basic human needs and less on economic growth per se. The 1973, 1975, and 1977 Foreign Assistance Acts placed new emphasis on programs in areas such as food and nutrition, health, education, population planning, and on measures for alleviating energy problems in developing countries. The New Directions policies seek to reorient the U.S. bilateral aid program away from a strategy which emphasized large capital-intensive industrial and infrastructure projects and toward one designed to benefit more directly the poorest individuals in recipient countries. Not designed as a welfare program—though it does also seek better services for the poor—New Directions policies involve efforts to provide more of the basic resources disadvantaged peoples need for self-help and improvements in their economic conditions.

Conceptually, New Directions is a move away from what has been called the "trickle down" theory of development which anticipates that any economic growth will eventually work its way through the economy and benefit the poor, and toward a "growth-with-equity" approach to development. Food production, rural development, and nutrition grew from 26 percent of AID development aid in fiscal year 1973, for instance, to over 61 percent in fiscal year 1976. Basic infrastructure and industrial programs have become negligible, and transportation projects—once a major emphasis because they neatly joined economic and security concerns—now emphasize rural farm to market

roads and are justified mainly in terms of their benefits for poor farmers. As set forth in its fiscal year 1979 congressional presentation, 49 percent of AID's fiscal year 1979 bilateral development aid was scheduled for food and nutrition programs, 15 percent for population projects, 11 percent for health projects, and 8 percent for education programs. (Another 6 percent was for the Sahel development program—mostly agricultural development—and 1 percent for American schools and hospitals abroad.)

AID traditionally has been a field-oriented agency, with most plans and program decisions made in the overseas missions rather than the AID headquarters office. In recent years, the size and complexity of the headquarters staff has increased as Congress and the executive branch have required changes in policy emphasis. New offices have been established to oversee new tasks, and overseas personnel have been absorbed as the size of AID's foreign missions was reduced. Some of this resulted in confusion concerning the basic administrative focus of the agency and its capacity for conducting field-centered development operations.

In the past, AID field missions were a major source of economic policy advice for host governments. AID's assistance programs are now generally much smaller than they were in the past, particularly in relation to programs of the multilateral development banks. AID no longer has the staff and institutional capacity to be the main source of development policy advice to developing countries. In many areas, that role now has been passed to the World Bank, to academic or economic think tanks, or to indigenous planners in the developing countries themselves. The AID field missions reportedly work collaboratively with local governments to identify programs which satisfy mutual objectives, and in many cases the U.S. representatives play an educational role stressing policy concerns—such as increased assistance to women, expanded aid for the poor, light capital technology—which may not be initially popular with officials of the recipient government. The smaller size and special purposes of its aid program generally mean that, unlike the international development banks, AID must rely on persuasion and cannot expect to be very successful in using economic leverage to seek local adoption of its New Directions priorities.

OVERSEAS PRIVATE INVESTMENT CORPORATION

The Overseas Private Investment Corporation (OPIC) is an independent government-owned corporation which administers special investment and guarantee programs, intended, as its legislative mandate says, "to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of less-developed friendly countries and areas, thereby complementing the development assistance objectives of the United States."² The United States began the investment insurance program in 1948, as an adjunct to the Marshall Plan postwar reconstruction effort, broadened its geographic focus in 1951 and 1953 to include non-European nations, and then narrowed its focus in 1959 to include only less developed countries. OPIC

² Foreign Assistance Act of 1961, as amended by the FAA of 1969, sec. 231.

was created as the successor to AID's Bureau of Private Resources in 1969, when the Congress and administration decided the program might be more effective if it were moved from the AID bureaucracy to a new independent Government corporation.

OPIC has three main programs: to insure U.S. investors for up to 90 percent of expropriation, currency inconvertibility, or warfare-caused losses on their insured investments in developing nations; to guarantee U.S. lending institutions against losses on the principal or interest for new loans to finance up to 75 percent of a new U.S. investment in a developing country, and a modest-sized loan fund to offer direct loans to encourage and help small or medium-sized U.S. firms make new investments in developing areas.

OPIC has gone through several major changes in its priorities during recent years. The program was initially placed in a separate corporation to make it more effective in its development operations, to put more emphasis on self-sufficiency and risk management, and to involve more private capital in its operations. The size of the program has declined from its peak in 1968, however, and it appears in retrospect that there may have been contradictions among some of the original goals.

In 1974, the Congress directed OPIC to increase private participation through a system of "privatization" in which commercial firms would take over OPIC's insurance business, and it would limit its activities in this area solely to reinsurance. This reflected a desire that OPIC be more businesslike and also a concern that direct OPIC activity might tie the United States too closely to multinational corporations when the policyholders were involved in investment disputes with Third-World governments.

In 1978, Congress ordered a major shift in OPIC priorities. Repealing the privatization requirements of the earlier legislation, it directed the Corporation to place new emphasis on development criteria in its operations. OPIC was told to give special preference to projects in the poorest countries and to see that its operations supported projects compatible with other U.S. development aid programs. It was also told to give major new emphasis to programs benefitting U.S. small business and to avoid countries with poor human rights records or investments which might compete with certain U.S. domestic industries.

Until recently, OPIC activities have not been significantly affected by the "New Directions" emphases which have changed the priorities and goals for other U.S. foreign aid programs. Its investment insurance and guarantee programs still support an approach to development which emphasizes industrialization, commercial agriculture, and growth through expansion of private commercial activity. It is not clear, though, whether the new emphasis on development priorities is to be accomplished within the original quasi-commercial framework for the Corporation or whether OPIC now is to place less emphasis on self-sufficiency and private participation in its financial operations.

Although OPIC is an independent Government-owned corporation, its management officers are responsible to a Board of Directors composed of individuals representing the Corporation's major operating constituencies. The panel is chaired by the Administrator of AID, and normally includes among its members the Assistant Secretaries of Commerce, Treasury, and State with principal responsibility for in-

ternational economic policy, as well as six non-Government members with experience in small business, organized labor, and cooperatives. OPIC representatives attend sessions of most interagency coordinating panels. The interagency character of the OPIC Board does give it some additional coordinating capacity as well as an ability to relate its operating goals to those of other relevant public and private organizations.

PEACE CORPS

An independent agency for the first 10 years of its existence, the Peace Corps became part of ACTION in 1971, along with Vista and other similar programs, when the umbrella agency for volunteer activities was established. Over 80,000 volunteers have served abroad with the Peace Corps since 1961. The number of active volunteers reached its peak of about 15,000 in 1967, before dwindling in the following period and stabilizing around the current level of approximately 6,000 volunteers serving in 68 host nations. Staffed mainly by short-term volunteers and a largely noncareer administrative staff, the Peace Corps is organized generally along regional lines. Operational responsibility is largely centered in the field, where regional and country directors plan programs in response to local conditions and needs determined by host country governments. The headquarters staff mainly provides policy oversight and support services. Recent controversies among top agency leaders have made it less clear, however, whether top policy and administrative authority for Peace Corps programs is to be in the hands of the top Peace Corps leadership or in the ACTION headquarters offices.

The Peace Corps was created to give an opportunity for Americans to show their willingness to help less privileged people in developing nations. A complex program, the Peace Corps pursues many different goals. In terms of benefits for the host country, it has generally sought to encourage economic development through transfers of technical skills and social values necessary for innovation and increased productivity. It also traditionally has attempted to encourage the poor to take the initiative for resolving their problems through self-help activities. In terms of benefits for the United States, it has sought to improve relations between the rich and poor countries through personal contacts and mutual understanding between individuals. From a foreign policy perspective, it also has sought to build a positive international image for the United States and to create a network of personal contacts and friendships which might enhance support for the United States in the developing world and increase U.S. awareness and understanding of these countries.

The Peace Corps has experienced a number of changes in its operational style and emphasis in the 18 years of its existence. The first years, 1961-68, were a period of growth and idealism which emphasized social reform goals. Most volunteers were generalists with a liberal arts college background, employed mainly as "agents of change" in community development, education, and related programs in rural areas. The second period, begun in 1969 with the Nixon administration, was one in which the Peace Corps began putting greater em-

phasis on functional skills, as it sought to provide more specialized and skilled volunteers for technical assistance programs increasingly requested by host governments.

