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43 TAGS:

44 SUBJECT PROGRAM SECTOR ASSISTANCE GUIDANCE

45

46 1. THIS GUIDANCE COVERS PROGRAM SECTOR ASSISTANCE, I.E.,

STANCE WHICH IS NOT PROJECTED. BECAUSE OF RECENT
SSION INTEREST IN SECTORAL ASSISTANCE PROGRAMS, AND
CAUSE, UNDER CERTAIN CIRCUMSTANCES SUCH PROGRAMS COULD
BE EFFICACIOUS IN ACHIEVING POLICY REFORM, I HAVE DECIDED
TO RESTATE AGENCY POLICY ON THESE PROGRAMS.

2. PROJECTS ARE A.I.D.'S PRIMARY MODE OF PROVIDING
ASSISTANCE. WHILE ALMOST ALL OF THE AGENCY'S PROJECTS
ARE, IN EFFECT, IN SECTORS, I EXPECT SECTORAL PROGRAMS
WILL ONLY BE APPROVED UNDER EXCEPTIONAL CIRCUMSTANCES.
ACCORDINGLY, ANY DEPARTURE FROM PROJECT ASSISTANCE MUST
BE JUSTIFIED BY DEMONSTRATING THAT THE ALTERNATIVE ASSIST-
ANCE VEHICLE LEADS TO MORE EFFECTIVE ACHIEVEMENT OF THE
U.S. GOVERNMENT'S OBJECTIVES IN A GIVEN COUNTRY.- I CANNOT
STRESS ENOUGH THAT PROGRAM-SECTOR ASSISTANCE IS EXCEP-
TIONAL AND MUST BE STRICTLY IN CONFORMITY WITH THIS
GUIDANCE.

3. PROGRAM SECTOR ASSISTANCE PROVIDES FOREIGN EXCHANGE
DOLLARS WHICH MAY NOT BE DIRECTLY LINKED TO SPECIFIC
PROJECT EXPENDITURES. IN SOME SECTOR PROGRAMS, THE
FOREIGN EXCHANGE USES ARE NARROWLY LIMITED BY REQUIRING
THE IMPORTATION OF SPECIFIC GOODS OR CATEGORIES OF GOODS
FROM SPECIFIC EXPORTING COUNTRIES; IN OTHER PROGRAMS THE
FOREIGN EXCHANGE USES ARE UNSPECIFIED. SIMILARLY, THE
USES OF LOCAL CURRENCIES GENERATED BY THE PROGRAM NEED
TO BE SPECIFIED IN CERTAIN INSTANCES BUT NOT IN OTHERS.
HOWEVER, IT IS NECESSARY TO SPECIFY THE USES OF EITHER
THE FOREIGN EXCHANGE OR THE LOCAL CURRENCY GENERATIONS
IN EVERY SECTOR PROGRAM. THE DEGREE TO WHICH THE USES OF
EITHER FOREIGN EXCHANGE OR LOCAL CURRENCY GENERATIONS
NEED TO BE SPECIFIED DEPENDS ON THE PURPOSE OF THE
SECTOR PROGRAM, AND WILL BE DISCUSSED IN PARAGRAPHS 13
TO 15.

4. PROGRAM SECTOR ASSISTANCE IS A NON-PROJECT VEHICLE
THAT CAN BE FUNDED BY EITHER THE DA OR ESF ACCOUNTS. IN
MOST CASES THE SOURCE OF FUNDING HAS NO BEARING ON THE
ANALYSIS, DESIGN, IMPLEMENTATION, AND EVALUATION
REQUIREMENTS OF A SECTORAL PROGRAM. HOWEVER, BECAUSE
THE FAA PERMITS USE OF ESF FUNDS FOR SHORT-TERM ECONOMIC
STABILIZATION A RATIONALE NOT GENERALLY ACCEPTABLE FOR
DA FUNDING, ESF SECTORAL PROGRAMS HAVE AN ADDITIONAL
JUSTIFICATION THAT IS NOT APPROPRIATE TO DA PROGRAMS.

