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A REVIEW OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) AFRICA BUREAU: PRIVATE SECTOR INITIATIVES

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICA
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SECOND CONGRESS
SECOND SESSION

SEPTEMBER 23, 1992

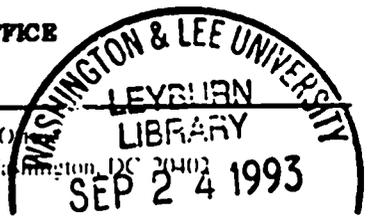
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A REVIEW OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) AFRICA BUREAU: PRIVATE SECTOR INITIATIVES

WEDNESDAY, SEPTEMBER 23, 1992

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON AFRICA,
Washington, DC.**

The subcommittee met, pursuant to notice, at 2:08 p.m., in room 2255, Rayburn House Office Building, Washington, D.C., Hon. Mervyn M. Dymally (chairman of the subcommittee) presiding.

Mr. DYMALLY. The subcommittee is called to order. I have a very brief statement.

Good afternoon. Welcome to the subcommittee hearing on the Agency for International Development Africa Bureau and private sector initiatives.

Today we are pleased to welcome, on the occasion of her first appearance before the subcommittee, the new Assistant Administrator for Africa, the Honorable Alison Rosenberg, with whom we have worked very closely over the past several years, and she has worked with the State Department.

I have worked with her, of course, and I had a very good relationship. I hope that in the few months that I am here that will continue.

Today's subcommittee will look at the Africa Bureau with a specific interest in these among other areas: private sector initiatives, country category selection, a formula for establishing aid levels.

The democracy movement is sweeping the continent and international aid dollars become less and less available while this is going on. Therefore, it is imperative that both donor and recipient countries focus on encouraging, assisting, and enhancing the private sector in Africa.

Aid programs must incorporate a significant and viable private sector program.

Also, presenting testimony today will be the newly appointed Executive Secretary of the Economic Commission for Africa, the Honorable Layashi Yaker, and the President of the African American Institute, Ms. Vivian Derryck, who is no stranger to these parts. We are pleased to have the benefit of the views of the private sector and the private voluntary organizations in assessing new aid trends.

Before I begin I would like to call on my colleague, Mr. Payne, for some remarks.

Mr. PAYNE. Thank you very much, Mr. Chairman.

Let me congratulate you for calling this very important meeting at this time, and I continue to express my appreciation for the tremendous amount of time, and effort, and energy you have put into the work of the Subcommittee on Africa, having a tremendous number of hearings and personal travel at your own expense healthwise. But your dedication certainly goes without question, and we will definitely miss your leadership.

Mr. Chairman, this is indeed a very timely hearing in light of President Bush's address at the United Nations on Monday. The President said that he would propose to Congress the creation of a \$1 billion fund of grants and credits for the U.S. businesses investing in Eastern Europe and the former Soviet Union. He said this \$1 billion would come from the existing foreign aid budget, but he would not say which aid budget the funds would come from.

The committee and the Congressional Black Caucus worked hard at increasing levels of funding to Africa, only to experience a setback in that all-important Africa Development Fund. In fiscal year 1991 Congress authorized \$800 million, and \$1 billion for fiscal year 1992. Recent actions by the administration proposed and succeeded in reducing the funding level for fiscal year 1992 back to \$800 million, not the \$1 billion that had been approved.

Further, the increases in the Africa Development Fund over the last few years prior to fiscal year 1992 have been neutralized by a decrease in the economic security funds which are important to building Africa's infrastructure.

The net result is that the total African assistance remains constant over the last 5 years, when, as we know, the need for increased aid has tremendously increased.

There is good reason for alarm at the intentions of the administration support of Africa in the future. In addition, the *Washington Post* has devoted two full pages for the last 3 days regarding the ineffective relief work of the United Nations system in regard to Somalia in charges of graft, corruption, and unnecessary bureaucracy. Much of our multilateral support through the United Nations goes to Africa. So we must also watch this development closely. The only positive statement in the *Post's* article is the overwhelming endorsement to the ability of private volunteer organizations like CARE, AFRICARE, the CRS, and others to get the job done.

I understand AID is not capitalizing on this opportunity in their new reorganization. The PVO's represented by AID's PVOC unit is still at a very low level of authority in the overall structure, and there are many other concerns by the PVO community for an appropriate partnership in our move into the future.

I am happy to welcome Ms. Rosenberg. And since she is the new Assistant Administrator of the Africa Bureau she could get off very easily by saying, I'm new— [Laughter.]

—but we know Ms. Rosenberg, and I hope I have not given you the answer. We have had a good relationship with your predecessor, Mr. Spangler. I traveled to Peru with him and we had some very interesting discussions. So I am looking forward to having a close relationship with your office and with you, also.

It is always a pleasure to see Ms. Vivian Derryck, who heads the African American Institute, and under her leadership has really ex-

panded the role of the AAI in recently monitoring elections in Ethiopia. AAI continues to work there, while doing work with democratization throughout the continent. We are very pleased with her new leadership, expanding that very important organization's role in Africa.

Of course, I also welcome Mr. Yaker of the Economic Commission for Africa.

Thank you, Mr. Chairman. I am going to have to run downstairs for a second or two, but I will be back shortly.

Thank you very much.

Mr. DYMALLY. Thank you very much, indeed.

Ms. Rosenberg, the stage is yours.

STATEMENT OF ALISON P. ROSENBERG, ASSISTANT ADMINISTRATOR, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. ROSENBERG. Thank you very much, Mr. Chairman, Mr. Payne for your kind comments and your interesting observations as well.

I really appreciate the chance to come and talk to you today about the Development Fund for Africa and especially our efforts to strengthen the African private sector. This is an issue that is dear to my heart and an important priority for me.

I have submitted a full statement. Some people may think it is too full, but actually I am rather proud that there is a lot of meat in there about what we have been able to do already. You can always do more. You can always do better. But I think it reflects, if nothing else, where our heart is and where our intentions are.

So let me just make a few comments by way of summary, and then, of course, allow most of the time for questions.

Some of my friends have heard this before, but I must say that becoming the Assistant Administrator for Africa is a very exciting opportunity for me, especially because, of all the years it has been my privilege to work with Africans on African issues.

There has been so many positive developments in Africa. African people themselves are making the critical difference. The demand by Africans for democratic governance is growing rapidly. Average citizens are no longer willing to tolerate governments which are not accountable and just. People are demanding a role in shaping their political and economic destinies. Pressures are growing for free expression, honest and responsible leadership, the rule of law and consent of the governed. At this point, nearly three-fourths of sub-Saharan African countries are changing their political system. We can count at least 10 that have already joined the ranks of full-fledged multiparty democracies. Free and fair elections have been held or are planned in 20 more.

And these political trends come on top of the progress which was already being made on abandoning discredited economic policies in favor of ones which stimulate growth and bring hope for a better quality of life. Remarkably, 30 countries have undertaken stringent programs of belt-tightening and reform. The payoff is beginning to register in economic growth. Countries undertaking economic reform are averaging almost 4 percent annual growth in output, and

the gap between their food production and population growth is closing.

Now, a lot of experts warn us that expecting these still very fragile African societies to carry out political and economic reforms at the same is expecting too much. They point to the economic success stories of earlier decades—Asia, for example—as proof that reforms must be sequenced if they are to succeed.

Well, my response to these assertions is simple. The international rules of the game in the 1990's require progress on both fronts. The Africans, unfortunately, do not have the luxury of choice any more than Boris Yeltsin does. In any event, I am not sure we serve the Africans very well by wringing our own hands over this dilemma. I suspect that thoughtful Africans—and there are many in leadership positions today—believe economic policies which stimulate growth, and political systems which broaden participation and demand accountability, are interrelated and inseparable.

What thoughtful Africans are asking, however, is "Can democracy deliver?" Leaders like Zambia's new president, Fred Chiluba, who was swept into office last fall in a free election, are confronting that question. Zambians will judge the success of their new democracy by its ability to pull the country out of an economic quagmire. Chiluba has committed his government to an ambitious economic gameplan. Africans like Fred Chiluba need and, I would argue, have earned our support. Our support will require our own creativity, flexibility, and more than a touch of humility because it is about a tough uphill fight to replace an old system with a new one. And we do not have any monopoly on knowledge on how to do that.

Africans are making the kinds of changes in policies and priorities which create the right climate for U.S. investments in aid. As President Bush said 2 days ago to the U.N. General Assembly, "we have a shared responsibility to foster and support the free market reforms necessary to build growing economies and vibrant democracies in the developing world. . . . We know that the more a nation relies on the private sector and free markets, the higher its rate of growth." And we at AID take that responsibility seriously.

The Development Fund for Africa, which Congress has created, represents, I think, the American people's desire to help Africa move from deprivation to sustained development. It is a really wonderful endowment from the U.S. taxpayer, and we will not take it for granted. It is a critical tool for addressing Africa's pressing and diverse development problems.

As you well know, Africa still remains the poorest region in the world, and we still have health-related challenges such as AIDS and malaria which continue to threaten human life. Southern Africa is facing the most severe drought in this century. Drought and man-made disasters are also affecting other parts of the continent, displacing people and turning them into refugees in their own country, making them dependent on food aid. So the assistance and cooperation of the international community with its African partners remain vital to help meet the enormous needs which still exist.

This being said, the overall goal of our efforts under the DFA is to promote broad-based, market-oriented and sustainable growth.

To ensure that the resources we have are allocated where they can be used most effectively to foster sustainable and long-term development, we have created a performance-based budgeting system. And under this system the lion's share of DFA resources go to countries which meet three threshold tests: need, economic policy performance, and democracy and governance.

There is an emerging consensus that the requirements of broad-based, market-led, sustainable economic growth are best met by essential characteristics of democratic regimes: open and accountable government, limited government, rule of law, freedom of association, and freedom of information and expression.

We are looking at ways to increase the role of the private sector in the continent's social and economic development, in recognition of the fact that a strong private sector is critical for Africa's growth. AID works closely with U.S. business to provide our African field missions as well as African governments with technical assistance and resources to strengthen Africa's indigenous private sector.

The goal of our private sector program in Africa is to stimulate broad-based economic growth and give opportunities at all levels for African citizens to participate in the economy, and make a decent living, and improve the quality of their lives. We will seek to help to increase the role of the private sector in Africa's social and economic development. We need to stimulate the availability of capital to fund needed expansion, an expansion that will employ future generations of Africa in competitive productive jobs. Our activities across Africa range from efforts to build a strong environment in which competitive business can flourish to direct assistance to women's groups organizing credit unions. We are working closely with both the U.S. and indigenous African private sectors to accomplish these goals.

Our program encourages reform of policies, laws, regulations and implementing mechanisms to establish an enabling environment attractive to both local and foreign investors. We have worked with more than 25 African countries to improve laws and regulation affecting investment, and we are working with a number of countries, including Ethiopia, Zambia, and Tanzania on privatization of government companies.

Technical assistance provided by AID-funded contractors is helping to build the capacity of institutions servicing businesses such as banks in Gambia and Senegal, a stock exchange in Kenya, venture capital companies in Ghana, Tanzania and Zimbabwe, small business loans in Senegal and Swaziland and chambers of commerce and business associations in countries throughout Africa. U.S. companies have provided internships to 170 Africans under the Entrepreneurs International training, and internships have led to trade relationships—more than \$1 million in sales by U.S. companies through former interns.

I have too many more pages here, Mr. Chairman.

Mr. DYMALLY. There is no problem.

Ms. ROSENBERG. I will make it brief.

Mr. DYMALLY. Please. You have all the time you need.

Ms. ROSENBERG. Thank you.

Activities which AID is working on to support private enterprise development in Africa have a broad range as well, from small and micro-enterprise development, assisting in financial sector reform, promoting African and foreign investment, assistance in privatization, development of business associations and networks.

The African private sector, and I have had the privilege to speak to a lot of leaders in that field, recognizes that it needs a basic foundation in order to do the job it was meant to do, and the crucial building block of this foundation concerns democratization of governance. Time and again, we find ourselves coming back to the interrelationship between the two. Good governance and democracy are vital, not because of ideology, but because of the freedom that is provided to make choices and implement decisions. Linkages to private investment and production are clear. To function effectively, entrepreneurs need control over their capital and consistent enforcement of the laws and regulation that affect their profitability.

I think we all recognize this as a time of unprecedented political change for Africa, with the Africans taking a lead and setting their own path toward open, democratic, and participatory systems. AID has developed a broad program to support African initiatives in the areas of democracy and governance.

We have got some governing principles that we use in trying to support democracy and governance in what the Africans are trying to do:

First and foremost, it must be African-led and generated from the missions who are working there on the front lines with the African leaders.

Looking at the long-term, paying particular attention to those activities that will sustain the democratic process beyond any particular benchmark, such as an election.