Since 1977, the Carter administration has been going through a process of rethinking the Peace Corps basic purposes, organization, and programs. Many of its top leaders want to return to the idealism and social goals of the earlier period, but the task is complicated by basic changes which have occurred overseas. Foreign government continue to request highly skilled volunteers for technical assistance programs, and many have been reluctant to accept generalists for some of the programs they welcomed earlier.

In 1978, the statement of purpose in the Peace Corps Act was amended, adding a requirement that the agency help meet the basic human needs of the poorest individuals in recipient countries in addition to the prior injunction that it help those countries meet their need for skilled manpower and promote better mutual understanding between the American people and those of developing nations. The Peace Corps and Agency for International Development began a plan during the year for increased joint programing, wherein the two agencies would strengthen their coordination in the field and the Peace Corps volunteer activities would be coordinated with broader AID-sponsored development programs that fit the volunteer agency's mandate and skills. As of early February 1979, the Peace Corps and AID had established collaborative mechanisms in 29 of the 38 countries where they both conduct operations. In some cases, Peace Corps volunteers provide the applications and field participation needed to make AID development programs workable at the local level. These arrangements and similar coordinated efforts with the United Nations and international development bank projects provide material support and supervision to Peace Corps volunteers which are frequently not available to volunteers in other Peace Corps projects. In addition, AID and other development agencies benefit because volunteers generally have much closer relationships to people in the rural areas which are the focus of basic human needs programs than do development professionals. More joint programing and intensified program coordination are planned for the future.

In spite of these recent initiatives, one could argue that Peace Corps should not be a part of the overall U.S. development assistance program. Joint programing between Peace Corps and AID may help expand the impact of AID's development programs, but it also may tend to make Peace Corps activities an adjunct of AID operations and may detract or hinder the volunteer agency in the pursuit of its other goals. Close integration may tend to identify the volunteers with the U.S. Government, for instance, hampering their ability to get the trust of local residents or relate to them on a person-to-person basis. If the Peace Corps is really a unique program, many of its activities should continue to be clearly separated from programs of other U.S. agencies. If Peace Corps is to take on tasks which overlap the functions or goals of the AID New Directions program, however, close program integration may be needed and its purpose as a unique separate program could well be brought into question.

FOUNDATION FOR INTERNATIONAL TECHNOLOGICAL COOPERATION³

The proposed new Foundation for International Technological Cooperation (FITC) is intended to coordinate and help increase the benefits of scientific and technological research for developing countries. The idea for a new organization of this type was proposed in the 1977 Brookings Institution study on U.S. aid alternatives. President Carter announced his plan to establish the FITC during his March 29, 1978, speech before the Venezuelan Congress. If established, the FITC would be an autonomous subunit of AID (or IDCA), with its own independent board, its own overseas offices, and a largely non-career staff drawn in large part from the university or scientific community industry, and other non-aid Government agencies.

The objectives of the proposed Foundation are to encourage research, related institutional changes, and adaptation of scientific and developmental technologies to conditions in developing countries. Working directly with United States and research institutions of the developing countries, it is to help increase developing countries' access to knowledge and expand their scientific and technical capabilities. It would make grants and award contracts for policy research and studies on development problems, emphasizing involvement by the host countries in FITC-sponsored research. Taking a problem-oriented instead of a country-oriented approach to development, FITC is supposed to encourage U.S. and developing countries' scientists to study problems in such areas as rural productivity, information/communications systems, health and nutrition, nonagricultural employment, and energy, resources, and environmental planning. The FITC is to encourage informational exchange between scientists of the United States and developing countries and strengthen the capabilities of U.S. scientific and research institutions. It is also supposed to coordinate different activities of U.S. agencies which have scientific, technological, and development responsibilities.

Some of FITC's tasks may require new skills or duties, but many of its proposed activities represent a new emphasis or consolidation of activities currently managed by AID or other U.S. agencies. The FITC proposal is too new to evaluate its feasibility or determine whether the developing countries have enough institutional capacity to contribute to or absorb benefits from the program. It is also not clear what the advantages or disadvantages are of giving American and foreign scientists control over major elements of such a development funding program. These and other questions may be assessed during the FITC proposal later this year.

PROGRAM COORDINATION PROCEDURES

A complex process exists for reviewing and coordinating U.S. policy on AID development programs. Congress has a substantial impact on the structure and operational emphases of the U.S. bilateral aid program, and the authorization and appropriations committees all exercise considerable influence on the program. A complex interagency network exists within the executive branch for coordinating bilateral aid policy

³ H.R. 3324, The International Development Cooperation Act of 1979 passed by the House on Apr. 10, 1979, authorized creation of the new Institute, which is redesignated in the legislation as the Institute for Scientific and Technological Cooperation (ISTC).

at the interoffice level, at the interagency operations level, and at the general policy level.

The most important interagency coordinating process probably occurs at the working level, as relevant offices in State, AID, Peace Corps, and OPIC consult with one another on specific issues relevant to their programs. Other than country team meetings, no standardized procedures exist in the field to facilitate coordination between AID, Peace Corps, or future FITC offices, although in most instances informal consultation occurs regularly in the field on matters of mutual concern.

Three more formal systems have exercised review and oversight authority over AID's bilateral assistance programs. The Development Loan Staff Committee (DLSC), an interagency panel chaired by AID, with members from State, Treasury, OMB, NSC, Agriculture, and other relevant U.S. agencies, has responsibility for routine analysis of foreign aid programs recommended by AID management. AID appears to find it a useful vehicle for soliciting informed opinions on its programs, and the other participating agencies seem to appreciate the opportunity to assess individual AID proposals and discuss their potential impact on their organizational concerns. There is little evidence, however, that the DLSC is a major vehicle for coordinating U.S. bilateral aid operations, other Government agencies' programs or, indeed, that its review has had much impact on AID policies or operating principles.

Before 1965, a second interagency committee, the National Advisory Council on International Monetary and Financial Policies (NAC), also had oversight authority over AID development loans. The NAC is an interagency coordinating panel chaired by Treasury with review responsibility for a wide range of U.S. international loan programs. (The NAC is discussed more extensively below in the portion of this paper describing U.S. policy in international development banks.) The NAC review duplicated the work of the DLSC in many respects and gave agencies a second opportunity to comment on bilateral aid projects in a context controlled by Treasury rather than AID. This overlapping review process was an irritant which led eventually in 1965 to an effort by AID to secure authority over U.S. participation in the international development banks and to end the other agencies' double review of its bilateral aid programs. After a major bureaucratic struggle between AID, Treasury, State, and other affected agencies, the President ordered that AID would henceforth have complete jurisdiction over the DLSC and its own loan program and would no longer be subject to NAC review. Treasury was given undisputed control over the NAC and the international development bank programs, and thereafter no institutional link existed requiring that multilateral and bilateral aid be considered simultaneously in the same organizational context.

In 1973, the Congress created the Development Coordination Committee, chaired by AID, to oversee the policy implications of all U.S. development assistance activities and to focus attention on the possible impact U.S. non-aid international policies might have on developing nations. The DCC was initially a very weak panel with little bureaucratic influence, partly because it exercised no direct jurisdiction over any aid programs and also because participating agencies preferred to discuss aid proposals in other forums in which they tradition-

ally exercise more authority. The old DCC was not particularly successful in bringing much consistency or central direction to U.S. foreign aid policy. In May 1978, President Carter responded to congressional pressure regarding the structure of the U.S. aid program by reconstituting the DCC and creating five subcommittees: One to coordinate U.S. bilateral economic aid, and four others to oversee U.S. aid policy for different areas of U.S. foreign assistance (multilateral, food aid, international organization programs, and human rights). Chaired by AID, the new DCC subcommittee on bilateral aid has members from State, Treasury, Agriculture, OMB and the NSC, along with participants from other agencies by invitation. It is responsible for reviewing individual AID loan and grant proposals and for overseeing general policy and budgetary questions. Security supporting assistance is within the purview of the subcommittee, but authority over its use is reserved explicitly for the Secretary of State.