5. FOR THE PURPOSES OF A.I.D. ASSISTANCE, A SECTOR IS
DEFINED AS A SET OF ECONOMIC ACTIVITIES UNIFIED BY A
COMMON OUTPUT NARROW ENOUGH TO HAVE AN ANALYTICAL IDEN-
TITY, AND BROAD ENOUGH TO CONTAIN SIGNIFICANT INVESTMENT
AND POLICY ISSUES. THUS ONE CAN SPEAK OF HEALTH OR
AGRICULTURE OR ENERGY. OFTEN IT MAY BE APPROPRIATE TO
NARROW THE SECTORAL FOCUS TO A PARTICULAR SUBSECTOR -
E.G. LIVESTOCK OR FORESTRY OR PRIMARY HEALTH CARE.

6. THE GOAL OF PROGRAM SECTOR ASSISTANCE IS TO INCREASE
INCOMES OR IMPROVE THE DELIVERY OF SERVICES TO THE POOR
IN LDCS; THE OBJECTIVE OF PROGRAM SECTORAL ASSISTANCE IS
THE ALLEVIATION OF FUNDAMENTAL CONSTRAINTS INHIBITING
THE GROWTH OF SECTORAL OUTPUT AND PRODUCTIVITY. ALL
SECTORAL PROGRAMS MUST BE JUSTIFIED IN TERMS OF BEING A
MORE EFFICIENT VEHICLE FOR ACHIEVING THIS OBJECTIVE THAN
TRADITIONAL PROJECTS.

PROGRAM SECTOR ASSISTANCE IS PRIMARILY JUSTIFIED AS
MODE OF ASSISTANCE FOR ALLEVIATING POLICY CONSTRAINTS
CTORAL PRODUCTIVITY AND OUTPUT. THESE CONSTRAINTS
LUDE, AMONG OTHERS, SUBSIDIES, INAPPROPRIATE PRICING

04 POLICIES, INAPPROPRIATE GOVERNMENT PROVISION OF GOODS
05 AND SERVICES, AND AN INADEQUATE SHARE OF BUDGETARY
06 RESOURCES BEING ALLOCATED TO THE SECTOR. INSTITUTIONAL
07 OR INFRASTRUCTURAL CONSTRAINTS CAN BETTER BE HANDLED BY
08 SPECIFIC PROJECTS WHICH COULD BE INTEGRATED WITH PROGRAM
09 SECTOR ASSISTANCE UNDER A COMPREHENSIVE STRATEGY.

10
11 8. ANY PROGRAM SECTOR ASSISTANCE PROPOSAL MUST INCLUDE
12 AN ANALYSIS OF THE PROBLEMS AND CONSTRAINTS FACING THE
13 SECTOR. SUCH AN ANALYSIS SHOULD INCLUDE:

14 A. A DISCUSSION OF THE ROLE OF THE SECTOR OR SUBSECTOR
15 IN BOTH THE OVERALL DEVELOPMENT OF THE HOST COUNTRY AND
16 THE ASSISTANCE STRATEGY OF THE USAID. THIS DISCUSSION
17 SHOULD INCLUDE AN EXAMINATION OF THE LINKAGES BETWEEN
18 MACROECONOMIC POLICIES AND PROBLEMS AND SECTORAL
19 POLICIES AND PROBLEMS;

20 B. A DESCRIPTION OF THE SPECIFIC SECTORAL PROBLEMS
21 INCLUDING POLICY ISSUES, INVESTMENT LEVELS; PUBLIC AND
22 PRIVATE, RECURRENT RESOURCE AVAILABILITIES, AND
23 CAPACITY OF KEY SECTORAL INSTITUTIONS BOTH PUBLIC AND
24 PRIVATE, FORMAL AND INFORMAL, TO FULFILL THEIR ROLES;

25 C. A STRATEGY FOR ADDRESSING THE SECTOR'S PROBLEMS
26 INCLUDING A RANKING OF CONSTRAINTS IN ORDER OF IMPOR-
27 TANCE, AND THE SPECIFIC CHANGES IN POLICY AND RESOURCE
28 AVAILABILITY WHICH THE PROGRAM IS INTENDED TO ACHIEVE;

