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The Interplay Between AID, the IMF, and Multilateral Development Bank Programs

by Sidney Weintraub

Prepared for the Agency for International Development, Bureau for Program and Policy Coordination, Office of Economic Affairs. Purchase Order number OTR-0095-0-00-4244-00, of May 29, 1984.

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June 25, 1984

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EXECUTIVE SUMMARY

As a consequence of large current balance-of-payments deficits in a significant number of developing countries, there has been a quantum jump during the last several years in country use of the International Monetary Fund to help stabilize their economies. The IMF reacted by enlarging the extent of country access to its resources. It also increased the use of its Extended Fund Facility (EFF), which lengthens the term of agreements with countries but also involves policy conditions on the structure of economies and not just on short-term economic stabilization. The World Bank reacted to the situation by engaging in Structural Adjustment Loans (SALs) in a number of countries. SALs have two features pertinent to this discussion: a shorter disbursement period than for project loans; and the imposition of structural policy conditions. About 60 percent of AID's assistance is now in the form of Economic Support Funds (ESF), and about two thirds of these are in nonproject form and thus entail nonproject policy conditions. There has been a merging of programs of the three institutions, and of other multilateral development banks. This merging brings on both problems and opportunities for AID, especially in relation to IMF programs.

The problems include the following: quick-disbursing AID programs may merely help a country pay other creditors, both private and official; AID may not wish to associate itself with the hardships connected with the demand-constraint aspects of IMF stabilization programs, but at the same time cannot act in a way that might frustrate the IMF effort. The opportunities are the ability to focus on AID objectives in countries which have enlarged access to the IMF since the Fund will focus on macroeconomic performance; and AID programs may permit the alleviation of some hardships associated with Fund programs.

The paper argues that populist or structural measures sometimes suggested as alternatives to the demand-constraint emphasis of IMF programs are not persuasive. The degree of austerity required in a stabilization program depends on the gravity of the disequilibrium that must be corrected, but also on the amount of external resources made available. As the time horizon is extended beyond the short-term stabilization phase, the developmental policy conditions imposed by all three institutions, the Fund, World Bank, and AID, are apt to be similar in their macroeconomic dimension, but be differentiated by their specific objectives.

AID is more concerned than is the IMF with equity issues, such as meeting basic human needs and limiting hardship on the poor during a stabilization program. AID must concern itself with issues of income distribution, land reform, and human rights, which the Fund generally ignores. AID programs are more likely than those of the Fund to deal with internal terms of trade, encouragement of the private sector, and strengthening of institutions. To the extent that AID can build on IMF programs (and on World Bank SALs where they exist), this permits greater attention to meeting AID's objectives with some assurance that they will fit into a coherent total country program.

When a country requires a stabilization program but rejects it on political grounds, or fails to live up to the terms of an agreement with the

Fund, this may present a serious dilemma for AID. AID cannot act in lieu of the IMF, since this would require a large amount of resources. It cannot undercut the IMF program by providing resources that permit a country to avoid adjustment. But, because it is an arm of the U.S. government, neither can AID abandon countries in which the United States has a large political stake, as is the case now in several countries in the Caribbean Basin. There is no easy answer to this conflict. AID presumably has to continue operations in such countries, but perhaps on a more limited scale than would be the case if a stabilization program were being carried out effectively.

Since AID must tacitly accept the content of IMF programs in countries in which AID also operates, and indeed can reinforce the effectiveness of these programs, AID should seek to become more involved at an earlier stage in U.S. government deliberations regarding IMF programs. Unlike AID's relationship (or nonrelationship) with the IMF, there is a long and fruitful history of coordination among aid donors.

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INTRODUCTION

AID now operates in a milieu in which many of its recipients are engaged in economic stabilization programs in cooperation with the International Monetary Fund. These programs are typified by severe demand-management constraints designed to eliminate unsustainable balance-of-payments deficits. It is difficult for developing countries under these circumstances to utilize new externally-financed project loans because of the inability to provide the local-currency share of these projects. The need, instead, is for quick-disbursing loans or grants designed to support the stabilization program.

The current lack of attractiveness of project loans is reflected in the inability of the World Bank to meet its planned level of commitments under its special action program (SAP) during the past two fiscal years. While the World Bank's structural adjustment loans (SALs) are formally designed to support medium-term structural changes (Stern, 1983: p. 103), they do provide more rapid balance-of-payments support than normal project loans. In recent years, AID's economic support fund (ESF) has constituted between 61 and 62 percent of all AID economic assistance (AID, 1984: p. 10), and about two thirds of the ESF is in nonproject form and amenable to rapid disbursement through cash transfers or under commodity import programs (Berg Associates, 1983: p. 8).

Many of the countries undertaking stabilization programs find it necessary to reschedule amortization payments under outstanding loans to official and private creditors. Interest payments continue, often at higher rates than in the original loans in the case of reschedulings of private debt. Foreign-exchange costs of private loans are affected, sometimes profoundly, by interest-rate developments in the main money-market centers, especially the United States.

Because of these circumstances, AID is faced with a series of problems and opportunities in its operations. The <u>problems</u> include the following:

- By providing quick-disbursing funds, AID may be enabling recipient countries to meet debt obligations to other creditors, both private and official. While repayment is necessary, providing funds for this is not AID's function.
- By associating itself with austerity measures undertaken in response to an IMF program, AID may be seen as an appendage of the IMF, with all the benefits and costs connected with that association.
- By disassociating itself from IMF programs, AID may frustrate the adjustment effort.
- AID's nonproject funding requires nonproject policy conditions and these presumably should be different from those imposed by other agencies, such as the IMF or the World Bank, since AID has a mission distinct from others.

The <u>opportunities</u> include the following:

- Through close consultation with other donors, AID can add to the collective stabilization and development effort.
- AID can also alleviate problems endemic to IMF conditions.
- In association with others, AID can differentiate its role by focusing on issues important to it (such as income distribution, issues relating to basic needs, institutional matters, and private-sector promotion), knowing that related issues will be pressed by other donors.

These problems and opportunities arise in a large number of countries.

Table 1 shows the overlapping pattern of countries in which AID has ESF or rapid-disbursing programs and which also have IMF programs, World Bank SALs, and have recently had or are undergoing debt reschedulings.

This paper will first discuss the nature and objectives of pertinent IMF and World Bank programs. The subsequent discussion will concern itself with AID practices for dealing with the problems and taking optimum advantage of the opportunities presented by the current situation.

