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BUREAU FOR LATIN AMERICA AND THE CARIBBEAN
GUIDELINES FOR THE ADVANCED DEVELOPING COUNTRY PROGRAMS

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1. Summary

A.I.D. has programs in four advanced developing countries (ADCs) in the Latin American region: Brazil, Colombia, Paraguay, and Mexico. These programs, which are being implemented by one U.S. direct hire with a small host country staff, have had significant accomplishments since their initiation in FY 1984. As such they demonstrate what A.I.D. can accomplish with limited resources and a minimal staff when a high degree of program flexibility is provided.

This document describes A.I.D.'s program objectives and serves as a guide to the programming of A.I.D. funds in these advanced developing countries until such time as Agency-wide guidance (currently being developed) on ADCs may be issued. In keeping with the recognized need to maintain a high degree of flexibility in our efforts in the ADCs, this document is not intended to be a set of iron-clad rules, but rather a guide to programming. Approval of specific programs and activities rests with the AA/LAC or his delegees.

The goal of the ADC program is to facilitate the ADC's own development efforts consistent with key U.S. foreign policy objectives such as: (1) familiarizing ADC leaders to U.S. ~~democratic~~ democratic values; (2) developing trade and investment relations; and (3) increasing utilization of U.S. technology.

A.I.D.'s role in ADCs is one of brokering, facilitating, or acting as a catalyst to promote long-term developmental linkages between host country and U.S. institutions which are sustained over the long term by the institutions themselves, primarily with indigenous or private external resources plus special efforts required from time to time such as assisting in anti-narcotics programs and responding to disasters. Use of concessional A.I.D. resources will be strictly limited to minimal levels. The volume of program activities must be limited to that which can be effectively managed by one USDH and two or three FSNs and/or PSCs.

Eligible types of activities include those which: strengthen ADC institutions, particularly through establishment and/or maintenance of linkages with U.S. institutions; promote the transfer of U.S. technology; mobilize non-A.I.D. resources for development; or promote policy change at minimal cost. Activities which are generally inappropriate include resource transfers and expansion of public services.

In order to minimize the administrative burden on the ADC representatives, they will not be expected to follow LAC program documentation and reporting procedures which apply to LDC programs. Streamlined program documentation which minimizes planning and reporting requirements, consistent with prudent program oversight by the LAC Bureau are being developed and implemented.

2. Background

A.I.D. currently has USDH representatives in Brazil, Colombia, and Mexico who coordinate a variety of activities including the LAC regional Inter-Country Technology Transfer project, LAC Training Initiatives II, Section 416 surplus commodity programs, and S&T and Office of the Science Advisor projects. Similar activities are coordinated in Paraguay by the A.I.D. representative posted in Montevideo, Uruguay. A.I.D.-financed activities are also underway in or proposed for other ADCs, eg. an ESF program and LAC Training activity in Uruguay and a private sector HG and voter education project in Chile.

Resources which are potentially available for use in ADCs include funds available under the Foreign Assistance Act for global or hemispheric interests. In addition to the aforementioned programs, these include FVA and PRE programs, including world-wide housing guarantees, and BIFAD institutional strengthening support programs. Support may also be provided through reimbursable programs and through the Trade and Development program.

Currently, although there are clearly articulated strategies for the use of LAC and Central resources in sectors such as population, education and training, health and child survival, etc. there is no consistent and comprehensive framework for judging the overall appropriateness or impact of these efforts in the ADCs.

This paper sets forth guidelines by which to judge the appropriateness of future activities proposed for the ADCs in which we are currently working. It also articulates factors to consider when evaluating possible participation of other countries in the ADC program.

3. Nature of the ADCs

The Latin American ADCs are middle-income countries which have "graduated" from A.I.D. bi-lateral programs during the past twenty years. Per capita incomes range between \$1500 and \$2500. Life expectancy at birth is 65 years or more. Although other social indicators may be low because of highly skewed income distributions, they have, with the exception of Paraguay, a relatively large educated human resource base, a relatively well-developed institutional framework, and the ability to mobilize significant amounts of capital to further their own development efforts. These characteristics make the ADCs more partners rather than clients in the development process.