29 D. AN ASSESSMENT OF THE SOCIAL COSTS AND BENEFITS OF
30 THE SECTORAL PROGRAM, FOCUSING ON THE IMPACT OF THE
31 PROGRAM ON DIFFERENT BENEFICIARY GROUPS;

32 E. AN ASSESSMENT OF THE HOST COUNTRY'S FINANCIAL,
33 POLITICAL, AND INSTITUTIONAL CAPABILITY FOR CARRYING OUT
34 THE SECTORAL STRATEGY;

35 F. A DISCUSSION OF THE ROLE OF OTHER DONOR ACTIVITY
36 IN THE SECTOR AND THE WAY IN WHICH THIS ACTIVITY
37 COMPLEMENTS AID'S PROGRAM; AND

38 G. AN IMPLEMENTATION PLAN LISTING SPECIFIC ACCOM-
39 PLISHMENTS TO BE ACHIEVED AT SPECIFIC TIMES, AND A PLAN
40 FOR TRANCING AID DISBURSEMENTS TO THESE ACCOMPLISHMENTS.

41
42 9. THE LEVEL OF ANALYSIS REQUIRED TO APPROVE A SECTOR
43 PROGRAM HAS BEEN DESCRIBED IN PARAGRAPH 8. NATURALLY
44 NOT ALL THIS INFORMATION IS REQUIRED AT THE PID STAGE.
45 WHAT IS NEEDED IS ENOUGH INFORMATION TO ENSURE THAT
46 GOING AHEAD WITH THE DESIGN MAKES SENSE. SOME
47 PRELIMINARY ANALYSIS IN EACH OF THE FOLLOWING AREAS IS
48 NECESSARY:

49 A. THE ROLE OF THE SECTOR IN AID'S ASSISTANCE
50 STRATEGY,

51
52 B. A DESCRIPTION OF SECTORAL DEVELOPMENT CONSTRAINTS,
53 C. AN ASSESSMENT OF THE HOST COUNTRY'S CAPACITY FOR
54 CARRYING OUT THE SECTORAL PROGRAM, AND

55 D. A DISCUSSION OF THE POLICY REFORM AND RESOURCE
56 ALLOCATION REQUIREMENTS NECESSARY FOR THE PROGRAM'S
57 SUCCESS.

58
59 10. A SECTOR PROGRAM DOES NOT NEED TO ADDRESS ALL
60 CONSTRAINTS. IT SHOULD ADDRESS THE MOST BINDING
61 CONSTRAINTS WHICH ARE AMENABLE TO AID INFLUENCE.

04
83 11. ONCE THE OBJECTIVES OF THE PROGRAM HAVE BEEN
64 IDENTIFIED, THE SECTOR PROPOSAL MUST DOCUMENT THE
65 REASONS A SECTOR PROGRAM IS MORE LIKELY TO ACHIEVE THESE
66 OBJECTIVES THAN A PROJECT OR SERIES OF PROJECTS. SUCE A
67

~~JUSTIFICATION MAY BE LINKED TO THE FOLLOWING POSSIBLE~~

02 ADVANTAGES OF SECTORAL PROGRAMS:

03 A SECTOR PROGRAMS CAN LEAD TO A MORE INTEGRATED AND
04 COMPREHENSIVE APPROACH TO SECTORAL DEVELOPMENT NEEDS,
05 PARTICULARLY WITH RESPECT TO ECONOMIC POLICY. FOR
06 EXAMPLE, INPUT PRICES ARE LINKED TO FOOD GRAIN PRICES
07 WHICH ARE LINKED TO CASH CROP PRICES; THEREFORE A POLICY
08 REFORM PACKAGE NEEDS TO BE BASED ON AN UNDERSTANDING OF
09 THE LINKAGES.