IMF AND WORLD BANK PROGRAMS

IMF conditionality. In a world which can fairly be described as being in disequilibrium, the key international institution to assist countries to restore equilibrium is the IMF. No other public institution can play this role and private banks are in no position to impose the kinds of stabilization conditions on sovereign nations that the IMF can (Dale, 1983: pp. 6-7). The characterization of the world as being in disequilibrium needs little elaboration. The non-OPEC current-account deficit has declined in recent years, from a peak of $76 billion in 1981 to $45 billion in 1983 and an estimated $40 billion in 1984 (OECD, 1984: p. 10); this has been one of the belt-tightening effects of the stabilization programs. Various commentators have noted that the IMF must take global circumstances into account in fashioning its conditions in individual countries (Dell, 1983; and Richard Cooper in Williamson, 1983: p. 574). At a time of world economic stagnation, the drastic curtailment of imports by many developing countries in conformity with individual stabilization programs can only intensify the stagnation. When developing country import curtailment is accompanied by protectionism in industrial countries, this further aggravates the global problem. The dilemma is not easily resolved. If IMF conditionality is eased at a time of world economic slowdown, this may perpetuate individual problems of disequilibrium; on the other hand, if the global situation is ignored in a series of individual programs, this can perpetuate the global slowdown.

Resolution of this dilemma is unlikely to come from the IMF itself. It must come primarily from an improvement of the world economic situation, particularly from sustained economic growth in the industrial countries, declines in interest rates on developing country debt, and the avoidance of further protection, including a rollback of existing import restrictions affecting products of developing countries (Poats, 1983: pp. 41-44). An unsustainable current-account deficit can be defined as one that cannot be financed on satisfactory terms, and this definition helps to stress the significance of concessional and nonconcessional capital flows. Unfortunately, at the time of greatest need, when current-account deficits burgeoned, there were nominal and real declines in official development assistance (OECD, 1984: p. 28). Simultaneously, the interest cost of nonconcessional flows increased.

This way of looking at IMF conditionality--that is, looking at resource flows--may help remove some of the ideological content from discussions of IMF conditionality. IMF programs are designed to reduce the domestic absorption of resources (Finch, 1983: p. 76) and the severity of the reduction depends not only on the extent and entrenchment of the balance-of-payments disequilibrium, but also on the totality of external resources that can be made available (Killick and Sutton, 1982: p. 49). In other words, IMF conditions can be eased if more external resources are provided. These resources can come from the IMF itself, from other official creditors, and from private creditors. The charge that IMF credit helps to "bail out" private-bank creditors has some truth in that money is fungible, but it is also true that the Fund has insisted that the private banks "bail themselves in" by providing additional credit. One analyst has referred to this as "forced" or "involuntary" lending (Cline, 1983). Those persons who insist that the IMF should ease its conditions also have an obligation to indicate where additional revenues will come from.[1]

The approach to IMF conditionality can be separated into two elements. The first relates to the general correctness of IMF conditionality. This is a question of principle or theory. Is it necessary to restrain resource absorption, or is it possible to stabilize a country's economy by more expansive policies? Lance Taylor (1981) has argued that in semi-industrialized countries, the appropriate policies should be structural in nature, focusing on microeconomic and institutional issues as opposed to what many have called the monetarist tendencies of the usual IMF program (Dell, 1983; Nowzad, 1981). The IMF, in part, agrees with this: "Because the imbalances faced by members arose in many cases from structural factors, adjustment programs need to emphasize measures to achieve a major reallocation of resources to improve supply capacity, as well as policies of aggregate demand restraint (Dale, 1983: p. 10). The difference between Dale (who was

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[1]One of the shortcomings of the position of the Economic Commission for Latin America, in my view, is that while it argues that IMF demand-restricting conditions are too stringent, it does not deal effectively with the problem of additional resources. Dell (1983) also focuses on IMF "overkill" and makes the suggestion that the IMF compensatory finance facility should be enlarged and liberalized. This at least addresses the resource issue, but inadequately in my view.

referring primarily to the Extended Fund Facility, or EFF) and Taylor is that Dale coupled demand-restraint with supply-side measures, with the emphasis on the former, whereas Taylor's emphasis is on structural adjustment. Two distinct time horizons are involved in "stabilization" and "structural adjustment."

Most critics, however, accept the need for IMF conditions dealing with demand restraint. The second element of IMF conditionality deals not with the question of theory (is it correct to limit demand?), but with the practical issue of whether the conditions are the right ones for the country in question, too harsh from an economic or political viewpoint, or appropriately related to the global economic situation. Most criticisms of the IMF take this practical approach—it is not conditionality that is the issue, but the application of conditions in particular cases. When riots associated with austerity are cited, such as those which have occurred in Egypt, Peru, Brazil, and recently the Dominican Republic, the criticism is on the harshness of IMF conditions, not on the concept of conditionality (Farnsworth, 1984). Many of these critics are concerned with the fragility of democracy in countries forced to reduce resource absorption either because of IMF programs or debt-service obligations, especially in Latin America (Roett, 1983).

This discussion of the alleged harshness of IMF conditions leads back to an earlier discussion. IMF officials will argue that it is not the Fund that imposes harsh conditions, but rather the objective requirements of the adjustment problem (Finch, 1983: p. 76). The severity of IMF conditions can be mitigated if countries undertake adjustment measures before there is excessive deterioration of the economic situation, or if additional external resources are made available. AID and World Bank programs are obviously relevant to this.

Differences and similarities in objectives. There are differences, as well as similarities, between the objectives of the IMF, the World Bank, and bilateral aid donors such as AID. It is these differences and similarities which define the problems and opportunities for AID in association with the IMF and to a lesser extent with the World Bank. The IMF's functions are typically described as short term in nature, especially to use its resources to help correct disequilibria in countries' balance of payments, although even this function is intrinsic to the larger purposes of the Fund, to promote a multilateral payments system and facilitate the expansion of international trade. When the IMF instituted its EFF, it moved beyond the typical one-year time frame of standby agreements and enlarged its conditionality provisions to include structural issues intended to have a more durable life than a temporary correction of an unsustainable balance-of-payments disequilibrium (Guitian, 1982).

The World Bank's traditional role has been to provide long-term funds for development projects, but it too has altered its objective in recent years to focus as well on nonproject structural issues. With some heroicism, one can distinguish between World Bank SALs and the IMF's EFF agreements, but they clearly merge. At least one observer has criticized both these departures from traditional activities (Mikesell, 1983: p. 59), and their existence undoubtedly blurs the line between the IMF short-term stabilization objectives and the World Bank long-term developmental focus. In each case, moreover, the nature of the policy discussion with the recipient country must deal with structural issues. Each type of credit involves imposing conditions to make policy changes effective. The authorities of both institutions assert that they consult with each other when operating in the same country (Finch, 1983; Stern, 1983), and one observer has recommended that they jointly impose conditions (Mikesell, 1983).[2]

AID's objectives are more extensive and perhaps more complex than those of either the IMF or the World Bank. Most of AID's programs are in low-income countries which have few degrees of freedom in adjusting to balance-of-payments disequilibria. Balassa (1983) has pointed out that developed countries can adjust to disequilibria more readily than developing countries, and that outwardly oriented newly industrializing countries (NICs) can more readily adjust than inward-oriented low-income countries. AID generally operates in these more difficult countries, whereas the IMF and the World Bank operate in a wider cross section of countries. As table 1 shows, many of the SALs are in higher-income countries in which AID no longer has any programs.