Little information is currently available on the operations of the DCC's bilateral assistance subcommittee. On the whole, it appears to duplicate many of the functions assigned to the DLSC, although its duties may be perhaps performed at a higher level of authority than are DLSC deliberations. It appears that, while policy or program coordination issues for OPIC, the Peace Corps, or other bilateral economic aid programs are reviewed by the DCC subcommittee, these deliberations do not have great impact on the ultimate disposition of issues in question.

As noted earlier, the DCC was created in 1973 to promote consistency and to coordinate U.S. policy in the various multilateral and bilateral development assistance programs. It appears presently, however, that the whole DCC has not been very successful in exercising this overall coordination function. Each of the current DCC subcommittees strives to promote interagency cooperation and a coordinated U.S. approach within its specific area of jurisdiction—bilateral economic or food aid or multilateral aid through the development banks or the international organizations—but there seems to be little effort by the DCC as a whole to provide any general consistency among these different bilateral and multilateral assistance policies. More data would be necessary before one could make any firm judgments as to the effectiveness of the new DCC coordinating procedure, but a preliminary judgment might hold it incomplete in its coverage and rather similar in its focus to the coordination processes it was presumably designed to replace.

INTERNATIONAL DEVELOPMENT BANKS

The United States participates with other countries in four international development banks which finance development projects and programs in Third and Fourth World countries. The World Bank Group, the first of these bodies, is an agency which makes loans on a global basis through its three affiliates the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The IBRD affiliate makes near-commercial ("hard") loans at near-market terms mainly to middle-income LDC's using funds which it borrows (backed by member governments indirect guarantees) on the international capital market. The IDA affiliate makes concessional ("soft") loans at virtually no interest to the poorest

LDC's using funds provided by the richer developed countries. The IFC affiliate encourages private enterprise in LDC's through equity investments in local firms. These investments, financed with funds from the wealthier countries, are then resold after the fledgling firms become established. The second and third banks, the Inter-American Development Bank (IDB) and Asian Development Bank (ADB) are regional institutions that provide ordinary capital ("hard") and concessional loans ("soft") to their developing member countries. The fourth agency, the African Development Fund (AFDF), is the soft-loan affiliate of the African Development Bank (AFDB) and a vehicle for concessional aid from more developed countries through the African institution. The Treasury Department has the responsibility for managing U.S. participation in these multilateral agencies.

While most other international bodies allocate power among their members on a one-nation, one-vote basis, authority in the international development banks is weighted in proportion to each country's contribution to the banks' funds. Organized roughly like joint stock companies, the banks are governed by Boards of Executive Directors. The United States and the other large donors each have their own Executive Directors and the smaller donors share Executive Directors. No country has an automatic veto over Board decisions, though the United States does have sufficient votes in the Inter-American Development Bank to effectively block the two-thirds majority necessary for loans from its concessional Fund for Special Operations. Table 3 shows the total U.S. contributions and voting shares in each institution. The international development banks have been major channels through which the United States and other major Western donor countries have provided multilateral assistance to the developing nations. Table 4 shows the growth of annual U.S. contributions to each international development agency in recent years.

TABLE 3.—U.S. TOTAL CONTRIBUTIONS AND VOTING SHARES IN THE INTERNATIONAL DEVELOPMENT BANKS

[Amounts in billions of dollars]

	Amount	Percent
World Bank group:		
International Bank for Reconstruction and Development (IBRD).....	8.843	21.3
International Development Association (IDA).....	5.606	21.1
International Finance Corporation (IFC).....	.113	32.4
African Development Fund (AFDF).....	.050	4.8
Asian Development Bank (ADB):		
Ordinary Capital Account (OC).....	1.013	10.0
Asian Development Fund/Special Funds (SF).....	.270	Same
Inter-American Development Bank (IDB):		
Ordinary Capital Accounts (OC).....	4.059	34.9
Fund for Special Operations (FSO).....	3.490	Same
Social Progress Trust Fund.....	.535	NA

TABLE 4.—U.S. CONTRIBUTIONS TO INTERNATIONAL DEVELOPMENT BANKS, FISCAL YEARS 1971-79

[In millions]

Year and bank	Request		Appropriation	
	Amount	Paid in ¹	Amount	Paid in ¹
1971:				
IBRD	\$246.10	\$24.60	None	
IDA	160.00	160.00	\$160.00	\$160.00
IDB/OC	387.76	50.00	225.00	25.00
IDB/FSO	100.00	100.00	50.00	50.00
ADB/OC	20.00	20.00	20.00	20.00
1972:				
IBRD	246.00	24.60	23.01	12.30
IDB/OC	211.76	75.00	211.76	75.00
IDB/FSO	50.00	50.00	None	
IDA	320.00	320.00	None	
MOV ²	1,059.25	372.00	1,059.25	372.00
1973:				
ADB/SF	100.00	100.00	None	
IDA	320.00	320.00	320.00	320.00
IDB/OC	386.76	50.00	193.38	25.00
IDB/FSO	450.00	450.00	225.00	225.00
1974:				
ADB/SF	100.00	100.00	50.00	50.00
IDA	320.00	320.00	320.00	320.00
IDB/OC	193.38	25.00	193.38	25.00
IDB/FSO	500.00	500.00	225.00	225.00
MOV ²	1,448.63	435.00	1,448.63	435.00
1975:				
ADB/SF	74.13	74.13	50.00	50.00
ADB/OC	96.15	24.10	24.13	24.13
IDA	320.00	320.00	320.00	320.00
IDB/FSO	500.00	500.00	225.00	225.00
1976:				
ADB/SF	50.00	50.00	25.00	25.00
ADB/OC	120.63	24.13	120.63	24.13
IDA	375.00	375.00	320.00	320.00
IDB/FSO	275.00	275.00	225.00	225.00
AJDF	15.00	15.00	5.00	5.00
1977:				
ADB/OC	120.64	24.13	90.48	24.13
IDB/OC	240.00	40.00	220.00	20.00
IDB/FSO	250.00	250.00	50.00	50.00
IDA	375.00	375.00	375.00	375.00
1977 supplemental:				
ADB/SF	25.00	25.00	25.00	25.00
IDB/OC	260.00	60.00	156.00	36.00
IDB/FSO	200.00	200.00	160.00	160.00
IDA	55.00	55.00	55.00	55.00
AJDF	10.00	10.00	10.00	10.00
1978:				
ADB/OC	203.57	20.36	167.99	16.80
ADB/SF	60.00	60.00	49.51	49.51
IDB/OC	400.00	40.00	365.27	36.53
IDB/FSO	200.00	200.00	114.72	114.72
IBRD	522.94	52.30	380.00	38.00
IDA	1,175.00	1,750.00	800.00	800.00
IFC	44.60	44.60	38.00	38.00
AJDF	10.00	10.00	10.00	10.00
1979:				
ADB/OC	239.15	23.92	194.54	19.45
ADB/SF	70.49	70.49	70.49	70.49
IDB/OC	588.73	27.30	588.73	27.30
IDB/FSO	325.28	325.28	175.00	175.00
IBRD	665.90	66.59	163.08	16.31
IDA	1,500.00	1,500.00	1,258.00	1,258.00
IFC	40.05	40.05	40.05	40.05
AJDF	25.00	25.00	25.00	25.00

¹ Figures show portion of total request or appropriation to be actually paid in. Remainder is callable capital.² MOV: Maintenance of value payments due as a consequence of the 1972 and 1974 devaluations of the dollar.

INTERNATIONAL BANK PROGRAM EMPHASES

The international development banks are relatively nonpolitical institutions, barred by their charters from interfering in the political affairs of their members and instructed that only impartially weighed economic considerations shall be relevant to their decisions.⁴ The banks provide loans, guaranteed by host country governments, to finance specific development projects in poor countries. An extensive process in which their staffs review the project's economic and development prospects precedes the authorization of loans. The World Bank is dominant among the four institutions. In fiscal year 1977 the IBRD accounted for four-fifths of all the hard loans, and IDA two-thirds of the soft loans approved by the international development banks. Because of its size, the World Bank has had a major impact in shaping the development policies and plans of its borrower countries and, in recent years, has often played a leading role in the evolution of international development theory. The three regional banks have usually focused on adapting multilateral assistance to the special conditions and needs of their areas and have generally had a major impact on development trends and conditions in their particular regions.