10 B; POLICY REFORM MAY BE MORE EASILY ACHIEVED WITH
11 PROGRAM SECTOR ASSISTANCE BECAUSE: 1, THE ASSISTANCE IS
12 NON-PROJECTIZED ;AND THEREFORE MORE HIGHLY VALUED BY THE
13 HOST COUNTRY BECAUSE OF THE GREATER LATITUDE PROVIDED
14 FOR THE USE OF THE FOREIGN EXCHANGE ; 2 IT WILL TEND
15 TO CONCENTRATE AID FUNDS IN ONE LARGER UNIT THAN ANY OF
16 A SERIES OF SPECIFIC PROJECT INTERVENTIONS; AND 3; IT
17 IS DIRECTED AT THE APPROPRIATE LEVEL, AND LEADS TO
18 DISCUSSIONS WITH APPROPRIATE LDC OFFICIALS (SECTOR
19 POLICYMAKERS).

20 TO PROGRAM SECTOR ASSISTANCE IS AN IDEAL VEHICLE FOR
21 PROVIDING RECURRENT COST ASSISTANCE WHEN SUCH A PROGRAM
22 IS CONSISTENT WITH THE AID POLICY PAPER, "RECURRENT COST
23 PROBLEMS IN LDCS".

24
25 12. PROGRAM SECTOR ASSISTANCE FUNDED BY THE ESF ACCOUNT
26 CAN BE JUSTIFIED IN TERMS OF BALANCE OF PAYMENTS SUPPORT
27 AND ECONOMIC STABILIZATION. SUCH A SECTOR PROGRAM MAY
28 HAVE TWO OBJECTIVES: -PROVIDING RESOURCES TO REDUCE THE
29 BALANCE OF PAYMENTS CONSTRAINT, AND THE ACHIEVEMENT OF -
30 INCREASED SECTORAL PRODUCTIVITY AND OUTPUT. - - -

31
32 13. THE DEGREE OF SPECIFICITY NECESSARY IN PROGRAMMING
33 THE USE OF THE FOREIGN EXCHANGE MUST BE DETERMINED BY
34 THE PURPOSES OF THE PROGRAM AND THE DETAILS OF THE
35 COUNTRY SITUATION. WHERE POSSIBLE, SPECIFICITY IN TERMS
36 OF CATEGORIES OF GOODS TO BE PURCHASED OR SOURCE/ORIGIN
37 OF SUCH GOODS, SUCH AS U.S. PROCUREMENT, IS PREFERRED.
38 HOWEVER, IN SOME CASES, EITHER BECAUSE OF THE
39 TRADITIONAL TRADE PATTERNS OF A PARTICULAR COUNTRY OR
40 BECAUSE SPECIFIC COMMODITY PROGRAMS WOULD DECREASE
41 SUBSTANTIALLY THE RATE AT WHICH FOREIGN EXCHANGE IS
42 DISPURSED AND THUS DIMINISH THE EFFECTIVENESS OF THE
43 PROGRAM, IT IS NOT NECESSARY TO SPECIFY THE USE OF THE
44 FOREIGN EXCHANGE. IN SUCH A SITUATION IT MUST BE -
45 DEMONSTRATED THAT TYING ASSISTANCE TO U.S. PROCUREMENT
46 DECREASES THE EFFECTIVENESS OF THE SECTOR PROGRAM. -
47

48 14. SIMILARLY, THE DEGREE TO WHICH USES OF THE LOCAL
49 CURRENCY GENERATED BY PROGRAM SECTOR ASSISTANCE NEED TO
50 BE SPECIFIED DEPENDS ON THE SECTORAL CONSTRAINTS BEING
51 ADDRESSED. IF THE FOREIGN EXCHANGE USES ARE NOT
52 SPECIFIED THEN LOCAL CURRENCY GENERATIONS MUST BE
53 PROGRAMMED. IN MOST CASES LOCAL CURRENCY USES SHOULD BE
54 CONNECTED TO THE POLICY REFORMS BEING UNDERTAKEN. -TWO-
55 BANGLADESH SUBSECTOR PROGRAMS ARE INSTRUCTIVE IN THIS
56 REGARD. THE FERTILIZER DISTRIBUTION IMPROVEMENT PROGRAM
57 USED FOREIGN EXCHANGE FOR IMPORTING FERTILIZER AND
58 CONSTRUCTING WAREHOUSES, BOTH INTIMATELY RELATED TO THE