Finch (1983: pp. 77-79) has asserted that the IMF has no power to deal with issues such as meeting basic human needs or improving the distribution of income. He argues that the Fund must stay "narrowly technical" and follow the principle of "political neutrality." He further states that "...the prevalence of political weakness cannot be accepted as a justification for failure to take the necessary economic actions." Regardless of whether Finch is correct, AID has no choice but to concern itself with issues of basic human needs, improved income distribution, and the political repercussions of programs it undertakes. AID must also concern itself with human-rights issues

[2]Mikesell's recommendation does not require having either SALs or EFF agreements. He prefers that the IMF use year-by-year standby agreements and the World Bank rely on project, multi-project, and sectoral loans as the basis for joint conditionality.

in countries in which it operates, whereas both the Bank and the Fund vigorously eschewed this role when pressed during the Carter administration. AID's concerns stem from its legislation, from the objectives it has set for itself, and from the inescapable fact that a bilateral aid agency has political as well as economic purposes. AID cannot be narrowly technical.

Nelson (1983: pp. 7-9) raises a related issue particularly relevant to AID, and this has to do with the political sustainability of stabilization programs. IMF evaluations of the success of programs typically concern themselves with whether specific targets (the size of public sector deficits, growth in monetary aggregates, and changes in the balance of payments) are met (Reichman and Stillson, 1978). Williamson (1983b: p. 142) has argued that evaluations of success should deal instead with how effectively IMF programs affected policy changes; how these affected demand pressure, the current account in the balance of payments, inflation, capacity growth, and income distribution; whether the policy changes brought the country closer to its efficiency frontier; and what policies might have given promise of a better outcome. AID must also ask the question that Nelson raises: is the effort politically sustainable? AID must ask another question: how will the U.S. role be perceived in the recipient country?

<u>AID/IMF relationship</u>. The leadership role in working with countries engaged in stabilization efforts must inevitably fall to the IMF. There will be exceptions to this, but at a price. The experience has been less than satisfactory when private institutions have tried to take the lead role. The commercial banks sought unsuccessfully to play this role in Peru in the 1970s (Cline, 1981). It was clearly awkward for commercial enterprises to be deeply involved in policy decisions that must be made by sovereign governments. It

is awkward for the IMF as well, as dissatisfaction with the content of IMF conditionality has made clear, but the IMF has the advantage of being an organization of governments, established to carry out this function.

AID can be said to be playing the IMF role in Israel and Egypt, and this requires the provision of immense resources. Supplying this level of resources cannot be replicated frequently. In the special circumstances of those two countries, AID's resources have not led to the kind of austerity measures typical of IMF programs. Nor has it opened other sources of capital, such as those which often follow after countries reach agreements with the IMF.

If the IMF must normally be granted the leadership role, this raises the question of followership. One need not question the salience of the principle of conditionality to be concerned about conditions imposed under IMF programs in particular countries. Must AID accept these even though it had no voice in their formulation? The conclusion I come to (which I will amplify later in this paper) is mostly--I wish to stress this word--yes. If the IMF and AID work at cross purposes, neither the stabilization nor the development goal would be well served. AID may be able to mitigate the most severe effects of austerity programs, but it cannot frustrate these programs unless it is prepared to supply the necessary resources, and impose its own conditionality. The amount of resources that would be necessary would not only be the level of drawings that would be made available under an IMF program, but the additional funds that would flow from commercial and other official sources under an IMF program.

AID, of course, has programs, including quick-disbursing programs, in countries in which there is no need for agreement with the IMF. These programs are not at issue here. More to the point, AID may wish at times to maintain programs in countries which have not been able to reach agreement with the IMF. The Dominican Republic comes to mind in this context as this is written, as do other countries in the Caribbean Basin and the Middle East. It would be fatuous to deny AID's political role. As noted, when AID wishes to operate in these countries, this will add to the resource cost of AID programs. However--and this is the main point being made--when the IMF has a program in a country, or is negotiating a program, AID normally has little choice but to support that program. AID may wish to reinforce the IMF program with additional resources to accelerate achievement of objectives or to soften the shock effect of a contraction in demand management--but it rarely enjoys the luxury of taking the country's side against the IMF unless it is willing itself to provide the necessary resources.

This reasoning implies that AID must play a larger role than it now does in internal U.S. government deliberations regarding positions on IMF negotiations, especially in those countries in which AID has significant programs. The format this takes--whether through the formal mechanism of the National Advisory Council (NAC), informally with the U.S. executive director to the IMF board, or directly with IMF staff, or all of these--is less important than the fact of AID involvement in the formulation stage of IMF programs which AID must generally support in the implementation stage.

A similar conclusion can be reached about World Bank SALs in countries in which these overlap with ESF funds from AID. If AID is to play an optimal role in these countries, it must coordinate its positions, and the conditions it wishes to impose, with those of other donors. This is a less urgent issue than involvement in the formulation stage of IMF programs because there are fewer SALs than there are IMF stabilization agreements. There is already a long tradition of consortia, consultative groups, and coordination among aid donors as there is not between donors and the IMF. The need for donor coordination will be particularly pertinent under AID's economic policy initiative for Africa.

A NOTE ON PROBLEMS

It is not always comfortable for AID, or the United States through AID, to be associated with IMF programs. There is no way to make popular a program that deliberately sets out to limit demand, which often leads to a recession, and whose short-term outcome is frequently a reduction in real wages, an increase in prices of essential goods and services because of the reduction of government subsidies, and an increase in the cost of imported goods, or even their unavailability, because of exchange-rate depreciation and import restrictions. When the resentment of a government or a populace is directed against that amorphous entity called the IMF, the more tangible target is often the United States, which is seen as the main creator and strongest supporter of the IMF. The problems can sometimes be transformed into opportunities, as when the need for austerity is attributed to conditions under the IMF program and the mitigation of some effects of austerity to the AID program. These opportunities will be discussed later. However, the reflected resentment cannot always be evaded. One can only hope that it leads to some lasting improvement.

The reason for having an international institution like the IMF is obviously not to inflict pain on the people of countries which have had profligate governments, or have already suffered from the effects of internal or external shocks beyond their control, but to help countries face the adjustment to a new situation. The help is in the form of resources in exchange for policy actions by the affected country. Each country situation differs from all others, but the adjustment usually involves the correction of an unsustainable balance-of-payments disequilibrium and an effort to reduce inflation. The policy measures to accomplish these adjustments include a reduction in the size of the government budget, or the public sector budget encompassing also parastatal activities, generally in relation to the GNP, a reduction in the growth of monetary aggregates, and balance-of-payments measures such as limitation of external debt, exchange rate depreciation, import restrictions, and various encouragements to exports (Guitian, 1982). If the program is to have more than a short-term effect, as is the intent under the EFF of the IMF, longer-term structural conditions are imposed dealing with industrial, agricultural, trade, and other policies. It is this collection of policies, particularly the short-term stabilization measures, that almost invariably inflict the hardship that many critics assert is overkill. Diaz-Alejandro (1981: p. 133) has asked whether these hardships are really necessary, and answered ambiguously, sometimes yes but often no. Dell's criticisms (1983) are more sweeping; he argues that the differing capacities for adjustment among countries are not taken into account, that exchange-rate devaluation may not help the balance of payments but lead instead to a price upheaval, and that resource mobility is less extensive than is implied by effort of the IMF to change relative prices (via an exchange-rate change).