Seeking genuine progress in a governed country's efforts to open up the political systems and improve governance

And integrating key governance dimensions or themes, like accountability, transparency, information, and responsiveness in our field missions' overall development portfolios.

Benin is an example. The AID primary education reform program there strengthens the role of parent/teacher-like local organizations in decisionmaking about schools in their districts as well as encouraging greater transparency and accountability in the Ministry of Education itself. In other words, you need to work at the governmental level to try to make government more efficient and more responsive to the people, and you have to do all you can to empower the citizens to demand more of their government.

While we do not seek to impose models, there are certain fundamentals of any democratic systems that need to be supported and encouraged. So currently our AID strategy focuses on building sustainable democratic societies through supporting these fundamentals. We address such things as strengthening and building democratic institutions, independent judiciary, free press, effective legislatures, decentralized local governments. AID programs also support nascent and established organizations and associations concerned with issues including human rights and responsible and accountable government.

We believe that Africans need to be actively involved in the democracy and governance transitions on the continent. We are supporting African efforts to execute free and fair elections through a cooperative agreement with the African American Institute, the NDI, the IRI, and other partners and have made a special effort to listen to African voices and opinions through support to the Global Coalition for Africa and for regional workshops such as those managed by the National Academy of Sciences.

In closing, Mr. Chairman, I know that the subcommittee has had a close, collaborative, and supportive relationship with the Africa Bureau of AID, and as the newest inhabitant of the chair, I appreciate that. And I want to pay special tribute to you, Mr. Chairman, for your strong leadership and your unflagging efforts to strengthen U.S.-African ties and to articulate to the American people the importance and the mutual benefits of our partnerships with the Africans. We at AID are invigorated by the DFA and look forward to continuing to use its flexibility to develop programs that respond to African realities in order to make a difference in African lives.

Thank you.

[The prepared statement of Ms. Rosenberg appears in the appendix.]

Mr. DYMALLY. Thank you very much.

Ms. Rosenberg, we have worked with each other long enough for me to be intellectually honest with you. This meeting was called in part for oversight, but deep down inside of me I had a personal agenda.

I was somewhat disappointed with what I saw as AID on its own without reference to congressional mandate—because mandate is law—but congressional influence, so to speak. I want to cite two examples.

A very prominent group brought to me an idea of a program on conflict resolution. Introduced legislation. Of course, it died on the floor after negotiating with AID—months and months of negotiation. At the end they went ahead and do just the opposite to what the subcommittee would have liked to do.

In other words, we had absolutely no influence on something which AID could have done and accommodated the Congress, at least the subcommittee, without doing damage to its autonomy or its major thrust because we were all supporting the whole notion of conflict resolution. And as of today I will have left the Congress and that program has not been instituted even though the State Department, and especially the Africa Bureau, is in support of that.

That troubled me. Because I am saying to myself, what is the point of having the AID come before the Congress or even holding a hearing when the chairman of a committee and a subcommittee cannot influence AID to do what they want to do anyway.

They went along and they retained some group that was way out in the left field, right field, or middle field. I do not know. It was out there in the field without any reference to our personal interests what the Congress wanted to do. And as of today the program has not been put into effect. Indeed, the OAU, in a break with the

past, is now in support of conflict resolution, and that was troubling.

So the question is with that long preface, does Congress really have any influence beyond the mandate on AID?

Ms. ROSENBERG. Let me give you a candid answer, Mr. Chairman. I was aware of this proposal right from the beginning. I am a little surprised of the characterization of the State Department's view in opposition to AID's view a little bit.

Mr. DYMALLY. No, I didn't say—I said the State Department supported the concept.

Ms. ROSENBERG. Well, they have supported the concept—

Mr. DYMALLY. Yes.

Ms. ROSENBERG [continuing]. of supporting conflict resolution in Africa.

Mr. DYMALLY. Yes.

Ms. ROSENBERG. And I'm not sure that AID ever disagreed with that concept. In my own consultations with Assistant Secretary Cohen, I think he was particularly supportive of the idea of strengthening African groups and institutions in furtherance of that objective, and I think that is absolutely the way to go.

At this point in time, I think you really started something, Mr. Chairman, and I am not saying that to flatter you, but I am saying that because I believe it. I think conflict resolution was not on the radar screen of the Africans themselves, where it needed to be, or as much as it needed to be once upon a time. And I think you have helped stimulate everybody's thinking about this.

The differences at this point, I think, lie in whether you establish a facility somewhere, first, to work on conflict resolution or whether that is kind of the end of the process. Because, in fact, you spurred AID to start a process of consultation and listening to African voices in a way that they had not done before. And in the context of the Global Coalition for Africa, for example, which has the participation of a number of African countries—a number of donor countries—the ECA, who is represented here today and in discussions with Mr. Umbussingo and his African Leadership Forum and a number of African NGO's that I could send you the names of, there is keen interest. There is almost a little bit of competition about who wants to take the lead. There are at least three countries that I can think of who are interested in having something based in their particular capital city on this subject.

So I think there has been a lot of demand creation, simply as a result of your stimulating idea. Now, in terms of money so far, we have not put down millions of dollars on this, but wherever the money is needed to help further this process we are prepared. There has been a 25,000 dollar study already that the GCA will be undertaking. In Rwanda the OAU is taking a leadership role in conflict resolution there, and we have just sent very recently a notification to the Hill to support conflict resolution and OAU efforts there to the tune of about a half a million dollars.

We know ECOWAS has done some ground-breaking work on conflict resolution in other countries, and I think it is a matter of working with indigenous efforts there and strengthening and broadening them. I, for one, as the new Assistant Administrator, am fully prepared to support that. I give you full—

Mr. DYMALLY. I made reference to the State Department in the context of emphasis, not that there——

Ms. ROSENBERG. OK.

Mr. DYMALLY [continuing]. —was any adversarial relationship between AID and the State. Now, I would assume you say——

Ms. ROSENBERG. If I think they have a very important role to play in this?

Mr. DYMALLY. I was pleased to know that the State Department supported something AID was doing.

But my point is, while the grass is growing the horse is starving. Things are happening in Africa. Critical things are happening, and it is taking so long to put that into operation.

Ms. ROSENBERG. Well, I think that is a lot of groundwork being laid, and maybe AID has not done a very good job of communicating it to you.

Mr. DYMALLY. That was my next question.

Ms. ROSENBERG. Yes.

Mr. DYMALLY. No communication. A phone call, you know.

Ms. ROSENBERG. Well, I agree with that.

Mr. DYMALLY. Ma Bell.

Ms. ROSENBERG. I agree with that.

Mr. DYMALLY. Congressman, we are moving or we are not. MS. Rosenberg. Yes.

Mr. DYMALLY. We want to abandon the project.

Ms. ROSENBERG. That is a very fair point.

Mr. DYMALLY. So I just kind of felt that I was out there with no response.

The second one was, a lot of negotiations to resolve this \$10 million disbursement in South Africa between Inkatha, and ANC, and the third party. We never heard what happened. I understand that has not been resolved. It will be 2 years next month.

Ms. ROSENBERG. I gather you are right. Some of it has been disbursed, but not all of it.

My Chief Deputy, John Hicks, is in the region right now, and one of his charges was to look into this thing. And I am going to be going out to the region shortly, too, to see why it is stuck this way.

Mr. DYMALLY. What troubles me is that we got some agreement after much difficulty——

Ms. ROSENBERG. Right. I remember.

Mr. DYMALLY [continuing]. between the right and the left and the middle here. We got some agreement——

Ms. ROSENBERG. Right.

Mr. DYMALLY [continuing]. and then——

Ms. ROSENBERG. Yes.

Mr. DYMALLY [continuing]. nothing happened.

Ms. ROSENBERG. Yes.

Mr. DYMALLY. OK. Having said that, I think your statement is a very, very good document for the next Congress, the next subcommittee, to look at very carefully as a guide to the way AID is going next year. Let me shift over to the President's speech.

He put the onus of foreign aid on you almost in terms of AID He said, in effect, and I am part paraphrasing, calling for a shift in foreign aid to replace, quote, aid dependency, end quote, with economic partnership. Bush said he will establish a \$1 billion growth

fund to help U.S. businesses carry out projects in countries that are restructuring their economies. He urged revamping of foreign assistance programs run by AID, describing the agency as, "another institution born during the cold war that needs to be fundamentally and radically overhauled." U.S., "assistance efforts should not be charity," but said on the contrary they should promote mutual respect.

I either feel that I have shifted to the right or Bush has shifted to the left—[Laughter.]

—because he and I are in agreement on this score.

Ms. ROSENBERG. Uh-oh.

Mr. DYMALLY. Yes. And if it is going to cause his defeat, I'll announce it publicly. [Laughter.]

But I think it is a very significant statement, because on Friday the Congressional Black Caucus, the constituency for Africa, and the subcommittee are sponsoring a seminar to focus on aid and trade.

I believe, for the last 2 years, that my experiences have led me to believe that we need to begin to emphasize the private sector trade and investment. We need to encourage Africans to look to this market for some of the export products. We need to look to Africa as a way of exporting some of our machineries. I cite one glaring and disquieting experience.

One of the subcommittees of the Foreign Affairs Committee passed legislation to create three OPIC centers around the world, and out of that it was Africa that was not included. And I understand the Africa piece has problems in the Senate. But before countries buy goods, you know, they have to buy rice and be able to buy police cars and machinery for farming. So there is a market there for us to sell some of our goods, and I am very pleased that the President mentioned that.

So having said that, I would like to get your response to the President's statement.

Ms. ROSENBERG. Thank you. I was pleased also. I think it certainly stirred a lot of faith—

Mr. DYMALLY. You do not have to declare your party affiliation, you know. [Laughter.]

Ms. ROSENBERG. President Bush appointed me, lest we forget.

No. I think that it has gotten a lot of interest and attention, obviously, at AID, you know.

There were three parts to that speech.

Mr. DYMALLY. Yes.

Ms. ROSENBERG. And the last part was the one that addressed AID.

I think he is simply stating what you have just stated yourself. Times are changing. In the post-cold war era, we are all looking at the place for aid, worldwide. Foreign policy objectives—what do they mean in the post-cold war era. And there is a lot of sentiment for saying, now is the time; we need growth, economic growth.

Those are the issues, now. We do not have the Soviet Union any more. We have economic issues, development issues. That is where it is at.

I view it as welcome news for myself because, as I have said in my statement—I will say it to anybody who listens—I think we

have got a good case for Africa that right now, more than any time in my recent memory, any time since independence, Africans are kind of taking ownership of what their problems have been and seeking solutions and moving in the right direction.

I do not have to try to argue for aid as charity. I can argue for aid as an investment as doing our part when Africans are doing their part. And it is part of the effort to make the global pie grow, as you have said, so that U.S. businesses can understand expanding markets overseas and Africans can understand what they need to do to create the right environment to get investment into their countries.

Mr. DYMALLY. Do you indulge in sole source funding at AID, and I think you do, on a contractual basis?

Ms. ROSENBERG. In some cases.

Mr. DYMALLY. What are your criteria?

Ms. ROSENBERG. Let me just say some general things. I do not want to get myself in trouble with the lawyers there, but competition is rule number one. We also have 8A requirements as well. And then we have, in some cases when there is an identified need for a good service, whatever it might be, and it is clearly overriding expertise on the part of one supplier, there can be justification for a sole source kind of mechanism.

I guess it depends. Things are possible, but I would not want to go into more detail on that.

Mr. DYMALLY. Fine. I raised that because we are faced with regional crises in Africa, and sometimes the law does not give you enough flexibility to move as fast as you want to.

Ms. ROSENBERG. That is for sure.

Mr. DYMALLY. I cite, for instance, your 25 percent requirement to qualify as an aid recipient, an AID contractor, which has eliminated a number of indigenous groups, and I cite, for instance, the Somalis. This whole question of aid is a new one to them, and they are struggling to respond to the crisis there, but they do not qualify.

Do you have any flexibility at all with that 25 percent requirement?

Ms. ROSENBERG. I believe, like with anything else, there is some waiver possibility under certain circumstances, but let me get back to you on that.

Mr. DYMALLY. Fine. That is fine. That is good enough. Just so long as you have some possibilities,——

Ms. ROSENBERG. I mean, we take it very seriously,——

Mr. DYMALLY [continuing]. responding to emergencies.

Ms. ROSENBERG [continuing]. the limitations.

Mr. DYMALLY. Yes. What we do not have in Somalia is underground Somalis helping Somalis in America who have gone to school here who understand both our system and are willing to do something back home, out of the loop, so to speak. And I think Somalia is going to be with us for a little while. Let me touch on a couple of other subjects.

We did not give Djibouti any DA last year for whatever reason, but they have been a very useful partner in this crisis in the region. They have Djibouti one, Djibouti two for Somalia, and, fortunately, they were not successful, but they are our friendly partners,

strategically located, and have asked me to convey to the administration their willingness to be used as a transit point for goods and services as you are using Kenya now. I just pass it on to you, anyway.