4

57 USED FOREIGN EXCHANGE FOR PURCHASING FERTILIZER AND
58 CONSTRUCTING WAREHOUSES, BOTH INTIMATELY RELATED TO THE
59 REFORMS INVOLVED IN TRANSFERRING FERTILIZER -MARKETING TO
60 THE PRIVATE SECTOR. IN THIS CASE LOCAL CURRENCIES WERE
61 NOT PROGRAMMED. THE RURAL FINANCE PROGRAM, ON THE OTHER
62 HAND, USED THE FOREIGN EXCHANGE SOLELY TO PURCHASE LOCAL
63 CURRENCIES WHICH WERE THEN PROGRAMMED INTO THE RURAL
64 CREDIT SYSTEM. IN THIS CASE THE FOREIGN EXCHANGE USES
65 WERE NOT SPECIFIED.
66

15. EVEN WHERE A.I.D. IS CLOSELY INVOLVED IN
62 PROGRAMMING LOCAL CURRENCIES THIS NEED ;NOT IMPLY A
63 DIRECT ROLE IN PROJECT DESIGN, IMPLEMENTATION AND
64 EVALUATION, WHICH IS PRIMARILY THE RESPONSIBILITY OF THE
65 HOST COUNTRY. A.I.D. SHOULD BE CONCERNED WITH GENERAL -
66 CATEGORIES E.G., INCREASING THE EFFICIENCY OF THE - -
67 AGRICULTURAL EXTENSION PROGRAM, BUT NOT NECESSARILY WITH
68 THE SPECIFIC DESIGN OF A PROJECT TO ACCOMPLISH THAT
69 GOAL. IN SUCH CASES, A.I.D. WOULD MONITOR THE HOST
70 COUNTRY'S PERFORMANCE IN MEETING THE AGREED UPON
71 OBJECTIVES. OUR ASSISTANCE SHOULD BE TRANCHED AND
72 DISBURSEMENT TIED TO ACCEPTABLE PERFORMANCE. -WEERE
73 POSSIBLE, THE PROGRAM SHOULD BE DESIGNED TO ACCOMMODATE
74 MOST OF THE IMPORTANT POLICY UNDERTAKINGS AS CONDITIONS
75 PRECEDENT TO DISBURSEMENT OF THE ASSISTANCE.
76

16. IF A BINDING CONSTRAINT ON SECTORAL DEVELOPMENT IS
78 THE SCARCITY OF RESOURCES CAPITAL AND/OR RECURRENT
79 GOING TO A GIVEN SECTOR, THEN INCREASING THE LEVEL OF
80 GOVERNMENTAL RESOURCES DIRECTED TOWARD THAT SECTOR IS A
81 LEGITIMATE POLICY OBJECTIVE. HOWEVER, A.I.D NEEDN'T
82 REQUIRE INCREASES IN REAL OR NOMINAL BUDGET OUTLAYS.
83 FOR A NUMBER OF REASONS REDUCTION IN OVERALL GOVERNMENT
84 EXPENDITURES MAY BE CALLED FOR. THE AID SECTOR - -
85 ASSISTANCE PROGRAM SHOULD BE DESIGNED TO ASSURE THAT THE
86 LEVEL OF GOVERNMENT RESOURCES IS APPROPRIATE TO THE
87 IMPORTANCE OF THE SECTOR IN THE COUNTRY'S DEVELOPMENT,
88 THE PROPER ROLE OF GOVERNMENT IN THE SECTOR, AND THE
89 OVERALL LEVEL OF GOVERNMENT RESOURCES AVAILABLE. IN
90 SOME CASES THIS MAY MEAN NO CHANGE, OR EVEN A REDUCTION
91 IN GOVERNMENT EXPENDITURES IN A GIVEN SECTOR, WHILE IN
92 OTHERS IT MAY MEAN AN INCREASE.
93