There are many case studies of IMF stabilization programs in a variety of types of countries (Nelson, 1983; Williamson, 1983a; Cline and Weintraub, 1981; Reichman and Stillson, 1978), and the conclusions are a mixed bag. Many countries find themselves in difficulties comparable to the ones the IMF program was designed to correct only a few years later. Many analysts have noted that simple "before/after" comparisons are inadequate since they do not give any indication of what would have happened without the IMF program (Nelson, 1983; Williamson, 1983b).

One is led to ask why leaders of countries agree to IMF programs if they are associated with hardship and uncertain economic and political outcome. Nelson (1983) deals with this to some extent. There are many answers. The country has tried doing without the IMF, but failed. (Brazil in the late 1970s and early 1980s is an example of this.) The resources are needed and they will not be made available without an IMF program. (Innumerable examples can be given; the 1982 Mexican agreement with the IMF is a good one to cite.) The leader knows that adjustment is needed and needs external allies. (There are many examples of this.) Nelson (1984) cites another motive, the acceptance of a short-term stabilization program (the hardship part) because it is accompanied by longer-term structural adjustment measures which leaders believe will be constructive for their countries. (She cites the 1981 Sri Lanka and the 1978 Jamaican agreements as examples of this.)

Do leaders of countries accept conditions imposed by the IMF with which they do not agree? The answer is clearly yes. This explains the many instances of unwillingness to live up to agreements even before the hardships set in. The more difficult question to answer is whether leaders will effectively carry out programs with which they disagree but signed under what they consider to be duress. Probably not. Sharpley (1983: pp 261) points out that Jamaica did not receive the additional external funds it hoped would flow as a result of its agreements with the IMF because the "ambivalent attitude of the authorities toward the stabilization measures persisted throughout 1977-80."

Since many problems associated with IMF programs do exist, and since AID has little discretion but to tacitly support the IMF in its operations (in most cases, not all), there is little reason for AID to actively identify itself with IMF programs. This would only reinforce the tendency which exists in any event to link the IMF with the United States. The AID role, rather, is to participate in the internal U.S. government deliberations on IMF programs in countries in which AID also is operating, and to reinforce IMF objectives, or to amplify them, but based on AID's goals.

Before turning to the subject of AID's opportunities, one problem identified earlier in this paper needs commenting on. Just as the IMF itself is accused of providing funds to help countries meet their debts to commercial banks, so AID can be accused of providing fungible funds under its quick-disbursing programs which help countries repay debt to the banks or other creditors, including other U.S. government agencies. There is no defense against this charge. Whether the commercial banks are bailed "in" or bailed "out," an injection of foreign exchange does help the country meet its external debt obligations. These may be interest payments to commercial banks even as principal is rescheduled and enlarged, or both principal and interest to official creditors.

AID can meet this criticism in two ways. The first response is that

AID's funds (and those of other donors, including the multilateral development banks) are needed to mitigate the austerity inflicted on countries and to dampen the recessionary effect on the world economy (and on the U.S. economy) of reducing imports at a time of stagnant or declining world trade. This was the argument to which the U.S. administration eventually came in securing passage of the legislation for the U.S. share of the IMF quota increase earlier this year. The second AID response is that its funds are disbursed on the basis of conditions designed to meet AID objectives.

AID has two agendas. One is that the bilateral aid program is part of the total public-private, bilateral-international, effort to assist individual countries and to facilitate world recovery. The second agenda is to meet the particular objectives of AID (and of the U.S. government), which may not coincide completely with those of other official agencies or of the private financial sector.

<u>Alternatives to IMF techniques</u>. Is there an alternative involving less short-term hardship to the normal demand-contraction prescription of the IMF? In my view, there is not. If a country has a current-account balance-of-payments deficit that cannot be sustained by capital flows under reasonable terms, the size of the deficit must be reduced. This can be done in various ways: by demand contraction; changing relative prices to make exports more profitable and imports less attractive; or quantitative controls. The IMF prefers those techniques that rely on market forces (the level of demand, the relative prices of imports and exports) in the belief they are more efficient and durable. This is contested by critics less market oriented than those who direct the IMF. The evidence, I believe, is more persuasive on the side of those who look to export promotion as opposed to thoroughgoing import controls

as the long-term solution, and hence, for the focus on the market and relative prices, rather than on extensive state (nonprice) control of imports, coupled with export pessimism (Balassa, 1981; Krueger, 1978).

If an inflation is excessive, this, in theory, can be treated by price controls, other incomes policies, or by the more austere technique of demand contraction. IMF programs favor the last of these, but there also are elements of incomes policy in many of its programs. Control of an inflation often involves reductions in real wages and this may require a form of incomes policy. One option is to seek to live with the inflation, through indexing, but this implies moving away from a money system, especially if the indexing is comprehensive. It rarely is, and thus indexing brings its own added distortions to those of the inflation.

Over time, sustained growth will require structural adjustment. This is difficult to achieve in the best of circumstances, and even more so in an inflationary environment in which the inflationary expectation dictates the direction of investment. Neither the IMF through its EFF, nor the World Bank in its SALs, nor AID in the conditions it can set under the ESF, is well positioned to determine the course of structural adjustment in a country, but they can contribute to the decision-making process.

One can argue with details of IMF programs--whether demand contraction is too great, whether an exchange-rate change is effective in a particular milieu because of the price elasticities of imports and exports, how much of a reduction in real wages should be forced on workers and on which workers, how rapidly subsidies holding down the prices of essential goods and services can be reduced or eliminated--but it is hard to make a good case that the direction of IMF programs can be altered. Killick and Sutton (1982: p. 65) assert that it is doubtful that "structuralism contains within it a coherent approach to short-term management." I agree with this conclusion.

The degree of hardship can be lessened if more resources are made available to cushion shocks stemming from import contraction or increases in food prices. Structural change can be fostered by making more savings available from external sources. This is where AID and other external suppliers of capital have roles to play. An austerity program is almost certain to strike more harshly on the poor than the rich, and this too can be mitigated by providing increased external resources. Despite the market orientation of IMF programs--that is, the focus on pride rather than controls as the main market-clearing mechanism--the private sector almost certainly will be adversely affected during an austerity program because of the scarcity of credit and often the lack of imported inputs. This too can be ameliorated by the availability of external resources.