The World Bank and the other international agencies have traditionally been rather cautious organizations and, though in recent years they have tended to be more oriented to "development" and less to simply "investment" criteria, they continue to be institutions whose fundamental policies and approaches are based on Western marketplace economic principles. Their basic concerns—sound rates of economic and financial return on capital, creditworthiness and economic performance of the prospective borrower and absorptive capacity—remain central factors in their processes for appraising new project loans. The three regional banks have tended to focus more on institution building, strengthening specific organizations and systems in borrower countries, while the World Bank frequently has gone beyond this to seek basic changes in the national economic policies of its borrower countries. It has often been rather successful using its lending power as leverage to encourage nations to change their priorities and adopt policies the Bank believes more appropriate to their situations.

The international development banks have historically placed more emphasis on infrastructure, industry, and other large-capital development projects than have most other bilateral and multilateral development organizations, though in recent years they have expanded some of their emphasis on socioeconomic concerns. Table 5 shows the absolute and percentage distribution of lending by the World Bank and the other international development banks in recent decades.

⁴ Articles of Agreement of the International Bank for Reconstruction and Development, art. IV, sec. 10. The charters of the three other international development banks contain similar language requiring them also to remain nonpolitical in their decisions and operations.

TABLE 5.—INTERNATIONAL DEVELOPMENT BANK LENDING, BY SECTOR

[Amounts in millions of dollars]

WORLD BANK

Sector	1964-73		1975-77		1978	
	Amount	Percent	Amount	Percent	Amount	Percent
Agriculture.....	3,210	17.6	6,750	28.3	3,270	38.9
Education.....	883	4.9	987	4.1	352	4.2
Energy.....			199	8.3		
Industry (including DFC's).....	3,283	18.4	4,768	19.9	1,302	15.5
Nonproject.....	310	1.7	1,401	5.9	155	1.8
Population.....	66	.3	130	.5	58	.7
Power.....	3,706	20.7	3,174	13.3	1,146	13.6
Technical assistance.....	14	0	70	.3	20	.2
Tourism.....	80	.4	208	.9	50	.7
Transportation and communication.....	5,570	31.2	4,827	21.4	1,314	15.6
Urbanization.....	52	.3	444	1.9	369	4.4
Water and sewerage.....	708	4.0	955	4.0	375	4.5
Total lending ¹	17,879	100.0	23,909	100.0	8,411	100.0
Amount IDA.....	(5,268)	(29.4)	(5,634)	(23.6)	(2,313)	(27.5)

INTER-AMERICAN DEVELOPMENT BANK

Sector	1961-73		1973-77		1978	
	Amount	Percent	Amount	Percent	Amount	Percent
Agriculture.....	1,283	23.6	1,475	22.9	239	13.5
Education.....	197	3.6	342	5.3	95	5.4
Energy.....					766	43.2
Export financing.....	91	1.7	86	1.3	45	2.5
Industry (including DFC's).....	813	14.9	1,145	17.8	319	18.0
Power.....	973	17.9	1,425	22.1		
Technical assistance.....	100	1.8	90	1.4	31	1.8
Tourism.....	35	.6	85	1.3	32	1.8
Transportation and communication.....	951	17.5	1,078	16.7	194	10.9
Urbanization.....	402	7.4	134	2.0		
Water and sewerage.....	596	11.0	587	9.1	149	8.4
Total lending ¹	5,441	100.0	6,448	100.0	1,772	100.0
Amount FSO.....	(2,687)	(49.4)	(2,610)	(40.8)	(683)	(38.5)

ASIAN DEVELOPMENT BANK

Sector	1968-72		1973-77		1978	
	Amount	Percent	Amount	Percent	Amount	Percent
Agriculture.....	125	13.1	924	28.1	318	26.8
Education.....	7	.7	41	1.3	30	2.6
Health.....					39	3.3
Industry (including DFC's).....	236	24.7	674	20.5	282	24.4
Power.....	273	28.6	721	21.9	249	21.5
Transportation and communication.....	204	21.4	600	18.2	138	11.9
Urbanization and water.....	110	11.5	330	10.0	110	9.5
Total lending ¹	955	100.0	3,291	100.0	1,159	100.0
(Amount special funds).....	(202)	(21.2)	(965)	(29.3)	(380)	(32.8)

AFRICAN DEVELOPMENT FUND

Sector	1974-77		1978	
	Amount	Percent	Amount	Percent
Agriculture.....	118	33.7	66	38.4
Transport.....	94	26.9	57	33.3
Public utilities.....	73	20.9	18	9.3
Health and education.....	65	18.6	32	19.1
Total lending ¹	350	100.0	172	100.0

¹Totals may not add due to rounding.

World Bank

The World Bank's early efforts reflected the widely accepted view that growth in the poor countries was mainly blocked by weaknesses in their economic infrastructure. Over 60 percent of its loans between 1946 and 1962 were concentrated in the transportation and electric power sectors. In the early 1960's, it expanded its emphasis on industry and agriculture, mainly funding high-skill, large-scale projects which reflected the then-current concern with levels of efficiency and productivity in LDC economies. Since 1968, the World Bank has begun to reflect the present concern with basic human needs and income distribution through its growing emphasis on "new style" projects and its programs designed to help more directly the poorest people in its borrower countries. Most of its loans still go for capital intensive infrastructure, industrial, or agricultural projects, areas where it has an established expertise and the demand from its borrower countries is strong, but the Bank seems also to be expanding its emphasis on rural development and socially oriented projects.⁵

Inter-American Development Bank

The IDB has taken a different path from that of the World Bank, though in the last decade there has been increasing similarity in their activities. It was founded in 1959 because the Latin American countries were concerned that the global development bank was too preoccupied with infrastructure and not involved enough with "social" and industrial or agricultural aid. In its first 5 years, 1961-65, virtually all its loans went for agricultural, industry, or social infrastructure projects (housing, water, and sewerage). After 1966, problems with its early programs and funding limitations forced the IDB to reassess its activities. The IDB began to resemble the World Bank as it continued its emphasis on agricultural and industrial programs and increased its priority on economic infrastructure. In recent years, the IDB has been again reconsidering its role and, with U.S. encouragement, giving more emphasis to aid for low-income countries and assistance—particularly in agriculture—aimed more directly at the poor.⁶ The IDB Charter was amended in 1976 to give social development equal standing with economic development as a goal of the agency. The IDB is a "borrowers' bank," dominated by the preferences of its borrower countries, however, and most Latin American governments seem to emphasize economic growth and industrial and agricultural modernization. This may limit the extent to which the IDB can give additional emphasis to "new style" programs.

Asian Development Bank

The ADB has been a rather cautious institution which has tended to focus its loans in capital-heavy development projects. A relatively small funding agency in a large capital-starved region, it seems to take a rather narrow view of its role in Asian development, and its lending pattern suggests adherence to a view that its strategy

⁵ A 1978 Congressional Research Service study said that, for 42 percent of World Bank 1977 loans, the poorest were intended direct beneficiaries of much or most of the aid. U.S. Congress, House, Committee on Appropriations, Subcommittee on Foreign Operations, "Foreign Assistance and Related Agencies Appropriations for 1979" (hearings), pt. 5, printing the CRS study "Towards an Assessment of the Effectiveness of the World Bank and the Inter-American Development Bank in Aiding the Poor," Mar. 10, 1978, 95th Cong., 2d sess., pp. 209-10.