It would seem to me that, you know, for 1993, 1994 you need to be looking at Djibouti for some development assistance because they are now faced with a question of refugees that they did not have to deal with. They have just completed their referendum on the constitution. They are moving into a multiparty system. They are really opening up. I hope that the opposition, now, will lay their guns down, because they have access to the system and things are moving along.

So I just pass it on, not for any response now, but for some thinking on your part. I note the same with Kenya.

Kenya has had problems in the Congress, and we addressed those problems at a hearing. But given the refugee problems they have now, and politics notwithstanding, we need to re-look at Kenya for the whole question of humanitarian assistance: their willingness to be used as a transit point, their helpfulness in getting us to ship our goods to Somalia. We need to rethink these things.

I had one more. And of course—OK. I am fine. That is incorrect. My glasses were focusing incorrectly.

I understand about \$140 million of the Africa budget is provided to PVO's. How much of this amount is awarded to local PVO's?

Ms. ROSENBERG. You mean, in Africa?

Mr. DYMALLY. Yes. Well, why don't you hold that, then? You can get back to us.

Ms. ROSENBERG. Yes. OK. I am more aware of the U.S. side.

Mr. DYMALLY. OK.

Ms. ROSENBERG. I am very interested in enhancing the capacity of African PVO's.

Mr. DYMALLY. Yes. Right. Very good.

The last one is, American PVO's and NGO's were chased out of Somalia. We understand that. They did not leave voluntarily. We had to leave our mission.

But I think with U.N. support, our Marines on the coast, the willingness of Kenya and Djibouti to help us, we need to encourage our PVO's and NGO's to go back, and who best can do that but AID? We especially need people in the health care field.

While I was there we did not have a presence there, for obvious reasons. We did not run away. We just were chased away. And it was not secure to go back in there because the only security you have there is the barrel of a gun.

I think, now, with the Kenyans and the Djiboutians we are able to get back in there, and I think AID ought to be encouraging our PVO's and NGO's, especially in the health care field.

Ms. ROSENBERG. In the health care field.

Mr. DYMALLY. Food is moving in now, but not health care.

Ms. ROSENBERG. Yes. And that PVO's, as you know, are actively involved in that.

Mr. DYMALLY. Yes.

Ms. ROSENBERG. I know Africare is intending to go back—

Mr. DYMALLY. Good.

Ms. ROSENBERG [continuing]. in spite of the security situation.

Mr. DYMALLY. Yes.

Ms. ROSENBERG. Well, I will take your comments on board, Mr. Chairman.

Mr. DYMALLY. OK. I do not think I have any other comment to make, except that I do not know if I would be able to call you for a year. So I am getting my licks in right here.

When I call you, I'll put the disclaimer, I am not being paid for this. This is all—

Ms. ROSENBERG. I hope I will be there to get your call. [Laughter.]

Mr. DYMALLY. Well, I will call you for the next 3 months, then.

But thank you very much, indeed, for your presence here and your detailed and eloquent statement.

Ms. ROSENBERG. Thank you very much.

Mr. DYMALLY. Thank you.

Let us have Ms. Derryck and the Ambassador join us.

Ambassador, welcome. I am very pleased that you are here. Ms. Derryck has spoken very frequently of the Economic Commission, and I knew your predecessor. I am especially pleased to see you.

I feel like an Algerian. Last month your foreign minister hosted a lunch. I go to Djibouti, and an Algerian ambassador is trying to make peace. Last week Ambassador Bensid called me on his way to Latin America, and here you are today. The Algerians are noted for their peacekeeping, reconciliatory efforts around the world, and I am very pleased you are here.

And of course, Ms. Derryck is an old hand at this. So we are very pleased to have you, Vivian.

So why don't we begin with you, Vivian.

Your entire statements will be entered into the record.

STATEMENT OF VIVIAN LOWERY DERRYCK, PRESIDENT, THE AFRICAN-AMERICAN INSTITUTE

Ms. DERRYCK. Thank you very much, Mr. Chairman, and Congressman Payne in absentia.

I appreciate the opportunity to testify on an issue of such importance as AID's foreign assistance to Africa, with a specific emphasis on the private sector. All of us in this hearing are really very privileged and fortunate to working on African issues at this moment because it really is unique, historically.

I testify on the African foreign assistance package from the perspective of a private, voluntary organization. For us, I emphasize that the private sector includes not only private businesses and entrepreneurs but all of those institutions which are not a part of the state apparatus including churches, labor unions, nongovernmental organizations, women and youth groups. As a private voluntary organization, AAI has a particular lense on foreign assistance because NGO's are integrally involved in African development.

Now, we hear in the songs all the time this phrase, "new attitudes," and that is really what we see in Africa. We are discussing foreign assistance to Africa at a time when both African leaders and donors have demonstrated these "new attitudes." Africa was one of the last regions to expand popular participation, but with a virtual explosion of democratic reform, the continent has or will

witness more than 22 elections in the period between January of this year, 1992, and June of 1993. That new attitude extends also to the economic sphere as Africans focus on privatization, recapturing markets and identifying international partners.

In another "new attitude," Africans are also confronting problems of internal strife and regional conflict, and here I will just reiterate what you said a little bit earlier. In June in Dakar at its annual meeting, the OAU discussed conflict resolution and empowered the OAU secretariat to explore the issue more fully and report back. This is unprecedented, and it is a bold acknowledgement of the severity and drain of these conflicts on economic and social development.

Donors, too, have a new attitude. Competition for limited dollars has made donors much more candid and more critical in their evaluations. They have made progress on democratization and adherence to internationally accepted standards of respect for human rights conditions for aid. It was concerted donor action that forced Daniel Arap Moi to bow to multipartyism in December. And it was donors who froze the \$74 million in aid to Malawi when President for Life Hastings Banda arrested Chakufwa Chihana when he returned in May. And certainly it was generous donor support for the Zambia election that sent a signal to courageous reformers that there was financial support behind them.

In short, Mr. Chairman, we are looking at a new day, but Africa is still marginalized. And this marginalization really goes beyond the resource issues. And I outlined a little bit of the diminution in resource flows in my statement, but I will not repeat that.

But we are also concerned about the other kinds of marginalization, particularly the intellectual marginalization that we see in the decline in African universities. And we also see an emphasis on primary and secondary education among donors while the university education, tertiary education, needs are really, in some ways, being neglected.

There is also the economic marginalization of the continent. Africa still is in the economic doldrums. All the popular reports talk about the absolutely rotten shape that Africa is in vis-a-vis debt. Debt still hovers at \$270 billion, or 109 percent of sub-Saharan African GDP, and there is literally no new investment in the continent. The sad irony is that all this marginalization is occurring when Africa is really on the brink of exciting changes. And as Alison Rosenberg said, we now see Africans taking responsibility, acknowledging that they are accountable for what happens now on their continent.

And so, here we are at a time when we can really look to work with Africa on a new basis of equality and to meet the standards that both of the developing nations that we are addressing and long-term U.S. interest.

From AAI's perspective there are two overarching goals that shape our view of foreign assistance. One, is the need to alleviate the burden of poverty in Africa and the second is the urgency of stemming the marginalization of the continent.

To achieve these goals we propose a four-part action plan.

The first action is to support democratization initiatives because they really form the basis of the institutional and attitudinal changes that will facilitate development.

Recent experience has taught us that until governance is transparent, no other reform is going to work. There is not going to be any economic transformation until the political transformation has been achieved.

The second part of this action plan would involve rebuilding economic systems. And this is a daunting task that will require a multifaceted approach. First government resource allocations must be perceived as equitable and transparent, and governments must be able to establish financial management systems that are accountable and open to public scrutiny.

Secondly, we must re-focus on reducing debt, for debt-servicing costs divert scarce funds and send hard currency outside the country rather than putting those dollars to use for development purposes. Third, Africa must increase trade with an emphasis on solid export growth. And fourth, the continent needs to reattract commercial bank lending and attract foreign direct investment.

Clearly, the private commercial and financial sectors are key actors in the revitalization of African economies. AID support to small entrepreneurs, often through PVO collaboration and support to medium-sized businesses through the Office of New Initiatives, are welcome efforts to increase and strengthen the capabilities of the financial, commercial private sector to participate.

The third part of this action plan says that we must strengthen African regional institutions and thereby build African ability to deal with African problems. Again, Alison Rosenberg underscored that point. Our efforts should focus on three sets of institutions: the economic development institutions—in the 1989 World Bank Long-Term Study, they talked about some more than 400 regional economic institutions. Well, clearly, they need to be rationalized and reduced. But it is important that U.S. aid focus on strengthening those regional economic institutions.

Secondly, there are the security-focused institutions. Traditionally in Africa, regional institutions have focused primarily on economic advancement. But currently there is a growing interest in establishing regional security institutions as well. These organizations have existed in other regions, notably Europe and Asia, for decades. But until recently they were never even there, called upon to play significant roles in maintaining security.

In the past 18 months, however, they have gained a new currency. For instance, the Conference on Security and Cooperation in Europe, CSCE, has discussed and finally moved on the Yugoslavian conflict, and the African Leadership Forum has proposed an African conference on security, stability, cooperation, and development, based on the model of the CSCE.

So it is important that we look at those regional institutions, and I will discuss educational institutions a little bit later.

And then, the fourth and final part of this plan is concentrating on human resources development and related sectoral concerns, notably health, population, family planning, and AIDS care and research. In addition, these things will help to rebuild the intellectual capital of the continent.

An important point on process here, Mr. Chairman. In working toward implementation of these goals, advocates for Africa should insist that Africa receive comparable treatment with other regions of the world. For instance, Africa could benefit from the same type of coherent aid proposed for the former Soviet Union. There are 140 million persons in Russia. There are 520 million persons in sub-Saharan Africa. There are certainly parallels in the problems and parallels in the suggested remedies.

Most planners have recommended a four-part bailout for the former Soviet Union, including immediate food aid, design of coherent implementation plans to transform the economies from inefficient, centrally controlled statist ones to demand-driven market economies, civic education to introduce concepts of accountability of democratically elected officials to the electorate, and lastly, massive training programs to give Russian citizens new skills applicable in modern, technology-driven societies.

Well, if you think about it, that list reflects African needs as well. And so, I would propose that as we are thinking about ways to implement what I would call this four-part plan, that we also think about comparable treatment, that Africa has needs as other would-be developing regions. And in the case of the former Soviet Union and Eastern Europe that is a special case. But still, Africa can benefit from some of the good thinking that is going into plans that we have in that region as well.

Well, it is against these priorities that we assess the 1993 congressional presentation on Africa from AID. And when one examines that total presentation, one cannot help but notice that Africa is not a priority. And I have, again, given some numbers in here just looking at the CBS as to the amounts of money requested for Africa vis-a-vis other regions.

[Pause.]

That was a good place to pause. Because before I continue I would like to note the enduring success of the Development Fund for Africa.

It is a flexible instrument that allows AID to achieve an appropriate mix of policy and traditional development assistance programs. And while one may disagree with certain sub-sectoral emphases, overall the DFA provides a powerful tool to promote African-led sustainable development.

There are several priorities which correspond to the four part plan that I have mentioned. Some of them include an emphasis on democratization, demobilization and new roles for the military, conflict resolution, privatization, formal education and human resources development, agricultural development, population and family planning initiatives, and AIDS research and prevention education. In this testimony, however, I will confine my remarks to just three of these priorities which are essential to long-term growth.

The first priority is education, which, from our perspective, is literally the linchpin of development. Donors, including the United States, tend to focus on primary and secondary education, pointing out that rates of return in Africa are higher there. The AID DFA budget reflects this pretertiary emphasis, but I would argue that

tertiary education is equally important because it counters marginalization and builds the intellectual capability in Africa.

African universities have suffered enormously from the economic collapses of the 1980's. The lack of opportunity to do research, the inability of universities to afford library subscriptions and scientific journals, the brain drain and other education-related problems have all resulted in a loss of intellectual vigor. In one telling example, only 4 out of 36 economic programs on the continent meet international standards. A society simply cannot grow and flourish without a constant infusion of new ideas and the intellectual discourse that flows between countries among intellectuals.

Science and technology are also critically important aspects of education across the board, but they are particularly important in higher education. There are very few distance learning centers on the continent. Most universities do not have equipment maintenance budgets, and there is no infrastructural support for modern technologies. I would urge reconsideration of and increased support for higher education.

Earlier today we met with the Chief Secretary of the Minister of the State of Sierra Leone. And he talked about their important needs, their crying needs, in terms of education. He talked about the fact that, now, given the incursion of Charles Taylor's forces into Sierra Leone, the young people who were in school have abandoned school and are now in the military. He talked about what this disruption meant. He talked about the fact that they do not have textbooks any longer, that they do not have material.

And when we asked, what are your most urgent needs, he talked about the fact that they needed equipment, textbooks, teacher exchanges, and, again, to rebuild the intellectual capacity of their own teaching force. And in the case of Sierra Leone it is doubly exacerbated because it is so poor, and they have been urging greater U.S. support, particularly in terms of education.