There is a long history of debate as to whether a stabilization program is best carried out rapidly (shock treatment) or gradually. The evidence is mixed. Nelson (1984: pp. 32-36) discusses this. She notes that the question revolves around the sustainability over time of austerity as opposed to the risk of losing all, via a coup or massive protests, from a shock approach. She makes another important point, that gradualism is generally a necessity in very poor, highly undeveloped countries, with little flexibility for adjustment. I would make a further point, that sustained austerity is generally impossible in higher income developing countries, and particularly in democratic countries. Again, the same point can be made. The severity of a shock-treatment approach depends crucially on the external resources made available during the stabilization effort.

It is not possible to generalize about the content of a stabilization program for all countries, with different political systems and at various levels of economic development (Killick, 1982: p. 17). The details will differ and the severity of the impact will depend on the seriousness of the underlying problem that needs correction and the amount of external resources made available to deal with the situation. My judgment is that the general direction of IMF programs, involving short-term demand contraction, changing of relative prices, and encouraging longer-term structural change through conditionality and the provision of external resources, is the correct one. The accompanying hardships must be dealt with by other techniques, some internal to the country in its budgetary process, and some external, dependent on resources and additional savings made available to the country.

OPPORTUNITIES FOR AID

Two ways, which merge at the margin, were identified in previous discussion by which AID could optimize its operations in countries in which there are IMF programs. The first is by mitigating the short-term hardships that almost inevitably flow from the stabilization phase of an IMF program, and the second is to condition AID funds on country actions to accomplish AID objectives. The implication of this second approach is that there is little reason for AID to replicate conditions imposed by others, but rather to devise its own that are additional to and complementary with other conditions and actions the country is taking.

The exact conditions AID might set will depend on the country context, AID's objectives in the country, and the leverage AID can exert from the level and criticality of the resources it is providing. IMF short-term conditions normally deal with demand management, centering on fiscal and monetary variables. Many IMF programs contain conditions on the management of external debt. The exchange rate, usually seeking devaluation, is often the target of IMF conditions. Stated more broadly, IMF stabilization conditions tend to concentrate on balance-of-payments correction and the reduction of inflation. For the most part, therefore, there is no need for AID to repeat these types of conditions in its nonproject assistance.

Furthermore, the structural conditions in EFF programs or in World Bank SALs are often similar to those which AID would impose in its ESF programs. The differentiation between the IMF, the World Bank, and AID can be made precise only in a specific country context. EFF programs seek to deal both with short-term stabilization and country policy to increase supply, such as measures to increase productivity and enhance investment. EFF conditions may deal with efficiency in public-sector activities, pricing, taxes, subsidies, interest rates, and perhaps incomes policies (Guitian, 1982)-- in other words, conditions typical of those in what AID used to call program loans. In describing the nature of SAL conditions, Stern (1983: pp. 100-103) lists similar policy measures, dealing with the efficiency of resource use, the price structure, the use of subsidies. Stern notes the differences in time horizons between the IMF and the Bank, but admits this becomes blurred as each institution is forced to take account of medium-term balance-of-payments needs. Berg Associates (1983: pp. 14-22) discusses differences between EFF and SAL conditions, and provides a listing of general categories of SAL conditions dealing with pricing policy, the public investment program, budget planning and debt management, and institutional reforms. Again, any of these conditions might be included in an ESF program.

AID has a long history of imposing nonproject conditions on its nonproject loans (and project conditions on its project loans).[3]. In the heyday of program lending, during the Alliance for Progress, AID and the IMF consulted closely about country programs and often reached specific understandings about which agency would impose which kinds of conditions.[4] This, in essence, is what the IMF and World Bank claim they are doing, to consult in advance of drawing up programs. This is also what this paper proposes in recommending that AID be brought more directly into the U.S. government policymaking process in IMF programs.

There is some question whether AID has much ability to set its own conditions in most countries. The real level of AID loans and grants is substantially lower today than it was in the 1960s; and there is a general belief that the stringency of conditions must be proportionate to the resources provided (Dell Report, 1980: p. 10). However, the AID total is not trivial, as table 2 shows. The extent of AID's leverage depends on a combination of many factors: the size of the AID/PL 480 program in a given

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[3]<u>The Economist</u> (May 19, 1984: p. 20) asserted that the proposed economic policy initiative for Africa would be "the first time they (policy conditions) are being applied in bilateral aid." This is incorrect. It was precisely this condition setting in AID program lending that was criticized by Hirschman and Bird (1968)

[4]In my own experience as AID mission director in Chile during the 1960s, the United States focused on fiscal and sector conditions in its programs, leaving monetary and exchange-rate conditions to the IMF.

country in relation to that country's foreign-exchange, food, capital, and other needs; the nature of the conditions that AID wishes to impose and how these dovetail with the country's own desires; and the fact that in countries in which there is a program of enlarged access to IMF funds, the marginal AID dollar may have more resonance than if AID were the sole donor. In addition, the IMF and not AID will be imposing the most stringent conditions. In other words, AID's leverage does not depend solely on the amount of resources it is providing to a country, but on a combination of circumstances.

The appropriateness of conditionality by AID deserves its own examination. The issue does not arise under a project loan; conditions to achieve the purposes for which the funds are provided are expected. Criticism of performance or policy conditions imposed bilaterally has arisen in nonproject loans and grants on the thesis that some sacrifice of sovereignty—which is involved when a country feels forced to comply with externally-imposed strictures—is acceptable when exacted by an international organization of which the country is a member, but less acceptable when demanded by another country. The contrary argument in favor of conditionality under these circumstances is that U.S. taxpayers want to make their contribution effective.

Conditions imposed bilaterally clearly are resented when they are unrelated to the objective of the funds provided. For example, conditions imposed on program loans under the Alliance for Progress aroused some but not overwhelming resentment when they dealt with the country's program,[5] but were

[5]This assertion, based on personal experience, contradicts the assertion of Hirschman and Bird in their 1968 essay.

deeply offensive when unrelated to the program. The best example of this was the U.S. imposition of additionality requirements on goods provided under program loans, which forced countries to construct negative and positive lists of items to be imported (or not imported) from the United States; and only those goods not normally imported from the United States, that is, noncompetitive goods, could be purchased (Williams, 1983).[6] The program-related conditions generally were subject to negotiation between U.S. and recipient-country officials, and presumably any current AID conditions on nonproject loans would be both program-related and negotiated.