⁶ The Congressional Research Service 1978 study showed that the poorest were the intended direct recipients of some or the predominant benefits of 43 percent of all IDB loans the previous year. *Ibid.*, pp. 210-11.

should be one emphasizing basic improvements in countries' economies. In its first 5 years of operations, 1968-72, over 60 percent of its aid was concentrated on power, transportation, or other infrastructure projects. More recently, it has shifted more toward agriculture and industry—particularly agro-industry—and in 1977 nearly half its resources were channeled to those areas and another 40 percent continued to go to economic infrastructure. Despite its more conservative approach, though, the ADB has moved along with the other development banks toward giving more emphasis to social and basic needs programs.

African Development Fund

The AFDF is the soft-loan affiliate of the African Development Bank, formed in 1973 to supplement the AFDB's hard-loan program. (The AFDB was formed in 1966 as part of the Pan-African movement and is limited solely to African members.) The AFDF has its own board of directors and separate accounts, but the two agencies share the same staff and a common operational program. Both have very small programs with limited funds. The AFDB has provided 70 percent of its aid for infrastructure, while the AFDF has directed over half of its assistance for agriculture and social programs, most of them designed mainly to benefit the poorest classes.⁷

U.S. POLICY OBJECTIVES

While the United States pursues a number of different policy goals through its participation in the international banks, development issues probably have been the principal factor shaping U.S. policy in the multilateral institutions. The United States has supported the banks because of their experience and skill in managing sound development projects in poor countries. Without seeking to detract from the basic humanitarian goals which underlie U.S. development policy, however, it can be argued that the banks have been even more important to the United States because of their capacity for influencing the internal priorities and policies of their borrower nations and their role supporting Western economic values in the developing world. The value of foreign aid per se is useful but limited, as the main factors determining a country's development prospects are its internal economic policies and its consistency in the pursuit of those norms.

The United States sees the international agencies as more effective than most bilateral organizations in using leverage to encourage their borrowers make the hard economic decisions necessary to remove policies or practices inimicable to development. Americans also tend to believe that factors such as marketplace economics, free enterprise, and an open world trading system are as conducive to the long-term interests of the developing nations as to their own, and the United States values the international banks because of their role buttressing Western economic principles and encouraging developing countries to find development strategies compatible with the basic framework of the Western economic system.

⁷ The Treasury Department says over 60 percent of AFDF funds are allocated for such loans. U.S. Congress, House, Committee on Appropriations, Subcommittee on Foreign Operations, "Foreign Assistance * * * Appropriations for 1979" (hearings), pt. 1, 95th Cong., 2d sess., p. 609.

On the whole, the United States also seems to find the banks' loan programs compatible with the priorities of its bilateral program. It has sought to encourage the international agencies to place more emphasis on basic human needs and programs targeting direct aid to the poor, while continuing to recognize that the banks' primary emphasis on capital-intensive projects is needed to achieve a balanced overall approach to world development.

Besides these development goals, the United States has other policy concerns in the international banks. The United States has traditionally supported the multilateral agencies as vehicles for encouraging other donors to share the burden of funding international development. This remains a U.S. goal even though in recent years the situation has changed and other nations are now trying to persuade this country to match their greater emphasis on multilateral aid. The United States has also found the banks useful forums for encouraging cooperation between the rich and poor nations on world development problems. While the multilateral banks program are not an appropriate focus for short-term U.S. foreign policy concerns, the international agencies have normally been useful long-term vehicles for channeling assistance to nations of particular importance to the United States. The three regional banks play a major role affecting U.S. relations with their member countries, and foreign policy considerations were a major reason behind initial U.S. participation in each of those institutions.

U.S. POLICY COORDINATION PROCEDURES

As the agency mainly responsible for directing U.S. policy toward the international banks, the Treasury is concerned both that the banks have the flexibility and resources they need to foster world development and that they pursue sound economic policies and practices compatible with U.S. interests and basic U.S. international economic policy concerns. Because it is responsible for congressional relations concerning the international banks, Treasury has been sensitive in recent years to issues such as human rights, basic human needs, direct aid to the poor, restrictions on multilateral lending for certain agricultural products, limits on the salaries of bank employees, and other matters of concern to Congress as a whole or important congressional committees. In many instances, Treasury arguments in these areas seem to reflect congressional views more than they do the Department's own traditional concerns as it attempts to influence bank policies in these matters.

Until 1978, the main forum for coordinating U.S. policy for the international banks was an interagency committee, the National Advisory Council for International Monetary and Financial Policy (NAC). Chaired by Treasury, the NAC consists of five other members—the Departments of State and Commerce, the Federal Reserve, the Export-Import Bank, and—since 1978—the Agency for International Development (AID). It also receives active participation from other nonmember agencies. Policy is generally made on a case-by-case basis, through analysis of multilateral bank loan proposals and interagency consultations regarding U.S. policy needs. Decisions by the NAC are advisory only, and the Treasury Secretary retains the authority to instruct U.S. representatives at the banks, but in most instances its recommendations are the basis for U.S. policy in those institutions.

The other NAC member agencies also have their own concerns which they bring to interagency deliberations. State and AID are probably the other members with the most active concern about multilateral agency programs. The State Department has a number of sometimes conflicting concerns which it seeks to reflect in its position on U.S. bank policy. Its economic bureau is interested in developing policy and the impact the international bank programs may have on North-South relations, while its regional bureaus are concerned with the way specific loans or votes might affect U.S. relations with their client countries, and the international organization bureau is interested mainly in broad political concerns. AID representatives generally review the development policy issues which come before the NAC, and its country desks and functional experts usually examine the quality of bank proposals and their possible impact on existing U.S. bilateral aid programs.

The Commerce Department, Eximbank, and Federal Reserve are on the NAC for reasons mostly related to their institutional duties or because it reviews their own international loan operations. The Commerce Department concentrates mainly on procurement and statistical issues, while the Federal Reserve examines the international monetary impact of different NAC loan programs. The Eximbank shepherds its own loan programs through the NAC and watches how the multilateral program might affect its operations.

The Agriculture Department is the most active of the nonmember agencies. Its representatives guide USDA food-for-peace loan proposals through the NAC review process and its functional and technical specialists generally provide detailed assessments of multilateral bank agricultural loan proposals. Other participating agencies—the Departments of Transportation and Energy, for example—provide similar technical analyses of loan proposals when requested, while other agencies mainly attend NAC sessions to keep abreast of the issues.

RECENT COORDINATION EFFORTS

The Carter administration's 1978 reorganization of the Development Coordination Committee created a special interagency subcommittee, subsequently termed the Working Group on Multilateral Assistance (WIGMA), to oversee U.S. policy toward the international development banks. Previously, the DCC had—but never exercised—jurisdiction over multilateral aid policy as part of its general authority to review all elements of U.S. development policy. Headed by the Assistant Secretary of Treasury for International Affairs, the new subcommittee consists of members from State, AID, Agriculture, Eximbank, the Federal Reserve, Office of Management and Budget, and the National Security Council. Like the NAC, which was also continued in existence, the WIGMA usually meets at a staff level for its routine working sessions.

The new WIGMA has been assigned the task of examining individual loans and projects, reviewing general policy and budgetary questions, and identifying issues for consideration by the full DCC. Its jurisdiction and functions are virtually identical to those of the NAC, as are the memberships of the two panels.

Critics have charged that the old NAC process has been too narrow in its operations, too enmeshed in the details of the individual bank

loan proposals, and too preoccupied with short-term issues to study adequately the long-range questions and general policy concerns affecting U.S. participation in the banks. The international banks should be granted the presumption of competence on their individual loan documents, critics say, and the U.S. interagency process should concentrate on the major issues affecting U.S. policy in the banks. The new WIGMA was originally intended to accomplish that purpose, and the participants anticipated that it would focus on the priority issues and broader questions implicit in bank loan proposals, rather than the details of individual loan documents.