17. THE SAME OVERALL COUNTRY CRITERIA FOR DETERMINING
95 WHETHER OTHER FORMS OF ASSISTANCE SHOULD BE LOAN OR
96 GRANT FINANCED WILL ALSO APPLY TO PROGRAM SECTOR
97 ASSISTANCE.
98

18. A FEW EXAMPLES OF EXISTING, OR PROPOSED SECTOR
99 ASSISTANCE PROGRAMS MAY HELP CLARIFY HOW PROGRAM SECTOR
100 ASSISTANCE CAN BE USED EFFECTIVELY:

101 A IN BANGLADESE, A.I.D. LINKED IMPORTS OF
102 FERTILIZER TO POLICY CHANGES IN FERTILIZER PRICING AND
103 MARKETING. AS A RESULT OF THIS PROGRAM:

104 I. FARMER ACCESS TO FERTILIZER HAS GREATLY INCREASED;

105 II PRICES PAID BY FARMERS FOR FERTILIZER UNDER THE-
106 NEW MARKETING SYSTEM ARE ACTUALLY LOWER THAN THOSE PAID
107 UNDER THE OLD SYSTEM;

108 III A NEW CLASS OF PRIVATE WHOLESALERS DEVELOPED AS
109 INTERMEDIARIES. THUS THE USE OF A NON-PROJECT VEHICLE,
110 FERTILIZER INPUTS, WAS CONNECTED TO A SUBSTANTIAL POLICY
111 CHANGE WHICH, IT IS EXPECTED, WILL HAVE SUBSTANTIAL -
112 BENEFICIAL EFFECTS ON THE ENTIRE AGRICULTURAL SECTOR.

113 ;P. SEVERAL-YEARS AGO, THE AGENCY APPROVED A "SECTOR
114 LOAN" THAT WOULD NOT BE ACCEPTABLE UNDER THE TERMS-OF
115 THIS GUIDANCE. IN THE FIRST PLACE, THIS SECTOR PROGRAM
116

57 WAS NOT REALLY A SECTOR AS SUCH, BUT A LARGE AREA
58 DEVELOPMENT PROGRAM WITH ACTIVITIES THAT CUT ACROSS MANY
59 TRADITIONALLY-DEFINED SECTORS SUCH AS AGRICULTURE,
60 HEALTH, EDUCATION, ETC. SECONDLY, IT WAS NOT DESIGNED
61 FOR EITHER POLICY REFORM OR RECURRENT COST SUPPORT. THE
62 BASIC RATIONALE WAS TO PROVIDE FAST-DISEBURSING FOREIGN -

63
64 EXCHANGE, WHILE AT THE SAME TIME BUYING INTO A SERIES OF
65 INVESTMENTS PROJECTS, LINKED TO THE DEVELOPMENT OF THE
66 GIVEN AREA. WHAT WAS GAINED WAS FLEXIBILITY AND STAFF-

1- ECONOMIES. NONE OF THESE RATIONALES - BALANCE OF
02 PAYMENT SUPPORT FOR DA PROGRAMS, FLEXIBILITY, OR STAFF
03 ECONOMIES IS AN APPROPRIATE JUSTIFICATION FOR PROGRAM
04 SECTOR ASSISTANCE UNDER THE TERMS OF THIS GUIDANCE.

05 C THE RECENTLY APPROVED ZIMBABWE BASIC EDUCATION
06 AND SKILLS TRAINING PAAD IS AN EXCELLENT EXAMPLE OF THE
07 WAY IN WHICH SECTOR ASSISTANCE CAN BE USED FOR BOTH
08 BUDGET SUPPORT AND POLICY REFORM. ZIMBABWE HAS
09 COMMITTED ITSELF TO MAJOR EXPANSION OF ITS EDUCATIONAL
10 SECTOR PARTICULARLY SECONDARY EDUCATION. AT THE SAME
11 TIME, THE GOVERNMENT REALIZES IT IS UNABLE TO PAY FOR
12 SUCH AN EXPANSION WITHOUT A RADICAL CHANGE IN THE WAY IT
13 DOES BUSINESS.