Conditionality in the abstract can be the basis of endless philosophic debate. It is possible, on the other hand, to reach a conclusion about conditions in concrete circumstances. The nature of these concrete conditions will be based on AID's overall, regional, and country objectives. Project and sectoral-assistance conditions presumably will be related to AID's sectoral emphases on agriculture, population, health, and education and human resource development. Other policy conditions can be expected regarding the strengthening of institutions and the encouragement of the private sector. The economic policy initiative for Africa specifically lists three objectives which presumably will be the basis for condition setting: macroeconomic and sectoral policy reform; giving a greater role in the development effort to the private sector; and strengthening institutions (AID, 1984: pp. 97-98). AID's Latin American/Caribbean congressional presentation deals with similar objectives, but with the additional focus of helping to correct the economic

[6]Additionality conditions, imposed during the Johnson administration, were removed in 1969 by President Nixon after a representation by President Carlos Lleras Restrepo of Colombia.

and financial crisis now affecting the region (AID/LAC, 1984)--although AID can have little direct influence on these issues compared with the IMF, the commercial money centers, and the U.S. government as a whole through its macroeconomic policies.

If AID leaves the major macroeconomic conditions to the IMF, and structural adjustment conditions to the World Bank in countries in which there are SALs,[7] this should permit pinpointing of AID conditions to those issues of particular importance to AID.

What follows are thoughts regarding AID programs in countries which have agreements for enlarged access to IMF funds, and hence in which IMF conditionality is in effect. Some thoughts are included for countries which have balked at accepting IMF conditions or are not in compliance with agreements with the IMF. (SALs may also exist in some of these countries; where they exist, this should ease the problem of AID conditionality by permitting AID to build on World Bank conditions. The same is true in countries in which other multilateral development banks have programs which involve nonproject or structural policy conditions, but such programs are not extensive.)

<u>Mitigating hardship</u>. Riots over food prices have all too frequently occurred in countries in which stabilization programs lead to food price increases. The use of PL 480 programs can partially address this problem. The issue is not a simple one since an excessive amount of cheaper PL 480

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[7]The need for more stringent policy conditions by multilateral development banks is stressed in IDCA, 1984: pp. 121-123.

foodstuffs can negate other policies favoring agricultural prices which provide incentives to producers, or to use PL 480 to generate local currency, but the use of imported foodgrains to stabilize the prices of wage goods may have been an important element in Asian programs in the 1960s and 1970s (Gustav Papanek in Cline and Weintraub, 1981: pp. 146 and 233). The technique might call for increased use of Title II programs to help cushion the adjustment for those most in need of foodstuffs.

This raises the general question of how one can ease the burden imposed on the lowest income groups as a result of austerity. It does not necessarily follow that stabilization must affect the poor more severely than those with higher incomes. The reduction of inflation may help the poor. Forced reductions in real wages may affect primarily the unionized sector, which in many countries (especially in Latin America) is not at the bottom of the income scale. However, the evidence is that austerity generally hits most severely at those least able to cope, the unemployed or underemployed as opposed to the employed, the wage earner as opposed to the profit earner, the household headed by women rather than men, just as the poorest countries suffer more from the global economic disequilibrium than do wealthier countries. While Papanek (Cline and Weintraub, 1981: pp. 399-405) has argued that the Indonesian (1967-1970) and Bangladesh (1974-1976) stabilization programs were expansionary, leading to increases in real wages, this has not been the Latin American experience, except under fortuitous circumstances. Thus, the Mexican stabilization program of 1976-1978 imposed few additional hardships on the less advantaged segment of the population because of the discovery of large oil and gas reserves and the ease with which the balance-of-payments constraint was overcome (Weintraub, 1981). One cannot expect a *deus ex machina* to save the situation in many instances.

Many AID programs are directed at these distributional issues. Many of the sectoral emphases, such as those designed to reduce infant mortality, improve nutrition, control population growth, and improve educational opportunities, may have distributional implications over time. The basic human needs element of AID programs obviously has distributional issues as its objective. However, the ESF (as opposed to the DA account) is more pertinent to this discussion of alleviating short-term hardships stemming from stabilization programs. ESF programs generally are concerned with easing a country's foreign-exchange constraint, thereby permitting increased imports, promoting labor-intensive export production, financing labor-intensive infrastructure construction, and generating local currency, some of which can be used to attenuate problems of acute poverty. AID commodity import programs can clearly ease the adjustment burden of stabilization programs for wage earners by providing wage goods, and for producers by providing inputs into manufacturing and agricultural activities. Most ESF programs, however, do not have a short-term impact strong enough to overcome all the effects of other austerity measures, but they can help; and in countries in which it appears that austerity is imposing severe hardship on the poor, ESF funds may be able to mitigate the situation through particular types of job creation.

AID's ability to overcome adverse distributional effects from stabilization programs should not be overstated, but it is not necessarily negligible either. Perhaps the best approach would be to seek to identify probable distributional effects in advance, presumably by consultation among officials from the country, AID, other donors, and the IMF, and for the aid donors to work jointly to overcome some of these effects.

I have argued elsewhere in this paper that it would be foolhardy and costly for AID to seek to replace the IMF in countries which require stabilization programs. Among the countries which receive fast-disbursing AID funds and which now or recently have been out of compliance with IMF agreements are the Dominican Republic, Honduras, Jamaica, and Peru. Each has a democratically elected government; and the United States does not wish these to be overthrown. The United States has important political interests in each of these countries. The dilemma is not easily resolved. It is not practical for AID to either cease its programs or to act in lieu of the IMF. The tightrope that AID must walk is apt to involve providing enough assistance to satisfy the country and the U.S. political interest, but not to engage in operations that will permit the country to indefinitely defer its stabilization effort. This is not a satisfactory guideline, but this is because the country situations are complex.

Promoting AID objectives. One of the themes of this paper is that AID should not explicitly link its programs to country adherence to an IMF program, but that AID has little leeway other than to cooperate with the IMF once a program is in effect. Conflict cases arise when a stabilization program is needed and rejected, or when an IMF agreement is signed and then not carried out. The relevant question in nonconflict cases is how AID can build on IMF programs, since they set the framework for stabilization and to some extent for the kinds of structural change that AID also seeks to stimulate.

One of AID's objectives is to promote private initiative. This objective generally conforms with the IMF philosophy of relying primarily on the market rather than administrative or regulatory decisionmaking for resource allocation. At the same time, however, IMF stabilization programs may complicate the activities of the private sector through import limitations and credit restrictions. Quick-disbursing AID programs can alleviate these short-term complications and reinforce the overall market-oriented philosophy of the IMF by using commodity import and credit programs directed at private sector activities.

IMF programs often have an export-promotion inclination by seeking policy changes to reduce import protection and to correct exchange-rate overvaluation. Again, AID can reinforce this preference by assistance to export industries.

Overall U.S. policy both encourages and impedes this export-promotion bias, the former by means of the general system of preferences and Caribbean Basin Initiative, and the latter by U.S. protectionism. AID does not have an important voice in internal U.S. tariff and nontariff decisions, but it should seek some say on these matters when the products in question come from countries in which AID has a program promoting private enterprise and export encouragement.