The new subcommittee has existed for less than a year, and there is not yet sufficient data for a firm conclusion as to its ultimate direction. The WIGMA largely overlaps the functions of the old NAC, though, and the existence of two parallel interagency panels seems a potential source of administrative confusion. Available data suggests, moreover, that the new DCC subcommittee has also tended to become involved in analysis of individual loan documents. This situation would not be surprising, for policy issues usually arise in the multilateral agencies through gradual adjustments in their loan policies, as revealed on a case-by-case basis through their new loan proposals. It may be difficult for an interagency committee to focus on broad policy questions when it must cope with the weekly workload of new items coming before the banks' executive boards, yet it may also be hard for an interagency panel to deal competently with broad U.S. policy goals in the international institutions unless it has some direct links to the casework through which the issues arise. Were sufficient staff available, the executive branch might consider a system which separated casework and broad policy deliberations on different tracks of the same interagency process. Experience with the WIGMA and NAC suggests, however, that the executive branch has not been very successful in dealing with this organizational problem.

INTERNATIONAL ORGANIZATION PROGRAMS

American participation in international organization programs involves a broad range of activities, some developmental in their focus but many others directed largely at humanitarian, scientific, educational, administrative, or other nondevelopmental goals. The United States supports these international programs through both its assessed dues in each international organization and its voluntary contributions to their special programs. Table 6 shows the size and share of U.S.-assessed contributions to the different agencies, while table 7 shows the annual U.S. voluntary payments to special international programs. U.S. participation in these international organization programs is principally directed by the Department of State.

TABLE 6.—U.S.—ASSESSED CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

[In thousands of dollars]

	Fiscal year—				1977 percent
	1974	1975	1976	1977	
I. MAJOR ORGANIZATIONS					
A. Developmental:					
Food and Agriculture Organization (FAO).....	\$13,151	\$13,531	\$13,520	\$18,347	25.00
Pan-American Health Organization (PAHO).....	12,650	13,898	15,862	18,726	61.32
World Health Organization (WHO).....	28,834	26,802	29,319	38,934	25.43
B. Economic/scientific:					
Customs Cooperation Council.....	644	802	805	991	25.00
General Agreement on Tariffs and Trade (GATT).....	1,212	1,511	1,909	2,079	14.23
Inter-American Institute of Agricultural Sciences.....	3,475	3,939	4,404	5,105	61.69
Intergovernmental Maritime Consultative Program (IMCO).....	120	152	142	242	4.09
International Atomic Energy Agency (IAEA).....	5,422	7,779	7,429	10,515	27.88
International Bureau of Weights and Measures.....	134	149	171	198	10.00
International Civil Aviation Organization (ICAO).....	2,806	2,445	3,722	3,730	25.00
ICAO Joint Financing Program.....	2,231	2,327	2,454	2,362	35.89
International Coffee Organization.....	281	279	282	360	16.73
International Institute for Cotton.....	1,580	1,811	1,916	1,500	56.01
International Wheat Council.....	47	60	87	101	14.20
International Telecommunications Union (ITU).....	1,511	1,181	1,321	1,930	7.08
Organization of Economic Cooperation and Development (OECD).....	7,737	8,434	10,927	14,267	25.00
Pan American Institute of Geography and History (PAIGH).....	581	195	194	194	60.89
World Intellectual Property Organization (WIPO).....	41	51	62	241	5.59
World Meteorological Organization (WMO).....	1,234	1,571	1,683	2,599	23.58
C. Education/training:					
International Labor Organization.....	7,622	11,284	6,728	17,360	25.00
UN Educational, Scientific and Cultural Organization (UNESCO).....	15,896	15,821	NA	46,600	25.00
D. Humanitarian: North Atlantic Ice Patrol.....					
	94	117	125	138	10.55
E. Other:					
Central Treaty Organization (CENTO).....	186	197	200	199	20.00
Hague Conference on Private International Law.....				21	5.42
International Criminal Police Organization (Interpol).....	107	98	140	120	5.19
NATO Civilian Headquarters.....	6,727	8,053	7,708	9,680	24.20
North Atlantic Assembly.....	111	126	170	220	24.20
Organization of American States (OAS).....	22,290	22,711	24,100	28,873	66.00
Southeast Asia Treaty Organization (SEATO).....	272	289	336	202	28.60
United Nations Emergency Force (UNEF) and United Nations Disengagement Observation Force (UNDOF).....	17,336	28,836	31,850	25,333	29.43
Universal Postal Union (UPU).....	110	154	177	456	5.97
II. MINOR ORGANIZATIONS					
Bureau of International Expositions.....	9	8	11	13	10.72
Columbo Plan Council.....	8	8	10	7	3.70
Inter-American Indian Institute.....	62	62	61	86	63.54
Inter-American Tropical Tuna Commission.....	582	709	826	1,071	93.00
International Agency for Research on Cancer.....	335	397	403	625	13.49
International Agreement, Maintenance of Lights of the Red Sea.....	5	5	12	11	6.10
International Bureau of the Permanent Court of Arbitration.....	2	2	2	6	6.20
International Bureau for the Publication of Custom Tariffs.....	26	25	28	195	5.11
International Center for the Study of the Preservation and Restoration of Cultural Property.....	91	70	114	116	25.00
International Commission for the Conservation of Atlantic Tunas.....	25	29	36	38	12.15
International Commission to the Northwest Atlantic Fisheries.....	8	10	13	NA	NA
International Council for the Exploration of the Sea.....	16	20	24	28	6.82
International Council for Scientific Unions.....	157	174	185	200	14.66
International Hydrographic Organization.....	19	19	24	24	6.37
International Institute for the Unification of Private Law.....	18	18	19	24	6.57
International Lead and Zinc Study Group.....	6	6	6	16	6.98
International North Pacific Fisheries Commission.....	28	44	55	60	33.33
International Office of Epizootics.....	NA	NA	NA	26	3.50
International Organization for Legal Meteorology.....	39	17	19	26	9.30
International Rubber Study Group.....	9	11	12	17	10.10
International Seed Testing Association.....	2	2	2	2	3.84
International Tin Council.....				112	13.14
International Whaling Commission.....	1	3	5	6	5.67
Interparliamentary Union.....	69	75	104	136	13.61
North Pacific Fur Seal Commission.....	4	5	4	5	25.00
Pan American Railway Congress Association.....	15	15	15	15	40.20
Permanent International Association of Navigation Congresses.....	3	6	6	6	14.56
Postal Union of the Americas and Spain.....	44	51	52	65	7.54
South Pacific Commission.....	330	398	398	493	20.00
World Tourism Organization.....	22	32	NA	113	4.53

TABLE 7.—U.S. VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS
[In thousands of dollars]

	Fiscal year—				1977, percent
	1974	1975	1976	1977	
I. MAJOR ORGANIZATIONS					
A. Developmental:					
CENTO Multilateral Technical Cooperation Fund.....	\$105	\$105	\$105	\$105	33.33
Indus Basin and Tarbela Development Funds.....	9,000	9,000	11,250	15,763	15.64
OAS Export Promotion Center.....	467	770	800	500	66.29
OAS Special Development Assistance Fund (SOAF).....	4,836	5,622	6,259	6,300	64.71
PAHO Special Health Promotion Funds.....	631	1,759	1,941	2,937	28.78
UN Development Program (UNDP).....	90,203	77,897	100,000	100,000	19.11
UN Trust Fund for Development Planning and Pro- jections.....				665	21.83
UN/FAO World Food Program (WFP).....	68,000	70,000	70,000	77,380	25.22
West African Rice Development Association.....	174	857	1,120	942	20.93
WHO Special Programs.....	1,561	2,500	1,700	4,420	11.90
WHO Voluntary Assistance Program.....	1,500	1,199	1,500	2,000	34.09
B. Economic/scientific:					
CENTO Multilateral Science Fund.....	20	20	21	29	33.33
Consultative Group on International Agricultural Re- search.....	7,000	10,655	15,100	18,350	23.71
OAS Special Project Fund.....		4,000	6,000	3,700	64.61
UN Environment Program.....	7,500	5,000	7,500	10,000	35.22
C. Education/training:					
OAS Special Multilateral Fund.....	8,791	4,290	7,590	7,000	65.73
UN Education and Training Program for Southern Africa (UNTPSA).....		50	50	50	2.44
UN Institute for Namibia.....			250	250	8.36
UN Institute for Training and Research (UNITAR).....	400	400	400	400	25.98
D. Humanitarian:					
Intergovernmental Committee for—					
European Refugees.....	3,460	3,076	3,000	3,000	10.93
Resettlement of Indochinese Refugees.....		8,830	8,658	7,444	90.39
UN Children's Fund (UNICEF).....	15,000	17,000	20,000	20,000	21.73
UN Disaster Relief Office (UNDRO).....				250	22.07
UN Fund for Population Activities (UNFPA).....	18,000	20,000	16,000	29,000	31.62
UN/FAO Sahelian Trust Fund.....	2,600	1,618	778	925	9.91
UN High Commissioner for Refugees Programs (UNHCR).....	2,100	1,506	1,168	1,521	7.42
UNHCR Humanitarian Assistance:					
Indochinese Program in Thailand.....		5,290	6,110		
Indochinese Resettlement and Camp Program.....			1,020	10,000	60.82
Southern African.....			300	400	100.00
Cyprus.....		20,672	29,700	17,500	42.27
Kurdish.....			150		
Lebanon.....			910		
Mozambique.....		850	615		
UN Relief and Works Agency (UNRWA).....	29,400	41,055	13,300	48,200	44.67
E. Other:					
Columbo Plan Drug Advisory Program.....		159	50	100	100.00
UN Emergency Force in Cyprus (UNFICYP).....	1,621			9,600	28.21
UN Emergency Force in Sinai.....					
UN Fund for Drug Abuse Control.....	2,000	5,600	3,000	4,000	34.80