[Pause.]

I'm sorry. I got so concerned about Sierra Leone that I have lost my place here.

The second area that I would emphasize is demobilization and new roles for the military.

The end of the proxy wars has meant huge armies must be reduced. New and fragile regimes must disarm soldiers and offer them training. In Angola, for instance, the two armies have totaled 200,000 men. They have to be merged, disarmed, and encamped. And in Mozambique, President Chissano is facing this same struggle.

The United States can be particularly helpful here. First, we have experience in integrating disparate racial and ethnic groups into a cohesive military force. While the U.S. experience is more racial than ethnic, some of the same precepts and tenets would apply. The United States also has relevant experience regarding appropriate roles for the military in peacetime situations. The deployment of Army units, for instance, to Dade County in the aftermath of Hurricane Andrew is instructive to African nations who are faced with the immediate need to demobilize armies, but who can then offer them appropriate work.

The United States could also contribute to demilitarization of the continent by conditioning aid to military expenditures. Japan has made reductions in military spending a condition of its assistance and has been quite successful in this approach.

If developing countries would freeze military spending, they could save \$15 billion a year in prospective increases. Clearly, when military spending takes priority, human development performance suffers. The arms leaders purchases are not always used on enemies but sometimes to suppress their own people. Now, what better way to encourage development and democratization than to reduce arms expenditures?

The third area that I think needs discussion is, not surprisingly, conflict resolution.

Although diminished with the end of the cold war, regional conflicts still roil the continent. Liberia continues to fester and periodically spills over into Sierra Leone. Somalia has been termed the worst human tragedy since World War II. Ethiopia lurches forward and sometimes backward in an uneasy peace. There is clear need for a African-based, African-led center to address these issues.

Mr. DYMALLY. You can add southern Sudan to that.

Ms. DERRYCK. Yes. And we do not know what is going to happen in Malawi, Mozambique. I mean, the need, I think, is clearly there. The concept has the support from many African leaders, government officials, officials of the OAU are talking about this, African academics are talking about it, and I think that it is something that the United States should put some funding behind.

A root cause of some of these conflicts is ethnic tension. While this ethnic hostility is certainly not exclusive to Africa, one only has to look at Bosnia-Herzegovina—Africans are beginning to address the issue themselves. The United States is well-placed to respond to initiatives to end ethnic conflict and promote healing. For all of the shortcomings and inequities heaped upon minorities in this country, there is virtually no other nation that has codified legal remedies and recourses for wrongs as the United States has. We can provide mediators, conflict resolution specialists, political scientists and community activists that have firsthand experience and, therefore, heightened credibility. Working in partnership with Africans, we can help contribute to establish African capability in this very, very important area.

I would strongly urge AID to consider funding such a center.

These, then, Mr. Chairman, are the three sectoral and/or programmatic issues of highest priority from the perspective of this particular private sector witness to African development. However, in all of the priority areas which I have listed, the role of women is important. For in this area, too, the United States has advances. And sometimes they are spotty, but we are able to offer successful models of economic and political integration to democratizing African nations.

And in all of the priorities that I have set forth, the private sector PVO has role to play. PVO's have been instrumental in the democratization changes that have surged across the continent, and they have served as role models, demonstrating what private associations can do to gather opinion, articulate a perspective, and agitate for peaceful change.

These then, Mr. Chairman, are the views of one private voluntary organization of the fiscal year 1993 foreign assistance package proposed for Africa.

In conclusion, Mr. Chairman, upon receiving a prestigious award from a prominent synagogue in 1965, Martin Luther King mused about Rip Van Winkle who, sleeping for 20 years in the Hudson Valley, had missed incredible changes. Martin Luther King said that it is a tragedy to sleep through a revolution. Mr. Chairman, all of us here have been fully awake and privileged to witness and often participate in this second African revolution. We appreciate your leadership and we will certainly miss you—your commitment to Africa and your fearlessness in articulating needs of Africa. We look forward to the next opportunity to share views on these important issues.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Derryck appears in the appendix.]

Mr. DYMALLY. And here I thought I was going to be a senior fellow at the AAI or something like that.

Ms. DERRYCK. We would welcome that.

Mr. DYMALLY. Ambassador, it is a pleasure to have you here. I think you have come at an appropriate time to give us your views on how you see the economic landscape in Africa and what we ought to be doing.

STATEMENT OF LAYASHI YAKER, EXECUTIVE SECRETARY, ECONOMIC COMMISSION FOR AFRICA

Mr. YAKER. It is indeed a privilege for me, Chairman, to sit here today on this very important occasion to deal with Africa just a few weeks after I have taken over the Economic Commission for Africa.

And I am very grateful to you for having asked me to come here and speak to you about this situation. And it is an honor also to speak before Congressman Payne and other distinguished personalities present here.

As you know, I had the privilege of serving in Washington during the first term of President Reagan as the Ambassador of Algeria. And I had taken a part to a certain extent, though modest, in the freeing of the hostages. And you have been kind enough to mention the role of my country in the Iran/Iraq War, where we lost our foreign minister, Minister Benyachya, and the most dedicated civil servant we had in our country.

Thank you very much for having mentioned the role of my country. But here, as you know, I am an international civil servant serving the United Nations and dealing with the United Nations system role in Africa in the economic and social sphere.

I am very much willing to maintain and develop this close relationship with the U.S. Congress and all the institutions, especially the African-American Institute. The U.S. Government I have been visiting these days to speak about the very, very disturbing situation we are being faced with in Africa.

So Chairman, you will allow me, I would appreciate it, to speak, yes, about the development of the private sector.

Mr. DYMALLY. Of course.

Mr. YAKER. But before doing that, I have to tell you what I think about the situation in Africa today. All of us know that Africa is, indeed, the richest continent with the poorest people. For historical reasons well-known to all of us, a large part of the economically developed world are indebted vis-a-vis Africa.

Thanks to CNN, everybody knows that in Africa today children, women, and men are dying of starvation by thousands every day, and not only in Somalia.

To insure the implementation of universal moral values, the principles of solidarity and interdependence, the objectives of common security and common future—the Bruntland Report—a massive effort is needed urgently, along with a new global initiative with three components I suggest.

One, emergency assistance, better coordinated in eastern and southern Africa, including for the preventive action urgently needed in almost all the countries of this region.

I was visiting South Africa and some countries in eastern Africa recently and we are bound to have other Somalias ahead of us.

Two, a rehabilitation plan in favor of the most affected population to ensure their recovery through education and training.

Three, a new global initiative to guarantee the real implementation of the new agenda for the development of Africa adopted at the last session of the General Assembly.

Against past failures to meet its commitment, the international community has to act promptly to prevent other foreseeable disasters. In spite of the global crisis—in spite of other priorities on the economic and political front in the United States and in Western Europe, election must treat OECD countries, including Japan, in cooperation with African and other countries must address the issue of Africa without further delay.

Indeed, more positive conditions are now gathered, thanks to the elimination of the East/West confrontation which has been very painful as far as African countries were concerned.

The general trend toward the implementation of democracy and human rights down there, unquestionable, and the strengthening of private initiative and the private sector in Africa. It goes without saying that the peoples and the leaders of Africa have their own responsibilities to act individually and collectively toward the establishment of peace and security through national, regional, and continental consensus.

In this respect, to the prospects now inside for a democratic, peaceful South Africa, they are a major asset to bringing about change in the region. As the report of the South Commission put it, under the chairmanship of Moyley Mugianistianrele, the elimination of mismanagement, corruption, capital flight, drastic reductions in military expenditures is a real solution to the debt issue in spite of what we hear, the improvement of the situation. I have to say that the debt has more than doubled since 1981 from 127 to \$275 billion.

The situation is therefore very, very disturbing, indeed. And we have to have all these elements within that initiative of a global nature, I am afraid, piecemeal interventions. If we do not have reviewed strategy involving all these elements, a global initiative of a political nature, whether decisionmakers of this world would ad-

dress the issue of Africa's development, we are going to see more and more problems there in Africa.

We have heard about what is being implemented or proposed as far as Russia and the countries of Central and Eastern Europe are concerned. And Africans are concerned about the fact that for years and decades no major effort of a global nature has appeared, in spite of all those so-called programs of action. I say, I do not want any other program of action without resources attached. When they discussed Russia, they discussed—we hear of one thing, how many billion dollars.

Gorbachev went to Moscow at the G-7 summit, asked for \$22 billion. In a few weeks they set up an international bank for reconstruction and development in favor of the countries of Central and Eastern Europe, \$60 billion.

Now, Africa with its different programs of action, without resources, sees its situation deteriorating. Africa is being marginalized. African leaders do not take part in the process of decisionmaking. The international dimension of democracy is being questioned.

Certainly, we will have to have priorities within the framework of such a plan, and I do agree that human resource development is the answer: education at all levels, training, science and technology transfers. And this world is in a position to change the situation dramatically in Africa.

On a country by country basis, if we had all these amounts of financial assistance—and I am against this word, assistance, aid. It is cooperation in the common interest of all the countries of the world to look into this situation. Africans have been exploited. It is their right, the right of the peoples of Africa, to enjoy that cooperation. It is the only way, on the other hand, to put Africa to make it deal with its own economic development through the private sector, precisely. I am aiming at that, but we have to create the necessary conditions.

Infrastructures are needed, and ECA is developing lots of projects in that respect at a sub-regional level, continental level: roads, communication, dams, telecommunications. These are the priority projects for such a world plan for the development of Africa, to develop the resources Africa has—as I said, the richest continent in natural resources, water resources, and energy resources, and so on.

The other element, and Reverend Sullivan is trying to do something, debt for education swap; debt service to be utilized for precisely funding these projects. I think it does make sense, and we have to encourage that one. And the Economic Commission for Africa is very supportive of that initiative.

Mr. Chairman, the Economic Commission for Africa has the responsibilities to say the truth to make objective assessments. It is an institution of the United Nations system, of course, the United States being a member of this United Nations, and a prominent one. We have that responsibility to say we need a totally different strategy.

Financial assistance is not the answer. It is an answer over a period of 15, 20 years through, as I said, increased humanitarian assistance, yes, taking into account the disasters we have in front of

us. Recovery, rehabilitation to make Africans become the actors and not the beggars. Because in some circles I hear it, Mr. Chairman. Whenever you talk about Africa, African countries, African leaders, "hah!, they have come to ask for money."

We know, and the South Commission Report—the challenge to the South that I referred to. And I had the privilege of being on the Bond Commission, another report program for survival of the early eighties followed by the other report, Common Crises, and the South Commission Report that challenged the South—would demonstrate there to official figures that Africa has reverse transfers.

In other words, those countries, the poor countries of Africa, are becoming poorer and poorer. It is there. The per capita income in many, many countries, especially those of sub-Saharan Africa is, as you know, \$340, less than \$1 a day for that. It is \$21,000 OACD countries.

Now, where is this common future? Where is this sustainable development post-Rio Agenda 21? Where are we heading regarding common security, taking into account the population explosion in Africa on top of all these factors, 3.1 percent? That means, of course, a doubling of the population over a period of 20 to 23 years, with food security not being there because of no research centers, no R & D, no exploitation of water resources. They are there, and that is why I plead for African development and not for African assistance. Assistance to be given to Africans.

Therefore, this is, I think, a very important statement I am making with very, I think, highly strategic importance, too. And I, at the same time, am doubtful, I must tell you because I am not that naive. I have some experience in international relations. I am sorry to say I have not come here to talk about myself, but I am doubtful whether the leaders, the decisionmakers, will really adopt this indispensable new strategy to develop Africa, economically and socially.

Mr. Chairman, the private sector, when we create all those conditions, is going to develop. Foreign direct investments—they are going to be there because resources are there. It will create additional jobs in the northern countries because of the demand of capital goods. And to put Africa back on the right track will make it a serious, credible partner in the international economy. That is the real strategy we have to have there.

In the meantime, yes, of course, what the United States has been doing is extremely important. And Africans have to be very grateful. They need more, and they say that they have all the possibilities to repay at one point, one way or another.

The Marshall Plan—what they have done in favor of Europe, just as we saw it now, for Russia and central Europe. Some Africans tell me there is a cultural factor there, and I saw, personally, Gorbachev on French TV telling the Western Europeans, I'm like you; you have to help me.

These are not the principles on the basis of which the United Nations was created. These are not the declared values on the basis of which we intend to build a safe, secure world.

No. You build, you know, one, two, three centers of the kind. I agree with you. But that is not the answer for the time being. As I already said, yes, we are satisfied we are helping here or there,

but at the same time what we have been seeing, now, is negative rates of growth in these very poor countries.