4. ADC Program Goals and Objectives

The fundamental goal of the ADC program is to facilitate the advanced developing country's own development efforts consistent with other key U.S. foreign policy objectives such as: (1) familiarizing ADC leadership with democratic values; (2) establishing and furthering linkages to U.S. technology and institutions of U.S. technology (in ways which help promote U.S. trade and investment relations between members of the private sectors in the U.S. and the ADCs); (3) addressing foreign policy problems of mutual concern, eg. narcotics, strengthening of democratic institutions; and (4) expanding/intensifying access to host country leadership involved in development and effectively addressing bi-lateral development issues. Special attention is paid to those technological and scientific aspects of development which are of priority concern to the U.S., the ADC, and the LAC region in general.

ADC programs are not for the purpose of carrying out broad multi-sectoral programs as we do in the less developed countries in LAC. Rather, they are to implement a clearly targeted set of activities which, in terms of the above goals and objectives, have a significant return on a very limited investment of A.I.D. management and financial resources.

The framework for achieving A.I.D.'s goals and objectives in an ADC is a modified (shortened) version of the LAC Bureau's Management by Objectives system consisting of ten objectives: increase agricultural production; strengthen the private sector, manage and preserve natural resources, increase access to voluntary family planning services; improve health and health services, reduce infant and child mortality, improve housing,

increase numbers and improve effectiveness of participant training, strengthen democratic institutions, and promote narcotics awareness. While A.I.D. representatives in ADCs have considerable flexibility to identify and select activities to support these objectives, the ADC programs will generally work with only a limited number of the objectives because of limited resource available for the ADC programs. Given the large size of countries such as Brazil and Mexico as well as the limited nature of the A.I.D. program, the Bureau's objective indicators are generally not appropriate.

5. ADC Program Characteristics.

This section broadly defines ADC program characteristics. The specific nature of each ADC program will be more precisely defined as a result of a summary strategy statement/action plan review for each program.

- The ADC programs in LAC are based on the premise that the ADCs have already developed their human and material resources to a significant extent. Therefore, we should work toward helping them to make more effective or efficient use of those resources, rather than providing additional resources from external sources.

- A.I.D.'s role should be one of brokering, facilitating, or acting as a catalyst to promote the establishment of long-term developmental linkages and relationships between host country and U.S. institutions that will be sustained over the long term by the institutions themselves, primarily with resources from indigenous or private U.S. sources.

- ADC programs should require limited A.I.D. financial resources and no more than one USDH plus PSCs and/or FSNs.

- While ADC programs will generally focus on areas where A.I.D. has an experiential base which gives us a "comparative advantage" and which allows adequate backstopping of activities, it is recognized that, with limited staff and funds, ADCs cannot shape programs as much as bilateral missions and are expected to seize upon "targets of opportunity, particularly when non-A.I.D. funds can be leveraged. For example, the A.I.D. representative played a significant role in mobilizing non-A.I.D. funded U.S. experts who provided timely and critical advice to the Government of Mexico after the 1986 earthquake.

- Although activities with public sector institutions are not precluded, the concept of sustainability leads to a presumption that ADC programs will involve primarily non-governmental organizations.

- A.I.D. Development Assistance funds should generally be used to finance technical assistance, training, and, occasionally, temporary operational support to entities for specific activities. The latter should be provided for a clearly defined period of time, eg. 3 years. We expect that specific activities should become self-sustaining within a reasonable period of time and that longer term development will be supported primarily with indigenous resources complemented by non-concessional external resources.

6. Appropriate Types of Activities/Means to Achieve Objectives for ADC Programs.

ADC program activities should address: (1) critical development priorities of mutual interest to both the ADC and to the U.S. which fit within the modified MBO framework; and (2) fit within one or more of the following categories:

- Institutional Strengthening: General institutional strengthening may be justified where host country institutions may not be well developed. However, given the limited management capacity and resources available for ADCs our efforts should focus primarily on areas where we have a special interest, eg. administration of justice and narcotics awareness; or where we can renew U.S./ADC institutional ties which existed in the past or to help to establish new linkages -- participant training can play a key role in accomplishing this objective. Specifically, institutional and professional linkages between U.S. and local universities, research institutions, PVOs, and professional, business and labor organizations can be established or renewed in order to involve the ADC institutions in activities which contribute to ADC's development. Collaboration among U.S. and ADC institutions for scientific development and interchange is especially encouraged.

- Transfer of U.S. Technology. Activities which lead to the application of U.S. technology to critical development problems in the ADCs are appropriate (as long as these do not generate competition with U.S. exports or domestic production).

