

34 ECONOMIC POLICIES TOWARD LESS DEVELOPED COUNTRIES

C. INSTITUTIONS FOR DEVELOPMENT ASSISTANCE

1. Bilateral, regional, and international institutions

U.S. funds for development assistance are channeled through a bewildering complex of bilateral, regional, and international agencies, and in many countries the provision of external assistance is complicated by the existence of multilateral institutions such as the Development Fund of the European Economic Community, various foreign assistance agencies of European governments, and a number of private agencies providing various forms of technical assistance. While some of the new public lending institutions that have been created over the past few years can certainly be justified as filling functional gaps in our kit of development therapies, few would argue that our national and international structure of foreign assistance agencies constitutes a rational pattern. However, since unscrambling this untidy structure would involve legislation, not only by the United States but by 60 or 70 other countries as well, we shall probably have to live with it and find means of coordinating the activities of these manifold agencies. But before taking up this problem, it seems desirable to consider briefly the relative merits of bilateral, regional, and international institutions. This is important for two reasons: first, because the United States can, and has, changed the emphasis in its own aid program as among these three types of organizations; and, second, because it is quite possible that we will see proposals for additional regional organizations as well as additional international ones.

Although the United States has been channeling more of its aid dollars through multilateral organizations in recent years, the administration's new AID program does not indicate a substantial change in the proportion of our total development assistance to be administered by multilateral agencies. Three basic reasons have been given for continuing to provide the bulk of U.S. economic assistance to underdeveloped countries on a bilateral basis. First, there is the traditional argument that foreign aid as a tool of our foreign policy can be used with greater flexibility and more effectively in achieving foreign policy ends if it is made available on a bilateral basis. While this is certainly true in the case of "supporting assistance" and also in the case of assistance made available from the President's contingency fund for dealing with emergency problems where vital political interests are concerned, there is considerable doubt as to whether the political argument is of major significance for long-range development assistance. For example, why could we not use the International Development Association to perform the same functions as the new Agency for International Development in making virtually the same type of development loans? An argument against this suggestion is that IDA's funds are limited compared with those of AID and that we may not want to change the proportion of the U.S. contribution to IDA in relation to that of other developed countries. On the other hand, we could make additional resources available to IDA without changing its basic structure through a trust agreement by which U.S. funds would be turned over to IDA for use in making development assistance loans. This was the procedure employed by the United States in making available the \$394 million social progress fund for Latin America to the Inter-American Development Bank as the administering agency.