Source: Tables 6 and 7: U.S. Department of State, International Organization Affairs Bureau.

THE RANGE OF IO PROGRAMS

The diversity of these programs makes U.S. participation in the international organizations quite complex, and there is not sufficient space here for a discussion of all their activities. The United Nations Development Program (UNDP) is the biggest program in the development area, and the major source of multilateral technical assistance to the developing countries. The UNDP provides a framework for implementing and assessing technical aid efforts and coordinates the activities of other international organizations—both technical and project aid—in recipient countries. It implements many of its own programs through other U.N. specialized agencies. The new U.N. Capital Development Fund complements UNDP activities by providing seed capital for projects too small for the multilateral banks and other international lenders.

The U.N. Food and Agriculture Organization's (FAO) world food program channels food resources to needy countries where they can be used for both food-for-work development projects and for preschool and school-age child nutrition programs. One of the new FAO programs seeks to expand the food supply in developing countries through construction of new storage and transportation facilities that will help cut postharvest crop losses from spoilage and vermin. The Organization of American States manages programs to help encourage hemispheric development through special technical and economic aid and export promotion activities, while CENTO has a small program for technical, project, and consultative aid to help its regional countries acquire developmental skills. The recently finished Indus Basin development plan (administered by the World Bank but funded separately by a consortium of donors) financed several major dams and irrigation works in Pakistan and India and helped promote development and international stability in that politically sensitive region.

Some essentially humanitarian international programs also have a broader developmental focus. The U.N. Fund for Population Activities (UNFPA) attempts, for example, to counter one of the most serious problems hampering growth in the developing nations: rapid increases in population growth. Operating under the general aegis of the UNDP, it provides needed resources and helps coordinate the population efforts of local governments and other donor agencies. Similarly, the U.N. Children's Fund (UNICEF) helps governments in poor countries develop health, nutrition, education, and welfare projects which benefit children and mothers. These projects are often components of integrated regional development plans in the recipient countries. Programs funded through the U.N. High Commissioner for Refugees (UNHCR) also frequently attempt to provide the long-term development assistance necessary for resettling people displaced by war or natural disasters as well as the relief aid needed for their more immediate needs.

Many other international programs are directed only marginally if at all toward developmental objectives. The U.N. Relief and Works Administration (UNRWA) seeks, for basic humanitarian and political motives, to provide food, health, and welfare services to Palestinian refugees housed in "temporary" camps in the Middle East. The regular and voluntary programs of the World Meteorological Organization (WMO), the International Civil Aviation Organization (ICAO), the International Telecommunications Union (ITU), and other bodies seek to provide the framework for the international technical cooperation needed, for example, for better global weather forecasting or improvements in the world's basic transportation and communication systems. The World Health Organization (WHO), International Atomic Energy Agency (IAEA), and U.N. environmental program (UNEP) attempt to counter serious international technical or medical problems which threaten global health and safety. The U.N. Educational, Scientific, and Cultural Organization (UNESCO) and the OAS Cultural Fund focus on world educational and cultural concerns, helping to preserve valuable sites, regions, or artistic skills of importance to all mankind. The U.N. Institute for Training and Research (UNITAR) provides staff training and research needed to help improve the structure and efficiency of the U.N.

agencies, while the U.N. Peacekeeping Forces in the Sinai and Cyprus and the U.N. Fund for Drug Abuse Control deal with particular political or social issues of possible worldwide significance.

U.S. POLICY GOALS IN INTERNATIONAL ORGANIZATIONS

In keeping with the complexity of the international program, the United States has a broad range of goals it seeks to achieve through participation in these international organizations. From one perspective, it desires to strengthen the United Nations and the other international bodies so they can be effective forums in which the United States can seek solutions to important international, political, economic, or social problems. From another, the United States supports the international aid programs because, in doing so, it acquires new opportunities to affect the course of world development and stress basic U.S. international economic policy concerns. In addition, the United States supports the international programs because it expects them to advance U.S. environmental, scientific, educational, or humanitarian interests or produce clear economic or political benefits for the United States through their functional operations. The international organizations' development activities have appeared valuable to the United States in that they generally focus on the human element in development and underscore the need for broad financial support and international cooperation in the approach to global problems. The United States also supports international development to encourage continued Third World cooperation on other issues—like proliferation, energy, terrorism, or the environment—which are central to U.S. interests.

The United States has multiple goals in these international bodies, and the particular mix probably differs from organization to organization. In the UNDP and its related programs, the United States is primarily concerned with developmental objectives, although political concerns (the countries it chooses to finance, for example) and economic policy issues also appear. In programs run by the UNFPA, UNICEF, the U.N. High Commissioner for Refugees or the U.N. Disaster Relief Office, U.S. policy is directed mainly toward humanitarian concerns, while political objectives (regional stability) are also significant factors affecting U.S. participation in UNRWA or the Southern African education programs.

Political and strategic considerations seem predominant in U.S. policy toward U.N. peacekeeping force operations and the IAEA's nonproliferation work, while domestic socioeconomic and political concerns seem to be the foundation for U.S. participation in the U.N. Drug Abuse Control program. Scientific or technical issues are usually the main focus for U.S. policy in most of the other U.N. specialized agencies, such as the WMO or ITU, though commercial, diplomatic or sometimes even strategic issues can occasionally arise in the operations of these functional agencies. In the last decade, most notably in the ILO but also in other international organizations, the actual operations of many of these international organizations have been largely nonpolitical or technical in character, but the annual meetings have sometimes become forums for political controversies or platforms for developing country demands for basic changes in the world economic order.

U.S. POLICY COORDINATION PROCEDURES

Due to the complexity of the international programs, a large number of U.S. agencies are directly involved with the preparation or implementation of U.S. policy toward the international organizations. The State Department, which has the primary responsibility for managing and coordinating U.S. participation in this area, is primarily concerned with maintaining some overall consistency in U.S. policy and for monitoring the impact these international programs may have on U.S. developmental, economic, commercial, or strategic concerns and U.S. diplomatic goals. The Department is itself divided as to its basic concerns. Regional bureaus concentrate mainly on how the OAS, CENTO, OECD, or specific United Nations programs affect U.S. relations with their regional countries, the Politico-Military Affairs Bureau focuses mainly on technical issues affecting nuclear proliferation and U.S. strategic issues, the Economic and Business Affairs Bureau deals with North-South political issues or developmental and commercial questions, and the International Environmental and Scientific Bureau and the Human Rights Bureau deal with their own specialized concerns.