- Mobilization of Non-A.I.D. Resources for development. Activities which lead to substantial mobilization of non-concessional resources to meet development needs can be supported. These include activities which: promote private trade and investment between the U.S. and the ADC; involve USG agencies that are funded on a reimbursable basis; or mobilize significant indigenous resources for development.

- Policy Change. ADC programs normally will not provide resource transfers through which policy change can be leveraged (unless mandated by Congress); however, activities which can lead to significant policy changes at minimal cost, eg. by influencing or changing attitudes and beliefs of key host country decision makers, can be supported.

- Activities which benefit Lesser Developed Countries. Because of their relatively well developed institutions and human resource capabilities as well as their geographic proximity, and cultural similarities to Less Developed Countries (LDCs) in LAC, the ADCs can potentially make significant contributions to the development of LAC LDCs. A legitimate program focus is the development/support of ADC institutions which can serve as training centers/generators of technology/providers of technical assistance for the benefit of LDCs.

Limited A.I.D. funding for these activities is available to the ADCs through several mechanisms. These mechanisms include LAC regional projects such as the Inter-Country Technology Transfer project and LAC Training Initiatives II as well as Central bureau (S&T, PRE, PPC, FVA, and Office of the Science Advisor) activities.

7. Types of Activities Which Are Not Appropriate for Inclusion in an ADC Program

The ADC program explicitly does not envision the creation of new bilateral assistance programs based on concessional assistance. Specific types of activities which are inappropriate for inclusion in an ADC program include:

- Resource Transfers: Resource transfers on a concessional basis are generally not appropriate in the ADC context. Development assistance or ESF will not be provided to ADCs on a bi-lateral basis (unless mandated by Congress). Some exceptions may be made under certain circumstances.

Slightly concessional resources such as HGs may be justified if they clearly help to achieve broader and particularly desirable ADC program objectives such as strengthening linkages with U.S. institutions or significant policy change and are not competitive with requirements elsewhere in the Bureau.

Provision of highly concessional resources, eg. food resources (except sugar quota offset) is normally inappropriate. Their use may be appropriate in limited, temporary programs which do not generate long term dependency. A Section 416 program may be justified if: (1) the commodities are in abundant supply, (i.e. there is no demand for them elsewhere in the region); (2) it addresses a specific temporary situation; and (3) it fits into the program objectives for the ADC agreed upon in the modified Action Plan. Utilization of temporary food resources will be

viewed more favorably if they help achieve recognized ADC objectives, eg. increased private sector involvement in development, establishment of long term developmental linkages between U.S. PVOs and host country institutions, or implementation of activities of special interest to the USG such as democracy and narcotics education initiatives. Achievement of such policy objectives is not in itself a sufficient rationale for food assistance.

- Service Delivery: Many of the ongoing and proposed ADC activities finance expanded delivery of public services through governmental entities or PVOs. The need for the services is not questioned. However, A.I.D. should strive to energize non-A.I.D. organizations rather than taking an active role in financing expanded services in ADCs as we do in the LDCs. We should expect the ADCs to expand needed services through better and more efficient use of their own resources, private sector investment, or increased other donor support. While we can support ADC efforts to mobilize other resources, existing A.I.D. programs which have resource transfer components, e.g., population programs, should be modified, as necessary, to focus on the development of sustainable programs and to reduce A.I.D. resource transfer requirements through better program targeting.

- Pilot Programs: We should be cautious in initiating "pilot programs" in the ADCs. Our basic approach should be to build on or improve ongoing initiatives in the ADCs, not to start entirely new programs which will require follow-on funding by A.I.D. as is often necessary in the LDCs. (Small activities which are expected to leverage significant follow-on resources from private sources or other donors are not precluded.)

8. Allocation of A.I.D. resources to ADCs.

A.I.D. resources for the ADCs will be programmed on the basis of whether the activity(ies) in question fit within the modified LAC MBO framework and meet the other program criteria established in Sections 4-6. Under normal circumstances, the proposed activities should be included in an annual modified Action Plan which shows the source of funding. For activities requiring funding beyond routine administrative activities such as travel, which are not identified in the action plan, the A.I.D. representative should cable a brief description of the proposed activity which demonstrates that it is consistent with the criteria established for ADC program activities.