An exchange-rate devaluation seeks to accomplish its balance-of-payments objective by changing relative prices of imports and exports. A devaluation will have a modest effect, perhaps even a negative effect, on the trade and current-account balances of some countries because of the composition of their imports and exports. This is most likely to be the case for countries which rely heavily on exports of primary products, many of which are priced in dollars and for which an exchange-rate change has little significance. Indeed, under these circumstances, a devaluation can lead to windfall profits in local currency for exporters. However, in more economically advanced developing countries which have an actual or nascent industrial structure, a relative price change can be significant. AID may be able to give a further push to exploit this export inducement by concentrating in its program on sectors or activities which it and the country judge can benefit from this new price incentive. This suggestion is likely to be most relevant in Latin America and the Caribbean and Asia, but it is not irrelevant in Africa.

The foregoing discussion deals with those situations in which the IMF has imposed conditions on which AID can build. The most frequent situation may be that in which there is an IMF program dealing with macroeconomic and balance-of-payments variables, but not with sectoral incentives or even with relative internal prices. These are issues of paramount concern to AID. AID may be forced to deal itself with issues concerning rural-urban terms of trade, fiscal allocations to sectors which AID is financing, the cost of money to the ultimate borrower in a two-step financing project, or the procedures for building effective institutions. The IMF is unlikely to concern itself with questions of local participation in activities of the type in which AID engages, such as irrigation, health care, family planning, and education. These issues have not been stressed in the previous discussion because they are familiar to AID. AID's conditions will almost always have to go beyond those of the IMF (and beyond those of the World Bank because there are few SALs in countries in which AID operates). Nevertheless, when an IMF program is in place, AID should generally be able to build on this.

CONCLUSIONS

The current international objective circumstances circumscribe the AID program. AID's contribution to the fôreign-exchange needs of developing countries is modest; and, for that matter, so are those of the IMF and the World Bank. The resources involved in interest-rate changes, potential oil price changes, other shifts in the terms of trade, and import cutbacks in the more advanced developing countries, dwarf AID's contribution. AID must operate in this milieu and this imposes constraints on what it can do.

This context of foreign-exchange shortage in developing countries compared to need to meet growth objectives partly explains the development of SALs, the IMF's policy of enlarged access, and the significant place of the ESF in AID economic assistance. There are other reasons for these developments (such as the greater flexibility of ESF compared with the development assistance account), but the need for quick-disbursing funds at a time of severe balance-of-payments constraint in developing countries is a large part of the explanation for these developments. While AID is not the star in the total development assistance picture, it is not a bit player. The stage metaphor can be taken one step further--AID's role is enhanced when it is part of an organized effort in which AID plays its role and other agencies play their parts. This is the main message of this paper, that AID must look to its own objectives, not independently, but in the light of the programs of other institutions and the global situation.

This general conclusion can be made more precise in a number of ways.

1. It is important to keep in mind the different time horizons of various programs. For the short term, say one to three years, no one has suggested a convincing alternative to the kinds of measures normally

prescribed by the IMF in its stabilization programs. If a current account balance-of-payments deficit cannot be financed either by additional capital inflows on reasonable terms or further drawing down of reserves, then the deficit itself must be reduced. If an inflation has gotten out of control and the resort to comprehensive indexing is not deemed wise, then it is hard to envisage a realistic alternative to demand constraint. Populist leaders have resisted these conclusions, especially in Latin America, but the time of reckoning arrived a bit later under more adverse circumstances. The structuralists have yet to convince the economics profession that they have a viable short-term alternative to stabilization. This reasoning leads to the conclusion that the concept of short-term IMF stabilization programs is correct. It does not necessarily imply that the details of these programs are the appropriate ones.

2. The time horizon of the IMF's EFF is partly the short term, since there are annual programs for three years, but the time frame runs into the medium term, up to about ten years, to deal with structural issues. The World Bank's SALs are medium to long term, but even they provide relatively rapid infusions of resources. AID programs run the gamut from the short term, particularly under ESF and related programs such as PL 480, to the long term. There is thus much overlap at the short end, particularly between the IMF and AID. It is this overlap that may cause problems for AID and provide opportunities to further AID objectives.

3. A word may be useful here about regional differences. The deepest present problems in Latin America are short term, in part because most Latin American countries failed to adjust to the external shocks of the 1970s and early 1980s as decisively as most of the newly industrializing countries of

Asia. In technical terms, Latin American countries tended to finance balance-of-payments deficits by building up external debt, and the Asian countries tended to adjust. AID does not have programs in the major Latin American debtor countries (Argentina, Brazil, Chile, Mexico, and Venezuela), but there are significant short-term resource problems in many of the countries in which AID does have programs. In Africa, the major problem is longer term, because there is more of a development than a financing problem, but the latter is not absent either, as witness the content of the economic initiative for Africa. What this says is that AID programs must necessarily differ to some extent in the different regions, just as IMF programs differ.

4. When AID provides quick-disbursing funds to a country which has enlarged access to the IMF and/or finds it necessary to reschedule its private or official debt, the major conceptual problem that AID faces is whether its resources are being used merely to meet country obligations to other creditors. Since all providers of quick-disbursing funds are in the same philosophic predicament, the problem tends to resolve itself if AID is not the sole donor.

5. The more serious problem under these circumstances is that AID has little leeway but to accept as a given the specific conditions of an IMF program and to build its own program on that foundation. This does not require that AID formally associate itself with the IMF program, but it does mean that there must be tacit acceptance. To do otherwise could frustrate the IMF program by encouraging countries to eschew the austerity that is almost always required; and this, in turn, may lead to even more stringent future stabilization programs, involving even more U.S. resources.

6. The major institutional conclusion that follows from this is that AID must be more intimately involved in internal U.S. government deliberations about IMF programs in countries in which AID has or contemplates programs involving quick-disbursing loans.

7. The more vexing problem for AID in relation to the IMF arises when a country refuses to accept the discipline of an IMF program, or accepts it in form but fails to live up to the conditions. It is too simple to advise AID to walk away from such a country, or delay disbursement, until the situation with the IMF is rectified. In country after country--the issue is most acute at present in countries of the Caribbean Basin--overall U.S. policy does not permit AID to take this hands-off position. There is no easy answer to these dilemma cases. AID must normally continue some level of assistance, on political and humanitarian grounds even if not on meaningful developmental ones, but not to squander funds by undertaking excessively-large programs.

8. AID's objectives do not always dovetail with those of international agencies. They may in a developmental sense, but even then the emphases may differ. AID is concerned, as the IMF seems not to be, with questions of equality of income distribution, access to essential services by the poorest segments of a country's population, meeting basic human needs, greater participation by the people in programs affecting them, land reform, and--perhaps above all because AID is an arm of the U.S. government--in supporting U.S. political objectives in a country. These considerations may require AID to continue some operations in countries which fail to meet IMF conditions.

9. For the most part, however, AID's objectives in countries in economic disequilibrium are best achieved when AID can build on IMF programs.