For I ask also the European community. I tell my friends I went to Brussels. I spoke before the European Parliament. I described the situation. I said, what is the meaning; what is the objective? The Lomay Conventions, having put now all the countries south of the Sahara in the group of the least-developed countries. All of them are there. That is why it is not a problem, I suggest, in spite, I am sorry to say, the importance of the U.S. role, the U.S. security and contribution of major importance in international cooperation. But it is a problem for the world.

We are dealing with Africa: 51 countries, fragmented economies. You have there the African members of states through their heads of state as you know have adopted last year the Abuja Treaty—51 states adopting a treaty through which they would set up five regional communities to build the African economic community. This is the sensible answer along with what would be done internationally. And these would have to be mutually supported, these efforts.

Therefore, we have to strengthen this integration. We have to recognize that three polarities, NAFTA, the European Community with the prospect of integrating other countries there, will make it the European common home, and I do not object at all. I do not have the right to do so, but I say Japan and the countries of the Pacific rim, being already very rich, now you aggregate those economies because you have to, we know it, be competitive.

Now, where is the competition factor for Africa's development? Are we helping that process toward the integration of Africa into the world economy? All those other conditions being gathered now: democracy, human rights. They are all there. Private sector, yes. Why I take my country security, obviously, you have all security problems, but why? You have to address the causes also, and because I suggest of that failure to act, to bring about those structural changes needed.

You know, after the Second World War and independence, the trading system, the monetary system, the financial system have not changed to make those countries benefit from the functioning of these systems on the contrary.

First, exchange rates are fixed elsewhere. They are asked to pay the debt, service it. Some countries have to pay in Africa 73 to 77, sometimes 8, percent of their export earnings to repay the debt. The iteration of the terms of trade, we have figures from against the situation in 1981. Now, it is down to 62 percent.

Now, you say I have bound one hand and the other hand, you know, prices of cocoa, of coffee, go down, and, you know, those farmers are ruined, and those economies are affected, and nobody is there to compensate.

We have to change this state of affairs in favor of Africa and say we have to encourage real recovery there through economic integration. And we have to help that process.

Now, Mr. Chairman, I am conscious of the fact that I have spoken too long—

Mr. DYMALLY. You still have plenty of time.

Mr. YAKER [continuing]. but at the same time, I had to say these things because public opinion has to know also, especially private

citizens, that they have a responsibility there to send their capital into help in the projects aiming at educating, training, creating, research and development, bases—not only military bases—yes, we need those air—how do you say?

Mr. DYMALLY. Carriers.

Mr. YAKER. Those carriers.

Mr. DYMALLY. The carriers on the ships?

Mr. YAKER. Yes.

Mr. DYMALLY. Yes. I am about to deal with it.

Mr. YAKER. —yes, we need them for security. But I say those are not enough, if I may say so, or I would have them. But I would not have them replaced by science and technology bases to train.

You have marvelous, extraordinary intellectual potential in Africa and outside Africa—Africans who have fled their countries due to these situations and willing to go back if conditions are gathered.

Now, I plead, Mr. Chairman, you have been very much involved. We are so grateful to you. We know your dedication, your involvement really total in favor of the development of Africa in every respect.

But I plead with you, let us say the truth. Inform the leaders, the decisionmakers, the media that, you know, what we see here in Somalia, it is not possible to continue. You know, what we see here cannot continue to exist.

Mr. DYMALLY. Yes.

Mr. YAKER. Right? You saw that?

[Refers to an article about Somalia in a copy of USA Today.]

Mr. DYMALLY. Yes, indeed.

Mr. YAKER. You see?

Mr. DYMALLY. Indeed.

Mr. YAKER. So let us prevent other Somalias all over Africa. Deal in a comprehensive manner with Africa's development. And the Economic Commission for Africa is totally in cooperation with the OAU and the African Development Bank.

We have set up a joint secretariat in cooperation with African governments, NGO's, and all those who support the development of Africa, these institutions. We are there to work together, and I am ready to come, and talk, and discuss, and debate, answer questions, to say the truth about these developments.

And lastly, I would like to say that just like the East/West confrontation, contradiction has disappeared. Personally, I think we have to aim at doing away with the concepts of North and South, having a strategy integrating the South, and especially Africa, the most marginalized continent, into the world society on the basis of the universal values contained in the United Nations Charter, those principles, and those contained in the Universal Declaration of Human Rights.

Now, when it comes to specifics, I am ready also to answer whatever those present here and through you, Mr. Chairman, would like me to say.

Thank you very much for your patience. Thank you.

Mr. DYMALLY. Ambassador, thank you for your very eloquent statement. Are you an economist, Ambassador?

Mr. YAKER. You see, it difficult to answer that. But I did study economics and some other things, too. [Laughter.]

I went to jail for 3 years, being the Vice President of the National Students Union, that was during the struggle for independence. And of course, if you allow me to say those colonial powers, obviously, they did not go to Africa to teach human rights and democracy. I have to serve as all that over a period of 30 years after independence.

They never asked for democracy. You cannot establish democracy overnight. You have to have education there to peace and to democracy because they are accepted, yes, sir, but multiparty systems, you know that at least as much as I do. I have been a parliamentarian myself.

Well, I have told you almost everything about myself. I am sorry for that, but I think we have to be objective. And when it comes to Africa's development, we have to take a fresh look at the present situation.

Thanks to the recent positive developments—human rights, democracy, and so on, we are now much better equipped to deal with this situation. But as I said, the situation in the United States now, in Europe are not conducive to that process.

But I hope that one way or another, next year or sometime, we will have to come back to these fundamental issues. And it is, I think, very relevant regarding development, cooperation policies. You will adopt, you know, and accept those amounts the way you have been doing until now.

But please, in cooperation with African leaders, make it possible to have a comprehensive strategy adopted there. And the United Nations, I am sure, will play a major role in its implementation. I can guarantee you that on behalf of the Economic Commission for Africa as far as Africa is concerned.

Thank you.

Mr. DYMALLY. The ECA is an arm of the United Nations?

Mr. YAKER. Yes, Mr. Chairman. It is the United Nations Economic Commission for Africa. As you know, five regional commissions exist: one for Latin America and the Caribbean, one for Asia—the one for Latin American is established as its headquarters in Santiago de Chile, the Asian one in the Far East is in Bangkok—the Western Asian states in Amman, and we have one for Europe also, which has been, as a matter of fact, the only tool for a long time, one of the instruments for East/West cooperation within Europe.

Mr. DYMALLY. Where are you headquartered? In Addis?

Mr. YAKER. In Addis Ababa, Ethiopia.

Well, OAU, as you know is—

Mr. DYMALLY. Yes.

Mr. YAKER [continuing]. also established, and that is why we cover it very closely. And the programs are discussed, adopted by African governments, the ECA programs of activity.

And we have there a very important instrument to be strengthened. I suggest we have seen all these assessments through the *Washington Post*, but I think the United Nations, especially for those poor countries, is an irreplaceable instrument. I do not suggest that improvements would not be needed here or there but as

a matter of principle, I think these instruments are of utmost importance and even indispensable for these years and probably decades ahead of us.

Mr. DYMALLY. Yes. Ms. Derryck, the Ambassador talked about science and technology, and you talked about human resources. Don't you think that the community college—the junior college concept might help develop a middle layer of technicians for Africa that there need to be? As they restructure their education program, look at this concept for plumbers, and technicians, computer scientists, carpenters, and auto repair rather than their dependence on Europe to do these technical services.

Now, that is a layer of education that is unique to America that you might want to look at. I think the Germans have a very good system of technical training.

Ms. DERRYCK. Mr. Chairman, I agree. This notion has come up many times in terms of South Africa and the urgent need to deal with the large illiteracy rate between 18 to 30 year-olds, particularly males who dropped out of school, saying liberation first and then education.

And there are, now, ongoing discussions between community college associations here in the United States, but it is not an idea as far as I know that is being actively discussed in other parts of the continent. There are a couple of reasons for that.

One is, certainly, still close involvement with both Francophone and Anglophone—

Mr. DYMALLY. Systems.

Ms. DERRYCK [continuing]. systems. And secondly, is the strong emphasis on certification.

Mr. DYMALLY. European certification?

Ms. DERRYCK. Right. The credentials that one gets from these kind of programs are not always viewed with the same kind of confidence as if one had gotten it from one of the metropolitan countries.

Mr. DYMALLY. It would seem to me that South Africa is a restructured—their new system under the post-apartheid era could really begin to experiment with this middle college system.

Ms. DERRYCK. Yes, it is, because it can give you literacy skills and income generation skills in a shorter period of time.

Mr. DYMALLY. Yes. Now, AAI delivers services, but you do not deliver goods, right?

Ms. DERRYCK. We deliver the goods, sure. [Laughter.]

No. We deliver services, in that we run programs that bring persons to the United States for graduate study or for other kinds of training.

Mr. DYMALLY. But you do not distribute any—

Ms. DERRYCK. We do not distribute—

Mr. DYMALLY [continuing]. it, as such, on the ground?

Ms. DERRYCK. We do one commodities distribution in Nigeria. But aside from that, we do not.

We offer technical assistance on the ground, but it is not in commodities.

Mr. DYMALLY. Ambassador, thank you very much.

Ms. Derryck, thank you very much.

Mr. YAKER. Thank you, Chairman.

Mr. DYMALLY. Very eloquent testimony. I look forward to seeing you in Addis Ababa.

Mr. YAKER. Yes. Keep in touch, yes.

Ms. DERRYCK. Thank you, Mr. Chairman.

Mr. DYMALLY. Thank you.

Mr. YAKER. It would be my privilege, Mr. Chairman.

Mr. DYMALLY. Yes.

[Whereupon, at 2:46 p.m., the subcommittee was adjourned.]

APPENDIXES

STATEMENT OF ALISON P. ROSENBERG
Assistant Administrator
Bureau for Africa
Agency for International Development
before the
Subcommittee for Africa
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C.
September 23, 1992

I. INTRODUCTION

Mr. Chairman, Members of the Committee, I am very pleased to be here today to discuss A.I.D.'s efforts under the Development Fund for Africa, in particular those that relate to strengthening the African private sector.

The opportunity to return to A.I.D. as the Assistant Administrator for Africa has been very exciting for me. In recent years, there have been many positive developments in Africa, and the African people themselves are making the critical difference. The demand by Africans for democratic governance is growing rapidly. Average citizens are no longer willing to tolerate governments which are not accountable and just. People are demanding a role in shaping their political and economic destinies. Pressures are growing for free expression, honest and responsible leadership, the rule of law, and consent of the governed. Nearly three-fourths of the countries south of the Sahara are changing their political systems. Probably ten have already joined the ranks of full-fledged multi-party democracies. Free and fair elections have been held or are planned in almost twenty more.

These political trends come on top of the progress which was already being made on abandoning discredited economic policies in favor of ones which stimulate growth and bring hope for a better quality of life. Remarkably, thirty countries have undertaken stringent programs of belt-tightening and reform. The payoff is registering in economic growth. Countries undertaking economic reform are averaging almost four percent annual growth in output, and the gap between their food production and population growth is closing.

A lot of experts warn that expecting fragile African societies to carry out political and economic reforms at the same time is expecting too much. They point to the economic success stories of earlier decades -- in Asia, for example -- as proof that the reforms must be sequenced if they are to succeed.

My response to these assertions is simple. The international rules of the game in the 1990s require progress on both fronts. The Africans do not have the luxury of choice any more than Boris Yeltsin does. In any event, I am not sure it does much good to

wring our hands over this dilemma. I suspect that thoughtful Africans -- and there are many in leadership positions today -- believe that economic policies which stimulate growth, and political systems which broaden participation and demand accountability, are interrelated and inseparable.

What thoughtful Africans are asking, however, is "Can democracy deliver?" Leaders like Zambia's new president, Fred Chiluba, who was swept into office last fall in a free election, is confronting that question. Zambians will judge the success of their new democracy by its ability to pull the country out of an economic quagmire. Chiluba has committed his government to an ambitious economic gameplan. Africans like Fred Chiluba need and, I would argue, have earned our support. Supporting the Fred Chilubas of Africa will require our creativity, flexibility, and more than a touch of humility. Humility because it's a tough uphill fight to replace an old system with a new one. We have no monopoly or knowledge of how to do that.

I come in to this job with my heart full, but with my eyes open. Let's be frank -- foreign aid is not exactly the most popular concept around these days. Americans are asking why taxpayer dollars should be used abroad when there are so many needs at home.

The question is entirely fair and appropriate. My answer is that assistance to Africa today is a better investment than it has ever been. Africans are taking ownership in finding solutions to their problems. They are making the kinds of changes in policies and priorities which create the right climate for an investment of aid. Beyond this, I have faith in our nation's desire to sustain one of our highest moral traditions -- that of helping to rid the world of poverty, hunger and despair.

As President Bush said two days ago to the U.N. General Assembly, "...we have a shared responsibility to foster and support the free market reforms necessary to build growing economies and vibrant democracies in the developing world... we know that the more a nation relies on the private sector and free markets, the higher its rate of growth." We at A.I.D. take this responsibility seriously.