The International Organization (IO) Bureau acts as both mediator and director as it seeks to sort through the State Department's many concerns and prepare a consolidated agency position on the various international organization programs. As the IO Bureau generally has limited technical expertise regarding actual functions or programs of the various international agencies, it relies mainly on advice from relevant U.S. agencies for operational judgments concerning most international programs. The Agency for International Development (AID) is mainly concerned with the developmental and humanitarian programs run by the international agencies, while the Agriculture Department has skills and interests relevant to UNDP agricultural development projects and other FAO food or agriculture programs. The Health, Education, and Welfare Department has skills and concerns which are affected by activities of UNESCO and the WHO, while the Labor Department has been active with U.S. policy in the ILO and the Energy Department with IAEA affairs. Other agencies have been concerned periodically with scientific or technical issues affecting their areas of responsibility.

Despite—or perhaps because of—the number of agencies affected by U.S. policy in the international agencies, the United States seems to have had a rather perfunctory system for coordinating policy and using the functional skills of relevant U.S. agencies. Until recently, no formal system existed to coordinate U.S. policy toward the international programs, although a series of ad hoc arrangements functioned under the aegis of the IO Bureau to manage U.S. participation. Recent studies by the U.S. General Accounting Office suggest that, overall, there seems to be “a continuing lack of unified policy, direction, and coordination with respect to U.S. participation” in most of the international organizations.⁸ Individual U.S. agencies were often

⁸ General Accounting Office, “U.S. Participation in International Organizations,” Report ID-77-36 June 24, 1977, p. 9; see also GAO’s “U.S. Participation in the World Health Organization Still Needs Improvement,” Report ID-77-15, May 16, 1977; “Needs for U.S. Objectives in the International Labor Organization,” Report ID-77-12, May 16, 1977; “The World Food Program—How the U.S. Can Help Improve It,” Report ID-77-16, May 16, 1977.

found seeking their own separate objectives in these bodies without much reference to overall U.S. priorities in the international agency concerned. The GAO also said U.S. agencies often had problems evaluating or assessing the individual programs of international bodies or influencing their annual budget or program plans.

Money for U.S.-assessed contributions to international organizations is normally approved by Congress in the annual State Department authorization and appropriation bills. Funds for U.S. payments to international voluntary programs are included in the annual AID authorization and appropriation legislation, ostensibly to give Congress and public a fuller picture of U.S. foreign assistance activities. The State Department takes the lead in justifying and defending both types of contributions, however, and it staffs the U.S. missions at the international agency headquarters offices, appoints or supervises U.S. delegations to international meetings, and coordinates the preparation of position papers to instruct those representatives. It can also limit the number of delegates the other U.S. agencies send and exercise some controls (rarely exercised on technical matters) over their instructions to their delegates at international conferences.

The U.N. specialized agencies have normally relied mainly on transfers from the UNDP (all voluntary contributions) to finance their technical assistance activities, though most of them have provisions in their charters allowing use of their regular assessed budgets for that purpose. After the UNDP sharply curtailed its contributions for their technical assistance programs after running short of funds during its 1975-76 liquidity crisis, many of the specialized agencies began financing their assistance activities through their regular budgets and requiring increased assessed contributions to support them. Congress and the administration have been quite concerned about this situation, as it represents a significant shift from voluntary to mandatory assessed funding of U.N. international development activities. In 1978, the Congress passed language (the Helms amendment) in the fiscal year 1979 State Department appropriation bill requiring that no U.S.-assessed contributions can be used for U.N. agency technical assistance activities.⁹ As the United Nations says its financial regulations prevent it from accepting regular budget contributions carrying such restrictions, the legislation effectively blocks U.S. dues payments to U.N. organizations until such time as this problem is resolved.

UNDP programs

The United States participates in the U.N. development program at both the budgetary and programmatic levels. AID and State Department sources indicate that the IO Bureau generally keeps close control over policy discussions as it seeks to prepare the U.S. position on future UNDP budgetary plans, but in recent years the State Department has consulted occasionally with other U.S. agencies as it decides how large a 5-year UNDP spending objective the United States should support. AID and the Agriculture Department are generally more involved in preparation of U.S. policy papers for UNDP governing council meetings.

The bilateral aid agency is also more active in the process of assessing individual country planning documents, which are generally pre-

⁹ Public Law 95-431 [Department of State * * * Appropriations Act of 1979; H.R. 12934], 92 Stat. 1021, approved Oct. 31, 1978, title 1: Contributions to International Organizations.

pared after the UNDP 5-year budget is approved. AID sources indicate that if the U.S. mission and the local UNDP field office are on good terms, the U.S. review of UNDP planning documents and programs occurs in country. Otherwise it is done by the AID headquarters staff. These staff commentaries on proposed UNDP projects are compiled and submitted to UNDP headquarters, which transmits them to its local field offices for consideration. AID sources indicate that the United States is the only country that reviews the individual UNDP planning documents, and the international agency is usually quite interested in the American aid specialists' views. It is difficult to determine the actual impact these AID assessments have, though, on UNDP programs. The State Department and AID also require U.S. embassies and missions to prepare regular reports for AID headquarters evaluating new or ongoing UNDP programs in their countries. There has been criticism in Congress and elsewhere in the past that, despite these reporting requirements, most AID field offices are not really concerned about multilateral activities in their countries as they mainly concentrate on implementing their own development programs.

WHO programs

In the World Health Organization (WHO), for another example, the State Department takes the lead on political, financial, and administrative questions while relying on HEW's Public Health Service (PHS) and AID for technical expertise on functional issues. According to the GAO, U.S. participation in this agency demonstrates an "absence of adequately defined policy objectives,"¹⁰ due to major differences in the legislative mandates of the two agencies and their health philosophies. The PHS often stresses the need for programs to combat possible world threats to the U.S. domestic health while AID is more concerned about efforts to upgrade health conditions in developing countries through improved population planning and health service programs.

Each year, the U.S. agencies employ a series of ad hoc working groups to study WHO programs in preparation for the regular January and May meetings that consider the organization's annual program and budget proposals. The GAO reports, however, that the international agency rarely provides sufficient information for U.S. analysts to evaluate individual WHO programs, and the State Department's field reports generally lack adequate data on the specialized agencies' operations. In addition, member governments usually are not involved in the WHO budget process and U.S. officials generally concede that it is too late for members to make major changes in the WHO annual budget when it is presented to the regular January meeting. Their comments or interventions can be useful, though, they suggest, in helping shape the emphases and priorities of future WHO budgets.

RECENT COORDINATION EFFORTS

Responding to past criticism of its policymaking process, the State Department established a Policy Management Staff within the IO Bureau in early 1978 to implement a new coordination system for U.S. policy in the international organizations. The new system is to be

¹⁰ GAO, U.S. Participation in the World Health Organization Still Needs Improvement, p. 9.

based on an annual action program for the international organizations, specifying U.S. interests in each organization and the major issues and goals for U.S. policy during the coming year. The PMS staff is to develop the action program papers for the different organizations, in consultation with other bureaus and agencies, and recommend coordinated U.S. policies for implementation by the IO Assistant Secretary.

In May 1978, not long after the State/PMS system was announced, the Carter administration formed a special subcommittee of the Development Coordination Committee to monitor U.S. participation and U.S. policy in the international organizations. Chaired by the State Department's Assistant Secretary for International Organization Affairs, the panel consists of members drawn from Agriculture and Treasury, AID, the Office of Management and Budget, and the National Security Council. Several agencies—HEW and the Labor Department, for example—are not on the subcommittee, though representatives have attended subcommittee sessions. The international organizations subcommittee had at least four meetings in 1978 and discussed U.S. policy and specific issues (such as future U.S. contributions levels and multilateral programs in the nutrition area) affecting U.S. participation in the international agencies. While it is still quite clear that the State IO Bureau considers itself in charge and the panel only advisory, the new body has given AID, Agriculture, and some of the other agencies a larger role in the preparation of U.S. policy toward international programs.

On the whole, though, there seems to be no evidence that the new system has been able to provide the comprehensive standards or clear priorities lacking in the prior ad hoc system. It may be that the problems are too difficult for resolution in 9 months or that the complexities of the international programs hamper consistency or close coordination of the different aspects of U.S. policy.