14 THIS SECTOR PROGRAM IS DESIGNED TO BUY INTO AN INVEST-
15 MENT PACKAGE WITHIN THE SECTOR WHICH WILL IMPROVE THE
16 COST-EFFECTIVENESS OF ITS EDUCATIONAL SERVICE DELIVERY.
17 IT TIES LINKS SECTORAL POLICY REFORM TO THE FINANCIAL
18 RESOURCES NECESSARY FOR IMPLEMENTING POLICY.
19 SINCE ZIMBABWE IMPORTS SUBSTANTIAL AMOUNTS OF U.S.
20 COMMODITIES AND THERE IS A C.I.P. PROGRAM IN PLACE,
21 AND SINCE THE FOREIGN EXCHANGE REQUIREMENTS OF THE
22 EDUCATIONAL SECTOR ARE MINIMAL, THE PROGRAM IS DESIGNED
23 AS A C.I.P. WITH COMMODITIES LIMITED TO RAW MATERIALS-
24 AND CAPITAL GOODS NEEDED IN THE PRIVATE SECTOR.-LOCAL
25 CURRENCY PURCHASES WILL BE USED IN THE MINISTRY OF
26 EDUCATION'S THREE YEAR INVESTMENT PROGRAM TO INCREASE
27 EDUCATIONAL EFFICIENCY.

28 D A LESS HAPPY EXAMPLE IS A PID WHICH WAS
29 DISAPPROVED BY AID/WASHINGTON. IN THE WORDS OF THE
30 OUTGOING CABLE:

31 "THE PID AND PID SUPPLEMENT GIVE INSUFFICIENT
32 INFORMATION TO ALLOW APPROVAL OF EITHER A SECTOR GRANT
33 OR PROJECT APPROACH IN THEIR PRESENT FORM. THE
34 PRESENTATION LACKS AN ANALYSIS OF THE REFORMS NEEDED IN
35 THE AGRICULTURAL SECTOR OR A CLEAR ARTICULATION OF WHICH
36 REFORMS TAKE PRIORITY MISSING FROM THE MISSION
37 SUBMISSION IS AN ANALYSIS OR ASSESSMENT OF THE SECTORAL
38 PROBLEMS AND RELATED POLICY CONSTRAINTS. SUCH AN
39 ASSESSMENT WOULD NORMALLY DESCRIBE PUBLIC AND PRIVATE
40 INVESTMENT LINKS AND AVAILABILITIES OF RESOURCES FOR
41 RECURRENT COSTS AND AN ANALYSIS OF KEY SECTORAL
42 INSTITUTIONS FROM THE ANALYSIS SHOULD FLOW A
43 RANKING OF THE CONSTRAINTS AND CHANGES REQUIRED IN
44 POLICIES, INSTITUTIONAL STRUCTURES, AND RESOURCE

45
46 ALLOCATIONS, AND AN ASSESSMENT OF ... (THE GOVERNMENT'S)
47 CAPABILITY TO CARRY OUT THE CHANGES." IN SHORT, THE
48 PROPOSAL LACKED AN ACCEPTABLE RATIONALE FOR THE SPECIFIC
49 AGRICULTURAL SECTOR INTERVENTIONS PROPOSED.

50
51 19. THIS GUIDANCE SHOULD BE READ IN CONJUNCTION WITH
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53 AND "RECURRENT COST PROBLEMS IN LESS DEVELOPED
54 COUNTRIES", AS WELL AS STATE 199715 JULY 23, 1982,
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55 "THE ROLE OF RESOURCE TRANSFERS IN U.S. ECONOMIC
56 ASSISTANCE." THIS GUIDANCE ON PROGRAM SECTOR ASSISTANCE
57 WILL BE INCORPORATED IN AN A.I.D. POLICY PAPER ON THE
58 ROLE OF NON-PROJECT ASSISTANCE WHICH WILL BE FORTHCOMING
59 IN 1983. SHULTZ
60