Congress has enacted legislation creating the Development Fund for Africa, which represents the American people's desire to help Africa move from deprivation to sustained development. Africa has received a wonderful endowment from the U.S. taxpayer, and we must not take it for granted.

To keep faith with our citizens and the Congress which represents them:

-- We will do everything necessary to ensure that funds are handled responsibly.

-- We will make our development assistance programs results-oriented by investing where there is real opportunity for development. Those African partners who are making the transition to more open societies -- responsive to average citizens and private entrepreneurs -- will earn and keep our support.

-- Finally, we will strengthen our ties with the U.S. private sector, whose members offer goods and services Africa could use, but who may be unfamiliar with opportunities in distant lands. In the same vein, we will continue to actively pursue the inclusion of so-called Gray Amendment entities -- socially and economically disadvantaged organizations -- in the implementation of our assistance programs. The Africa Bureau has exceeded A.I.D. Gray Amendment targets over the past three years, and we have taken several concrete steps to ensure that we will continue to do so.

As I mentioned, the Development Fund for Africa, or DFA, is a critical tool for addressing Africa's pressing and diverse development problems. As you well know, Africa remains the poorest region in the world. Health-related challenges such as AIDS and malaria continue to threaten human life. Southern Africa is facing the most severe drought of the century. Drought and man-made disasters are also affecting other parts of the continent, causing people to be displaced or become refugees, and rendering them dependent on food aid. The assistance and cooperation of the international community with its African partners remains vital to help meet the enormous human needs which still exist.

The overall goal of our efforts under the DFA is to promote broad-based, market-oriented, and sustainable growth. In pursuing this goal, we are trying to help Africans achieve the following four objectives:

1. improve the management of their economies and provide public services equitably and efficiently;
2. strengthen competitive markets;
3. develop the potential for long-term and sustainable increases in productivity; and
4. improve food security.

The majority of DFA funding goes to "critical sector" priorities as outlined in the DFA legislation. These are agriculture and natural resources, health, voluntary family planning services,

education, and income generating activities. These critical sectors are consistent with A.I.D. DFA Action Plan objectives.

To ensure that resources are allocated where they can be used most effectively to foster sustainable, long-term development, we have created a performance-based budgeting system. Under this system, the lion's share of DFA resources go to countries which meet three threshold tests: on need, economic policy performance, and democracy and governance.

The objective of the need threshold is to continue to redress poverty in Africa. We use UNICEF's rating of "high or very high" in under 5 child mortality as a benchmark. In economic policy performance, our objective is to continue supporting countries committed to market-based growth and effective management of their economies. The effectiveness of economic reform programs are taken into account, as reflected in market prices, competitive markets, liberal trade regimes, movement towards market allocation and pricing of foreign exchange, and public resource management aspects of fiscal policy. The objective of having a democracy and governance threshold is to ensure that substantial aid resources are not provided to African countries with egregious human rights records. We wish to include, however, those countries with a democratic climate that encourage sustainable economic growth. Criteria under this category includes freedom of the press, freedom of association, human rights, public sector transparency and effectiveness, and public accountability.

II. MEETING AFRICA'S CHALLENGES THROUGH THE DEVELOPMENT FUND FOR AFRICA

In the years following the enactment of the DFA, we have witnessed a pace of economic, social, and political change unprecedented since the majority of the nations of sub-Saharan Africa won independence. The trends toward economic and political liberalization are encouraging, but fragile. There are many positive signs that the people of Africa are responding. At the same time, growing health menaces and rapid population growth threaten both the social progress made to date and the long-term viability of Africa's natural resource base.

From 1987 to 1992, the U.S. expanded its support to Africa. Specifically, we have:

- o increased overall aid to Africa by 30 percent;
- o increased the planned share of aid focused on long-term development problems (as opposed to food aid and short-term financial assistance) from 50 to over 65 percent;

- o fully matched the value of our annual aid flows with \$1.2 billion in debt relief in 1990 and 1991.

FY 1993 will be the sixth year of the Development Fund for Africa. A.I.D. will continue to place high priority on seeking and integrating local views in the planning and implementation of its programs, and will continue to collaborate with non-governmental organizations (NGOs). The U.S. has enhanced its contributions to Africa through a committed and broad-based community of NGOs and their U.S. private voluntary organization (PVO) partners who are willing to work at grassroots levels to support African initiatives. Approximately 18.5% of the DFA was allocated to U.S. PVOs in FY 1991 -- \$145.5 million. This level is expected to increase in FY 1992.

Positive Economic Developments

In the late 1980s, sub-Saharan Africa started to rebound economically. As economic growth went from modest levels in the late 1970s to disastrously low rates in the early 1980s, standards of living fell to levels not seen since independence. But from 1988 to 1990, rates of growth recovered to low but increasing levels, averaging 3.1 percent per year for the continent.

Performance has been most impressive among Africa's economic reformers. Among 22 African countries that have pursued market-based policies and where A.I.D. has concentrated its assistance, GDP has grown at almost 4 percent, nearly double their 2.1 percent growth rate of the 1980-84 period. In the same period, the growth rate for non-reformers in Africa fell from 2.3 percent in 1980-84 to 2.1 percent.

Owing to more vigorous export growth, debt relief and improving economic management, economic reformers have also performed better in servicing their debt than other sub-Saharan countries. In fact, reforming countries are meeting well over half of their payments while the others are struggling to pay just 40 percent.

The Social Sectors: Progress and Challenges

The human problems of Africa are immediate and poignant. Resolution of these problems is particularly challenging because it requires behavioral change. Life-threatening diseases in some instances outpace the ability of medical science or the human psyche to respond, while in other cases the sustainability of health-care systems is fragile at best. The inability to keep up with Africans' health, education, and other welfare needs, and Africa's continued environmental degradation, are symptomatic of the underlying problem of the rapid growth in population.

According to basic health indicators, sub-Saharan Africa made good progress in the 1980s. In just a decade, due in part to immunizations and the use of oral rehydration therapy (ORT), life expectancy at birth increased from 47 years in 1980 to 51 in 1990.

HIV/AIDS, together with resurgent malaria, however, threaten to halt or reverse the social and economic gains made in many African countries. Because AIDS kills people in their most productive years, this affects the trained labor force of a country. AIDS is already the leading cause of death in some urban centers of Africa. In many African cities, current HIV-infection levels could cause a doubling or tripling of the total adult mortality rate and a 50 percent increase in the child mortality rate during the 1990s.

Malaria in sub-Saharan Africa also is an increasingly significant problem -- 90 to 95 percent of worldwide malaria-related deaths occur here. Each year, more than 1.5 million people in sub-Saharan Africa (including 1 million children) die from malaria. A variety of factors, including migration of populations into malaria-endemic areas, urbanization trends, and spread of drug-resistant malaria parasites has contributed to this resurgence.

There has been progress in reducing population growth, but not enough. From 1980 to 1989, the total fertility rate for sub-Saharan Africa dropped slightly from an average of 6.8 births per woman to 6.6. In a few countries, the drop has been impressive; in Kenya, the total fertility rate fell from 8.0 births per woman in 1980 to 6.6 in 1990. Nonetheless, with a population growth of 3.2 percent per year (which implies a population doubling time of 22 years), African countries cannot keep pace with the growing demand for primary health care and basic education. This rate of growth puts pressure on the economy to produce sufficient food and to create enough jobs to keep up with labor force growth. Simultaneously, the strain placed on the relatively fragile natural resource base by the sheer numbers of people who are expected to derive a living from it must be relieved. These problems require long-term, unwavering commitment to their solutions.

Mr. Chairman, let me devote the remainder of this statement to focus on two mutually reinforcing subjects: market-led private sector development and democratization.

Demands from African businessmen and community leaders as well as from the donor community for more participatory political systems, more accountable government policies and performance, and greater political freedom emanate from essentially three sources. First, democracy has become a prevailing value in its own right. It is widely sought after as an alternative to

exclusionary, often repressive and abusive regimes. Second, it is now widely believed that good governance, defined in terms of management effectiveness, regime legitimacy and rule predictability, enhances the environment for broad-based, private-sector-led, and sustainable economic development. Third, it is also widely believed that democratic governance (the convergence of governance principles with democratic values and structures) offers the best long-term option for achieving good governance. At the same time, there is a growing consensus among African leaders that private investment and trade, not international aid, offer the only real hope for achieving long term sustainable growth. Moreover, these same leaders recognize that serious levels of investment (foreign and domestic) will not occur in the high risk business environment that prevails in most African countries today.

Thus, to effectively compete for the major levels of private trade and investment resources required to achieve politically acceptable rates of sustainable economic growth, African countries must establish private sector environments that are as attractive as those offered by competing countries effectively operating in world markets. Among the most important components of that environment are the following:

- 1) Rule of law: This component is seen by the World Bank and others as the pillar of predictability. Where rules are clearly known and consistently and fairly enforced, the climate for investment improves, because risk and the cost of transactions can be more fully assessed. Moreover, both may be considerably reduced. A well-defined rule of law also implies a system of adjudication whereby disputes between economic actors, state and non-state, can be resolved. Further, the rule of law increases the predictability of political transition at all levels of government, from one administration to another. This, in turn, encourages investment by reducing investor uncertainty created by fear of a military coup or the violent overthrow of a repressive or corrupt regime.
- 2) Greater transparency in public transactions. This component increases bureaucratic accountability and responsiveness, thereby reducing corruption and the associated high cost of business transactions. Enhanced responsiveness fosters the ability of non-state interests both to make demands on government and to supply their own locally appropriate solutions.
- 3) Freedom of information. The free flow of information and discussion (commercial information, debate over economic policies, etc.) is essential for objective analysis to determine the economic and financial costs and returns associated with choosing and managing investment alternatives. Lack of such information increases uncertainty and risk and discourages investment.

4) Freedom of association.. The right to select from various types of business associations is as important to investment decisionmaking as the right to form political parties is to democracy. Freedom to form, operate, and dissolve business associations facilitates the formation of pluralistic, competitive, productive enterprises that, in turn, facilitate generate capital formation, which is the heart of the investment process.

A.I.D.'s Role in Private Sector Development

In light of these challenges, we are looking at ways to increase the role of the private sector in the continent's social and economic development, in recognition of the fact that a strong private sector is critical for Africa's growth. A.I.D. works closely with U.S. business to provide our African field missions, as well as African governments, with technical assistance and resources to strengthen Africa's indigenous private sector.

The goal of A.I.D.'s private sector program in Africa is to stimulate broad-based economic growth and give opportunities at all levels for African citizens to participate in the world economy, make a decent living, and improve their quality of life. To do this, we seek to help increase the role of the private sector at all levels in Africa's social and economic development and stimulate the availability of capital necessary to fund the expansion required to employ future generations of Africans in competitive, productive jobs. Our activities across Africa range from efforts to build a strong environment in which competitive business can flourish to direct assistance to women's groups organizing credit unions. We are working closely with both the U.S. and indigenous African private sectors to accomplish these mutually advantageous goals.

In partnership with the U.S. private sector, we are providing our African missions and African governments with technical assistance and resources required to strengthen Africa's indigenous private sector. U.S. companies participate in our program through grants and contracts, by accepting African business people as interns, through African-American business associations and by joining A.I.D.-Overseas Private Investment Corporation (OPIC) trade and investment missions.

Our program encourages reform of policies, laws, regulations and implementing mechanisms to establish an enabling environment attractive to both local and foreign investors. We have worked with more than 25 African countries to improve laws and regulations affecting investment, and we are working with a number of countries, including Ethiopia, Zambia and Tanzania, on privatization of government companies.

Technical assistance provided by AID-funded American contractors is building the capacity of institutions servicing business such as banks in Gambia and Senegal, a stock-exchange in Kenya, venture capital companies in Ghana, Tanzania and Zimbabwe, small business loans in Senegal and Swaziland and chambers of commerce and business associations in countries throughout Africa. U.S. companies have provided internships to 170 Africans under the Entrepreneurs International training, and internships have lead to trade relationships -- more than \$1 million in sales by U.S. companies through former interns.

In implementing our private sector programs, we cooperate with other agencies of the U.S. government which have a comparative advantage in dealing with particular business activities. We already have in place formal agreements with the Overseas Private Investment Corporation (OPIC) and the Department of Agriculture to use their services to strengthen ties with U.S. businesses in Africa and to promote agribusiness. We are currently negotiating an agreement with the Department of Commerce to expand services for U.S. businesses interested in Africa. We also work closely with the Trade Development Program and the Export-Import Bank of the U.S. to assure that our respective programs are complementary and not duplicative.