In allocating resources or concurring with centrally-funded activities the Bureau will consider: (1) the degree to which the proposed activities are consistent with the modified MBO framework and the guidelines for ADC programs contained herein; (2) for activities funded through LAC regional projects, the availability of LAC funds for these projects and the competing demands for these resources; and (3) the anticipated additional management burden which the proposed activities will create.

Each activity which requires additional A.I.D. resources, whether or not financed with resources provided through LAC regional projects, must be vetted through the Bureau's established program management oversight framework.

9. Program Management

- The A.I.D. representative. ADC programs will be coordinated by an USDH A.I.D. representative. In keeping with the nature of the ADC programs described above, the A.I.D. representative's direct program management responsibilities should be relatively few. However, the A.I.D. representative is fully responsible and accountable for those LAC regional activities which he does manage.

While the A.I.D representative may be asked to perform limited elements of the liaison/monitoring responsibilities associated with S&T, FVA and other centrally funded activities, those Bureaus are ultimately accountable for their programs. Financial management responsibilities for LAC regional programs will be carried out by Controllers at bi-lateral Missions who have been designated responsibility for ADC programs. Additional PSC staff requirements should be minimal and any requests for additional PSCs must be reviewed in the Action Plan process.

- A.I.D./W responsibilities. LAC will serve a coordinating role for AID/W activities related to LAC ADC programs. With the exception of communications to the International Agricultural Research Centers and other International Organizations, communications regarding A.I.D.-financed activities in ADCs must have LAC concurrence which will be assured through clearance by the designated A.I.D. country desk officer. LAC should receive copies of all communications.

AID/W monitoring responsibilities are as follows: With respect to LAC regional projects, the LAC/DR technical offices responsible for backstopping the projects will monitor their implementation in the ADCs. LAC/DR/SA will be primarily responsible for monitoring the Inter-Country Technology Transfer Project because of the multiplicity of activities which are financed under it. Other centrally financed (S&T, FVA, PRE)

activities will be backstopped by the designated project manager in coordination with the appropriate LAC bureau technical office (in DR, DP, or PS) and LAC/SAM. As appropriate, bureau technical offices and LAC/SAM will assist the A.I.D. representatives to deal effectively with A.I.D. Central bureaus, other USG institutions, and PVOs and other private groups in the U.S.

- Documentation Requirements for ADC program approval/oversight. Documentation requirements will be reduced from those applied to LDC programs, to the degree permitted by prudent oversight requirements. The focal point for LAC approval and oversight of the ADC programs will be a brief country strategy statement complemented by a summary action plan which will be submitted annually for review and approval by the Bureau.

The A.I.D. representative will prepare the strategy statement for a three to five year period which will establish/validate the proposed areas of program concentration and articulate the relation of the strategy to the overall USG country strategy. This document should not exceed 10 pages.

He will also prepare and submit an annual summary Action Plan which will identify specific program objectives within the modified MBO framework as well as activities to be initiated/continued. In addition to activities to be funded with LAC regional resources, the Action Plan will identify proposed activities to be funded with non-Bureau resources such as centrally funded S&T projects, Housing Guaranties, and any proposed food assistance. The modified action plans will exclude a number of the requirements of the normal action plans. The ADCs will submit portfolio reports to LAC on an annual basis, rather than semi-annually as required of the LDC programs.

10. Factors to be Considered as Reference Points for Including/excluding Countries in the ADC program.

Currently, four countries are included in LAC's ADC program. Given the severe limitations on staff and program budgets, it is LAC policy not to include additional countries in the ADC program at this time. In the event that circumstances change, the following criteria may serve as reference points for considering new ADC countries:

- The country has a per capita income of between approximately \$1500 and \$2500;

- The country has well developed scientific, technological and business institutions and a well educated human resource base;
- The country has relatively satisfactory social indicators in most areas, eg. life expectancy at birth is 65 years or more;
- The country has the economic capacity and political will to mobilize its own and external resources for development;
- The proposed country program is consistent with the criteria contained in this document.
- The country has an independent, democratic government or opportunities to strengthen democratic initiatives through an ADC program are perceived.

The above country selection criteria serve only as reference guides. They do not constitute a prescription for automatic incorporation into the Bureau's ADC program. Host country political factors as well as staff and budget constraints will also be important considerations. The Department of State will be consulted with regard to the establishment/continuation of ADC programs.

Approved:

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*Approved for circulation to LAC ADC
offices and to PPC for comment before
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- DJ*