Conditions on major macroeconomic variables will have been established under an IMF program, and this permits AID to focus on its objectives, and to set conditions to meet them. Thus, while the existence of an IMF program may create some problems for AID in countries in which it operates, the more general situation is that in which the IMF program creates opportunities for AID which would not otherwise exist.

10. Much of the foregoing discussion stressed AID's equity objectives. AID obviously also has developmental objectives regarding savings and investment, relative prices, resource allocation, private sector encouragement, and institution building. These concerns may be dealt with by the IMF in an EFF program, or by the World Bank in a SAL, but they may not. In a country which requires a stabilization program because of its balance-of-payments and inflation situation, the functioning of an IMF program can facilitate AID's achievement of its objectives; and, by similar reasoning, the absence of such a program when one is needed is apt to frustrate the achievement of AID's economic goals.

11. In addition to building on IMF programs, AID may be able to mitigate the short-term hardships often associated with these programs. As a general proposition, the more external resources that can be made available, the less severe a stabilization program will have to be. It may also be possible for AID to pinpoint its activities to those groups most severely affected by IMF austerity--such as the poor.

I would like to close on a note of personal philosophy. From time to time there have been proposals for the United States to phase out its bilateral aid program in favor of participation in multilateral programs. The reasoning is that multilateral programs, by eschewing short-term politics, can focus on economic development.

I find the reasoning naive. The bilateral program exists because the United States has interests different from those of multilateral agencies. These differences are reflected in the distribution of U.S. foreign assistance, which is skewed to certain countries and regions in a manner quite different from the distribution of, say, World Bank lending. The United States also has short-term political interests that no administration will ignore. Seeking to satisfy short-term political interests may be no more ephemeral than seeking to meet short-term economic interests. IMF short-term programs rarely resolve problems once and for all, as the repeated resort to the IMF by country after country attests.

Beyond the political aspect, the United States has certain philosophic approaches to foreign affairs that cannot be reflected in the way multilateral organizations carry out their operations. Neither the IMF nor the multilateral development banks are prepared to condition provision of their resources on human rights grounds. The human rights conditioning can be either explicit or implicit in the bilateral program, but it is present. The IMF does not take into account the short-term effect of its programs on the poor, while the bilateral U.S. program may wish to do so.

The proper way to approach bilateralism and multilateralism in foreign economic programs, in my view, is to ask about the mix, interplay, and sharing of tasks among the different agencies. This has been the approach in this paper. AID cannot play the role of the IMF. In those situations in which it has done so, starting with the Marshall Plan, the resource cost to the United

States has been substantial. The operations of the IMF in countries which need its help can facilitate the operations of AID. In these cases, there is a need for more coordination of programs than now exists. The habit of coordination among aid donors is long established in most regions (it is weakest in Africa), but this practice has not been developed for IMF programs. Because of the current global context, IMF programs have sought to deal with structural issues, thus moving into the ambit of development agencies; and development agencies have found it necessary to provide substantial amounts of quick-disbursing loans, thereby moving into the domain of the IMF. This has increased the need for coordination.

The world situation in recent years has forced changes in the programs of all international economic institutions. In one form or another, each of the institutions discussed in this paper has adapted to the needs of the times. As a result, their programs have become more similar. The division betweeen short-term objectives, once the province mainly of the IMF, and medium- and long-term goals, on which aid agencies concentrated, has become blurred. This combination of increased complexity of the global economic situation and greater similarity in programs has augmented the need for cooperation. These developments have created problems for AID, but these are dwarfed by the opportunities that have been opened.

Table 1. AID-Recipient Countries Included in Different Programs

	ESF[1]	SAL[2]	IMF[3]	Debt Rescheduling[4]
AFRICA				
Botswana	x			
Central African Republic			x	x
Chad	x			
Djibouti	x			
Ghana			x	
Ivory Coast		x	x	x
Kenya	x	x	x	
Liberia	x		x	x
Madagascar				x
Malawi		x	x	x
Mali			x	
Mauritius	x	x	x	x
Niger	x		x	x
Senegal	x	x	x	x
Seychelles	x		x	
Sierra Leone				x
Somalia	x		x	
Sudan	x	x	x	
Togo		x	x	x
Uganda			x	x
Zaire	x		x	x
Zambia	x		x	x
Zimbabwe	x		x	
So. Afr. Reg'l	x			
ASIA				
Bangladesh			x	
Pakistan	x	x	x	x
Philippines	x	x	x	x
Sri Lanka			x	
South Korea		x	x	
Thailand	x	x		
LATIN AMERICA AND CARIBBEAN				
Barbados			x	
Belize	x			
Bolivia		x		x
Costa Rica	x	x		x
Dominica			x	
Dominican Republic	x		x	x
Ecuador			x	x
El Salvador	x			

	ESF[1]	SAL[2]	IMF[3]	Debt Rescheduling[4]
Grenada			x	
Guatemala	x		x	
Guyana		x		x
Haiti	x		x	
Honduras	x		x	
Jamaica	x	x	x	x
Panama	x	x	x	x
Peru		x	x	x
Eastern Caribbean	x			
LAC regional	x			
Central America regional	x			
NEAR EAST AND EUROPE				
Cyprus	x			
Egypt	x			
Israel	x			
Jordan	x			x
Lebanon	x			
Morocco	x		x	x
Oman	x			
Portugal	x		x	
Spain	x			
Tunisia	x			
Turkey	x	x	x	x
Yugoslavia		x		x
Middle East regional	x			

Sources: AID, 1984: pp. 91-3; Berg Associates, 1983: p. 23; AID memorandum, "Review of Countries Receiving Fast Disbursing Assistance," 2/13/84; IMF Survey, February 6, 1984; IMF Annual Report 1983, p. 202; and OECD, 1984: pp. 48-9.

[1]AID economic support fund FY 1985 proposal.
[2]World Bank structural adjustment loans, actual or planned, 1980-84. Because of repeat SALs, those made and planned through fiscal year 1984 number 32. Several of these countries are not aid recipients: Ivory Coast, South Korea, and Yugoslavia. In other words, AID and the World Bank do not always overlap.
[3]These refer to standby or extended fund agreements during 1983 and 1984. Not all countries are in compliance with the agreements; therefore, not all are in effect.
[4]Official or bank debt rescheduling from 1979 to mid-1984. Debt reschedulings of Argentina, Brazil, Chile, Mexico, Cuba, Nicaragua, Nigeria, Uruguay, and Venezuela are not included because those countries are not AID recipients.

Table 2. AID and PL 480 Program Proposal, by Region, FY 1985
(millions of dollars)

	DA	ESF	PL 480 I	PL 480 II
Africa	355.2	391.5	148.5	83.2
Asia	447.0	300.0	191.0	177.4
Latin America and the Caribbean	460.3	782.6	210.0	56.7
Near East/ Europe	52.0	1,963.0	275.0	34.2

Source: AID (1984): pp. 647-650.

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