Since 1990, the Africa Bureau has joined with OPIC to organize trade and investment missions for U.S. companies interested in Africa. Seventeen companies participated in the first mission to southern Africa and 37, a record for OPIC missions, went to West Africa in November and 32 to East Africa in May. At present there is an OPIC mission in Zambia. OPIC estimates more than \$110 million in investments have been generated from these three missions, including Interkiln's building a \$32 million ceramic factory in Botswana, Theragen's investment in pharmaceutical production in Swaziland, and a \$5 million investment in a Ghanaian pineapple processing plant. Companies on the missions announced new sales agreements -- Cargill announced a decision to establish a liaison office in Harare, Sheraton outlined plans for possible development of three hotels. In addition, the Africa Growth Fund, supported by OPIC, A.I.D. and private investors, has provided \$7 million in seed capital for business start-ups and expansions in Africa. Among its activities, this fund has recently made a \$4.2 million investment in a Sheraton Hotel ecotourism project in Botswana.

Activities which A.I.D. is undertaking to support private enterprise development in Africa include:

- Small and micro-enterprise development,
- Assisting in improving the enabling environment for business,
- Financial sector reform,

- Promoting African and foreign investment, including assistance in privatization, and,
- Development of business associations and networks.

A.I.D. has been at the forefront of examining ways to stimulate the growth of small and microenterprise, that area of economic activity which comprises the bulk of employment on the continent. We are working to develop mechanisms across Africa which can provide training and technical assistance to these entrepreneurs which will help them to maximize their profits and expand operations, create new jobs, and possibly enter into the formal sector. In addition, we are working to develop new mechanisms through which these entrepreneurs can have access to savings and credit, when needed, to further strengthen their business operations. This work is based on experience which A.I.D. and other donors have had in Africa as well as in other parts of the world and is being implemented through private voluntary organizations as well as U.S. businesses which provide technical assistance.

At the macropolicy level, we are helping governments create an environment that encourages private sector development. We have pushed for reform of foreign exchange controls, supporting foreign exchange auctions in Ghana, Guinea, and Uganda, for example, and we have encouraged the opening of trade by changes in import licensing, tariff reforms, and better administration. We have encouraged the liberalization of agricultural markets, giving a bigger role to the private sector in countries like Cameroon, Kenya, Senegal and Malawi. As a result, Cameroon has been able to eliminate the subsidies on fertilizer without increasing the price to consumers, and in Uganda, where A.I.D. successfully encouraged the government to drop its monopoly on coffee exports, export sales by private operators increased remarkably and forced an agreement by the government to restructure its marketing board.

We are also encouraging greater private sector activity in areas traditionally reserved for government such as education. In Botswana, we have supported cooperation with the commercial private sector on curriculum development, and in Ghana and Malawi, we have encouraged the dismantling of regulations to permit greater private participation in education.

These efforts have been supported by our trade and investment missions, sponsored jointly with OPIC, which have allowed U.S. companies as potential investors to raise concerns about the environment for private sector activity directly with government officials. They may also be supported by technical assistance to government agencies responsible for policy implementation, investment boards or export promotion agencies, as missions are doing in Kenya and Ghana.

We also help countries establish legal frameworks for export processing zones which can demonstrate to both the government and the local private sector the impact which open-market based systems can have on growth, while simultaneously creating immediate employment opportunities and earning much-needed foreign exchange.

Most African businesses lack access to capital. Field missions are working on financial sector reforms from top to bottom, from group lending and savings programs in Kenya's slums to capital markets development in West Africa, from micro loans of \$30 in Swaziland to \$4000 loans to medium-sized businesses and reform of the banking system in Senegal.

We are experimenting in other parts of the market as well, financing the start-up of venture capital companies in Ghana and Zimbabwe, advising the Nairobi stock exchange, and, with the World Bank and the French, exploring the possibilities of a regional capital market. We have provided seed funding to a debt-for-development programs in Madagascar and Tanzania which provided significant additional resources for development activities. We are looking for similar possibilities in other countries.

One of the critical elements in establishing the basis for sustainable development in Africa is the introduction of new capital as a basis for developing sustainable employment opportunities in globally competitive, productive ventures. No longer can Africa count on donor nations as the source of needed capital, and we are working with governments, as they develop a competitive business environment, to promote local investment and return of flight capital as an initial step in opening their economies and developing new private businesses. Such African investment is a necessary signal to attract significant foreign investment which will also be needed to fuel Africa's private enterprise growth. We are encouraging governments to seek foreign investment for sourcing arrangements, joint ventures, and establishment of subsidiaries which are owned and operated in Africa by the parent firm.

In addition, to assist in attracting foreign investment and to develop a more competitive business climate, we are helping governments who have shown commitment to divestiture of state-owned enterprises as they analyze prospects for privatizing these state-owned corporations. This work includes using the U.S. private sector to get involved in privatizations as advisors, lessors, managers, purchasers or vendors of equipment. Opportunities for active programs in privatization are growing, as seen in recent requests for assistance from Ethiopia, Zambia and Tanzania.

We are interested in building the capacity of African business and professional associations, small business organizations and societies to provide services and give voice in policy councils to their members. In some cases, linked specifically to American counterparts -- the American Bankers Association (ABA) with a counterpart in Nigeria for example -- or other developing countries, such as the A.I.D. mission in Cape Verde linking the Chamber of Commerce with counterparts in Lusophone Brazil. We are working through regional groups such as the Southern Africa Development Community (SADC) and Club du Sahel to spur trade and investment across national boundaries, and look to such groups such as the African Business Roundtable to advise us on such efforts.

Our programs also benefit U.S. businesses as well as indigenous African businesses. We have used U.S. agribusiness companies to advise African companies on how to improve processing and export potential; we have hired U.S. accounting firms to advise companies on management and budget controls; and we draw continually on American firms for advice.

U.S. companies participate through grants and contracts in implementing our assistance programs. The vast bulk of our project assistance is for technical assistance, supplied by U.S. contractors, to host governments or to the private sector in the countries being helped. Technical assistance in our private sector program is implemented almost entirely through the use of 8(a) businesses. Sometimes, selection of the technical assistance may be related to the possibility of follow-on investment by the firm. For example, A.I.D. is supporting research by Cargill and the Kenya Agricultural Research Institute on vernonia seeds, a potential source of environmentally-sound pigmentation for paint, and a major new source of income for Kenya.

Much of our private sector-related training is done in the United States, at U.S. universities, or through internships with U.S. companies and professional or business associations. Some internships have led to trade relationships -- Senegalese bakers, for example, began to import Fleischman's yeast after a visit to the U.S. with the Entrepreneurs International Program. Others may lead to joint ventures.

As I mentioned earlier, we have paid particular attention to the increased utilization of Gray Amendment entities in the implementation of our programs. In FY 91, we exceeded the Agency target for Africa by over \$10 million, and all indications are that we will demonstrate a continuing strong performance this year, thanks to the leadership of our Gray Amendment Advisory Group. This group is invested with the responsibility of ensuring that we meet our Gray Amendment objectives, monitoring the effectiveness of our efforts, and recommending steps to

increase the involvement of Gray Amendment entities in African development.

In support of our efforts, we have developed two publications, a Gray Amendment guidebook for use by A.I.D. headquarters and missions, and a Guide to the Gray Amendment for distribution to all firms, Private and Voluntary Organizations, and Historically Black Colleges and Universities. We are also monitoring our performance on a monthly basis; reviewing projects and contracts for potential Gray Amendment participation; meeting with and advising minority-owned firms in Washington and at our field missions regarding trade and other business opportunities in Africa; and providing Africa Bureau personnel as speakers, panelists and support staff at A.I.D.'s annual minority business outreach conference. Finally, we are arranging training programs concerning minority business utilization for A.I.D. officers, and Gray Amendment performance has been included as an evaluation element in mission and office directors' performance appraisals.

We have made numerous efforts to involve U.S. businesses in Africa, but while gaining directly through participation in the design and implementation of A.I.D. programs, the largest potential benefit to be derived by U.S. business will come with the success of the programs -- the development of a stronger African private sector. An improved environment for business and more active business partners are the ultimate benefit that should come from a successful A.I.D. program in Africa.

Democracy and Governance in Africa

This is a time of unprecedented political change for Africa. Within the past two year, two-thirds of the countries in Africa have begun moving towards more democratic forms of government. Africans themselves have set their own path toward more open, democratic, and participative systems. In response, A.I.D. has developed a broad program to support African initiatives in the areas of democracy and governance. In designing and implementing these activities, the Africa bureau is stressing the following principles:

African-Led/Mission-Generated: This program aims to support efforts generated from within the region, not from Washington, taking into account the specific country context in each case.

Long-Term/Sustainability Focus: The establishment of sustainable democratic institutions is a long, complex process. A.I.D. is focusing on long-term objectives, paying particular attention to those activities that will help sustain the democratic process.

Substance-Not Form: We are not interested simply in a few token gestures taken by a government, rather we are seeking genuine

progress in opening up the political system and improving governance.

Integration in Overall Portfolio: We do not intend to rely solely on separate democracy and governance stand-alone projects. To maximize our effectiveness, key governance dimensions or themes such as accountability, transparency, information and responsiveness must be integrated into the field Missions' overall development portfolios.

For example, in Benin, the A.I.D. primary education reform program focuses on strengthening the role of parent/teacher-like local organizations in decisionmaking about schools in their districts, as well as on encouraging greater transparency and accountability in the Ministry of Education itself.

While we do not seek to impose models, there are certain fundamentals of any democratic system that need to be supported and encouraged. The current A.I.D. strategy focuses on building sustainable democratic societies in Africa through supporting those fundamentals. Within this framework, A.I.D. programs aim at building and strengthening democratic institutions such as an independent judiciary, a free press, effective legislatures, and decentralized local governments. A.I.D. programs also support nascent and established organizations and associations concerned with issues including human rights and responsible and accountable government. In particular, we support African efforts and initiatives in the following areas:

1. - participatory, decentralized governance in countries such as Mali;
2. - establishing an enabling environment and rule of law essential for sustainable development in countries including in Guinea-Bissau and Mozambique;
3. - promoting the development of an effective civil society through supporting the establishment of NGOs in countries including Zambia, Ethiopia and Rwanda;
4. - ensuring respect for civil and political rights in countries throughout the region. In 1991, for example, A.I.D. supported small, country-level initiatives in 36 countries under the Africa Democracy and Human Rights Fund.

IV. AFRICA: SOUND FOUNDATIONS FOR HUMAN DEVELOPMENT

Africa presents a challenge of commitment. It will take decades for development in Africa to become self-sustaining. Even under the most optimistic scenarios, continuing high population growth rates will force Africans to wait 25 years to double annual

incomes from \$250 to a still inadequate \$500. On a macroeconomic scale, Africa has lost a huge share of its world export markets to more competitive developing nations -- so much so that every year it costs the continent about the same in lost trade receipts as it receives in foreign aid. In the vast majority of Africa's countries, foreign aid accounts for 80 percent of public investment and 60 percent of recurrent government expenditures.

The African people are clearly demanding from their governments radical change in the policies that entrenched them in poverty and dependency, and governments are responding. In many countries, political freedom may be at its highest point since independence. The trend is upward, and it is infectious, as greater liberty in one country affects the aspirations of neighboring citizens.

All these developments will improve the payoffs from donor assistance to Africa. Pressures for improved governance will allow donor resources to be used more effectively and have a lasting impact. Increased accountability will help external resources get to the intended beneficiaries. With growing domestic commitment to market economies, prospects for continued growth are becoming stronger. These prospects, combined with Africa's pressing needs, create a compelling case for renewed efforts to support the continent's free market development. There is no other region in the world where U.S. support can have a more profound impact on people's lives.

V. CONCLUSION

In closing, I would like to thank the Subcommittee for the supportive and collaborative relationship we have enjoyed in our efforts to assist the people of Africa in realizing their goals. I would also particularly like to thank you, Mr. Chairman, for your strong leadership and unflagging efforts to strengthen U.S.-African ties and to articulate to the American people the importance and mutual benefits of our partnership with the Africans. We at A.I.D. remain invigorated by the DFA and look forward to continuing to use its flexibility to develop programs that respond to African realities in order to make a difference in African lives.

**U.S. House of Representatives
Foreign Affairs Committee
Sub-Committee on Africa
Mervyn Dymally, Chairman**

Congressional Testimony

on

Review of A.I.D. Africa Bureau: Private Sector Initiatives

by

Vivian Lowery Derryck

President

The African-American Institute

September 23, 1992

Thank you, Mr. Chairman. I appreciate the opportunity to testify on an issue of such importance as U.S. Agency for International Development foreign assistance to Africa with an emphasis on the private sector. All of us in this hearing are fortunate to be working on African issues in a unique historical moment for the continent. As the African-American Institute, the oldest organization in the U.S. devoted exclusively to Africa, we are privileged to be a part of the second revolution occurring in Africa.

The revolutionary changes of the past few years should be reflected in our foreign assistance program as well. I testify on the African foreign assistance package as a representative of a private voluntary agency. The private sector includes not only private businesses and entrepreneurs, but all of those institutions which are not a part of the state apparatus, including churches, labor unions, non-governmental organizations, women and youth groups. As a PVO, AAI has a unique lense on foreign assistance because private, non-governmental organizations are integrally involved in African development. Indeed, Mr. Chairman, more official development assistance to Africa flows through PVOs than in any other region in the world. USAID channels 18 percent of its DFA assistance through PVOs.

I. New Attitudes on Africa

We are discussing foreign assistance to Africa at a time when both African leaders and donors have a "new attitude". Africa was one of the last regions to expand popular participation, but with a virtual explosion of democratic reform, the continent has or will witness more than 22 elections between January 1992 and June 1993. The new attitude extends to the economic sphere as Africans focus on privatization, recapturing markets and identifying international partners.

Africans are also confronting problems of internal strife and regional conflict. In June in Dakar at its annual meeting, the OAU discussed conflict resolution and empowered the OAU secretariat to explore the issue more fully and report back. This is an unprecedented, bold acknowledgement of the severity and drain of these conflicts on economic and social development.

Donors, too, have a new attitude. Competition for limited dollars has made donors more candid and more critical in their

evaluations. They have made progress in democratization and adherence to internationally accepted standards of respect for human rights conditions for aid. It was concerted donor action that forced Kenya's Daniel Arap Moi to bow to multipartyism in December 1991 as donors withdrew aid until President Moi accepted the right of multiple parties to exist and compete in Kenya. Donors froze \$74 million to Malawi when President for Life Hastings Banda arrested Chakufwa Chihana when he returned in March. And certainly generous donor support for the Zambian election sent a signal to courageous reformers that there was financial support behind them.

In short, Mr. Chairman, we are looking at a new day. But all is not rosy as this new day dawns. In the absence of the Cold War there is no question but that Africa has been marginalized. Current conversations focus only on the extent of the continent's isolation. For Africa, the New World Order has meant that the continent no longer has significant strategic importance. Nor does Africa hold an economic position of primacy. Economically marginal to the U.S., the total GNP of sub-Saharan Africa is just a fraction of that of the state of Illinois.

Africa suffers from four variations of the marginalization disease. Resource marginalization is taking place as the donors gradually reduce aid flows. For instance, the U.S. Agency for International Development's total budget allocation for Africa for FY 91 was \$1,267,585,000, while the FY 92 estimate was \$1,154,035,000 and the FY 93 request is \$1,006,326,000. This shows a steady decline in each of three years, while the development problems of Africa have certainly risen. For Africa, Official Development Assistance in real terms is, in essence, static. In real dollars, aid flows are exactly where they were in 1980.

While one is concerned about declining resources, other examples of marginalization are even more worrisome. The decline in African universities and an emphasis on primary and secondary education among donors is increasing Africa's intellectual marginalization and the technological revolution is passing Africa by.

Finally, there is the economic marginalization that the continent faces. Africa is in economic doldrums as debt hovers at \$270 billion, or 109% of sub-Saharan African GDP. There is almost no new investment. Direct foreign investment for last year for sub-Saharan Africa with 520 million people, was less than that going to Chile with a population of 12 million.

The sad irony is that this marginalization is occurring when Africa is on the brink of some of the most exciting changes since independence. Instead of marginalizing the continent, we need to review assistance and identify criteria important to meet the needs of both the developing nation and longterm U.S. interests.

II. Achievable Goals

From AAI's perspective, two overarching goals shape our view of foreign assistance: the need to alleviate the suffocating burden of poverty and the urgency of stemming the marginalization of the continent.

To achieve these goals, we propose a four-part action plan.

1. The first action is to support democratization initiatives, for they form the basis of much of the institutional and attitudinal changes that will facilitate development. Democratic change has occurred despite incredible economic hardship, continuing regional conflicts and dramatic declines in many of the defining social indicators. These democratic revolutions have been catalyzed by the unrelieved poverty and income disparities brought about by official corruption and economic mismanagement, but exacerbated by structural adjustment policies.

Recent experience has taught us all that until governance is transparent, no other reform will work. There can be no economic transformation until the political transformation has been achieved.

2. The second action involves rebuilding economic systems. This daunting task will require a multi-faceted approach. First government resource allocations must be perceived as equitable and transparent and governments must establish financial management systems that are equitable and transparent.

Second, we must re-focus on reducing debt, for debt-servicing costs divert scarce funds and send hard currency outside the country rather than putting those dollars to use for development purposes. Third, Africa must increase trade with emphasis on solid export growth. Market share has fallen from 3.8 percent to 1 percent between 1970 and 1989. Fourth, the continent needs to re-attract commercial bank lending and attract foreign direct investment.

Clearly, the private commercial and financial sectors are key actors in the revitalization of African economies. AID support to small entrepreneurs, often through PVO collaboration, and support to medium sized businesses through the Office of New Initiatives are welcome efforts to increase and strengthen the capabilities of the financial/commercial private sector to participate.

3. Third, we must strengthen African regional institutions, thereby building African ability to deal with African problems. Our efforts should focus on three sets of institutions: 1) economic development institutions; 2) security-focused institutions; and 3) institutions of higher learning. Traditionally in Africa,

regional institutions have focused primarily on economic advancement, but currently there is growing interest in establishing regional security institutions as well. These organizations have existed in other regions, notably Europe and Asia, for decades, but they have never before been called upon to play significant roles in maintaining security. In the past 18 months, however, they have gained a new currency. For instance, the Conference on Security and Cooperation in Europe has discussed and finally moved on the Yugoslavian conflict, while the Africa Leadership Forum has proposed an African Conference on Security, Stability, Cooperation and Development, based on the model of the European Conference on Security and Cooperation in Europe, in acknowledgement of the growing role that regional organizations could play. I will discuss educational institutions a bit later in my statement.

4. We must concentrate on human resources development and related sectoral concerns, notably health, population and family planning, and AIDS care and research, in addition to rebuilding the intellectual capital of the continent.

In working toward implementation of these goals, advocates for Africa should insist that Africa receive comparable treatment as other regions in need. For instance, Africa could benefit from the same type of coherent aid proposed for the former Soviet Union (FSU). There are 140 million people in Russia, 520 million in sub-Saharan Africa. There are certainly parallels in the problems and parallels in the suggested remedies.

Most planners have recommended a four part bailout for the FSU, including: 1) immediate food aid; 2) design of coherent implementation plans to transform economies from inefficient, centrally controlled statist economies to demand-driven market economies; 3) civic education to introduce concepts of accountability of democratically elected officials to the electorate; 4) massive training programs to give Russian citizens new skills applicable in modern, technology-driven societies.

The list reflects African needs as well as FSU requirements and should be an effective observation in arguing for more aid to the African continent.

III. USAID: Possibilities and Priorities

It is against these priorities that I assess the FY93 AID Congressional Budget Presentation on Africa. When one examines the total presentation, one cannot help but notice that Africa is not a priority. In the 1993 budget request, Africa, with the lowest GNPs per capita in the world, received \$1.94 per capita in U.S. assistance, while the Near East, excluding Israel, wins \$20.69 per capita, and Europe, including Eastern Europe, receives \$5.47 per

capita with GNP per capita calculated at \$1,620. We should re-examine our priorities, Mr. Chairman.

However, on the positive side, before I continue, I would like to note the enduring success of the Development Fund for Africa. It is a flexible instrument that allows AID to achieve an appropriate mix of policy and traditional development assistance programs. While one may disagree with certain sub-sectoral emphases, overall the DFA provides a powerful tool to promote Africa-led sustainable development.

I would emphasize eight areas for AID priority concentration: 1) democratization; 2) demobilization and new roles for the military; 3) conflict resolution; 4) privatization; 5) formal education and human resources development; 6) agricultural development; 7) population and family planning; and 8) AIDS research and prevention education. In this testimony, I will confine my remarks to just three of these priorities which are essential to longterm growth.

1. Higher Education

The first priority is education, the linchpin of development. Donors, including the U.S., tend to focus on primary and secondary, pointing out that rates of return are higher there. The AID DFA budget reflects this pre-tertiary emphasis, but I would argue that tertiary (university) education is equally important because it is the chief means of rebuilding intellectual capital and also counters marginalization.

African universities have suffered enormously from the economic collapses of the 1980s. The lack of opportunities to do research, the inability of universities to afford library subscriptions and scientific journals, the brain drain and other education-related problems all result in a loss of intellectual vigor. In one telling example, only four of 36 economics programs on the continent meets international standards. A society cannot grow and flourish without a constant infusion of new ideas and the intellectual discourse that flows between countries among intellectuals.

Science and technology are also critically important aspects of education across the board, but are particularly important in higher education. There are few distance learning centers on the continent, most universities do not have equipment maintenance budgets, and there is no infrastructural support for modern technologies. I would urge reconsideration of and increased support for higher education.

2. Demobilization and new roles for the military.

The end of the proxy wars has meant huge armies must be reduced. New and fragile regimes must disarm soldiers and offer them training. In Angola, for instance, two armies totaling 200,000 men must be merged, disarmed, encamped. In Mozambique, President Chissano is struggling to accomplish the same end.

Even when governments are committed to democratization and demobilization, the military presents an overwhelming challenge in human as well as economic terms. Soldiers are often concerned about their employment, ill informed about the democratization process in their own country, traumatized and brutalized by the conflicts in which they've been involved, and, in their understandable concern for the future, they often represent an obstruction to democratization.

The U.S. can be particularly helpful here. First, we have experience in integrating disparate racial and ethnic groups into a cohesive institution. While in the U.S. experience is more racial than ethnic, some of the same precepts and tenets would apply. The U.S. also has relevant experience regarding appropriate roles for the military in peacetime situations. The deployment of the army to Dade County in the aftermath of Hurricane Andrew is instructive to African nations who are faced with the immediate need to demobilize armies, but offer them appropriate work. Such assignments offer graphic demonstrations of peacetime applicability of military skills, as well as help build civilian confidence in the military.

The U.S. could also contribute to demilitarization of the continent by conditioning aid to military expenditures. We could offer increased assistance to those nations reducing their military expenditures. Japan has made reductions in military spending a condition of its assistance and has been quite successful in this approach.

If developing countries would freeze military spending, they could save \$15 billion a year in prospective increases. According to statisticians in the 1991 UN Human Development Report, military spending has risen three times faster in developing countries than in industrial ones over the past three decades. Many countries of sub-Saharan Africa spend two to three times as much on arms as on education or health. (1991 UN Human Development Report, p. 82.) Uganda, Angola, Chad and Ethiopia are examples.

Clearly, when military spending takes priority, human development performance suffers. The arms leaders purchase are not always used on enemies, but to suppress their own peoples. What better way to encourage development and democratization than to reduce arms expenditures?

3. Conflict resolution

Although diminished with the end of the Cold War, regional conflicts still roil the continent. Liberia continues to fester and periodically spills over into Sierra Leone. Somalia has been termed the worst human tragedy since World War II. Ethiopia lurches forward in an uneasy peace. There is a clear need for an African-based center to address these issues.

A root cause of some conflicts is ethnic tension. While this ethnic hostility is certainly not exclusive to Africa--one has only to look at Bosnia-Herzegovina--Africans are beginning to address the issue. For instance, Liberia is exploring possibilities of workshops on mediation, reconciliation and healing. The U.S. is well-placed to respond to initiatives to end ethnic conflict and promote healing. For all of the shortcomings and inequities heaped upon minorities in this country, no other nation has codified legal remedies and recourse for the wronged as we have. We can provide mediators, conflict resolution specialists, political scientists and community activists that have firsthand experience and, therefore, heightened credibility.

I would strongly urge AID to consider funding such a center.

These then, Mr. Chairman, are the three sectoral and/or programmatic issues of highest priority from the perspective of this witness to African development. However, in all eight of the priority areas which I listed, the role of women is important. For in this area, too, U.S. advances, though spotty, enable us to offer successful models of economic and political integration to democratizing African nations.

Also in all eight the PVO private sector has a role to play. They have played a critical role when African governments were unresponsive. NGOs have been instrumental in the democratic changes that have surged across the continent as they have also served as role models demonstrating what private associations can do to gather opinions, articulate a perspective and agitate for peaceful change.

The state and its arbitrary government has been abandoned by development planners in many countries. In Zaire, for instance, when foreign assistance was available, few grants were disbursed by the government, as virtually all ODA was channeled through NGOs. In addition, northern and southern NGOs can work closely together, as in the case of Mozambique. In that war-torn country, more than 136 NGOs are actively involved in development programs which emphasize building civil society.

These, then, Mr. Chairman, are the views of one private voluntary organization of the FY 1993 foreign assistance package proposed for Africa.

Upon receiving a prestigious award from a prominent synagogue in 1965, Martin Luther King mused about Rip Van Winkel who, sleeping for 20 years in the Hudson Valley, had missed incredible changes. Martin said that it was a tragedy to sleep through a revolution. Mr. Chairman, all of us here have been fully awake and privileged to witness and often participate in this second African revolution. We appreciate your leadership and look forward to the next opportunity to share views on these important issues.