

The Development Fund for Africa

R E P O R T



U.S. Agency for International Development



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U.S. Agency
for International
Development,
1992

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About This Report

In the year since the United States Agency for International Development (A.I.D.) published its first report on the Development Fund for Africa (DFA), the African continent has experienced many positive developments.

The African people themselves are making the critical difference. Outstanding progress in economic reform is one factor. Another is the opening up of political systems. Ethiopia and Angola have achieved peace settlements and are putting in place market economies and multiparty democracies. For the continent, the payoffs are 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.

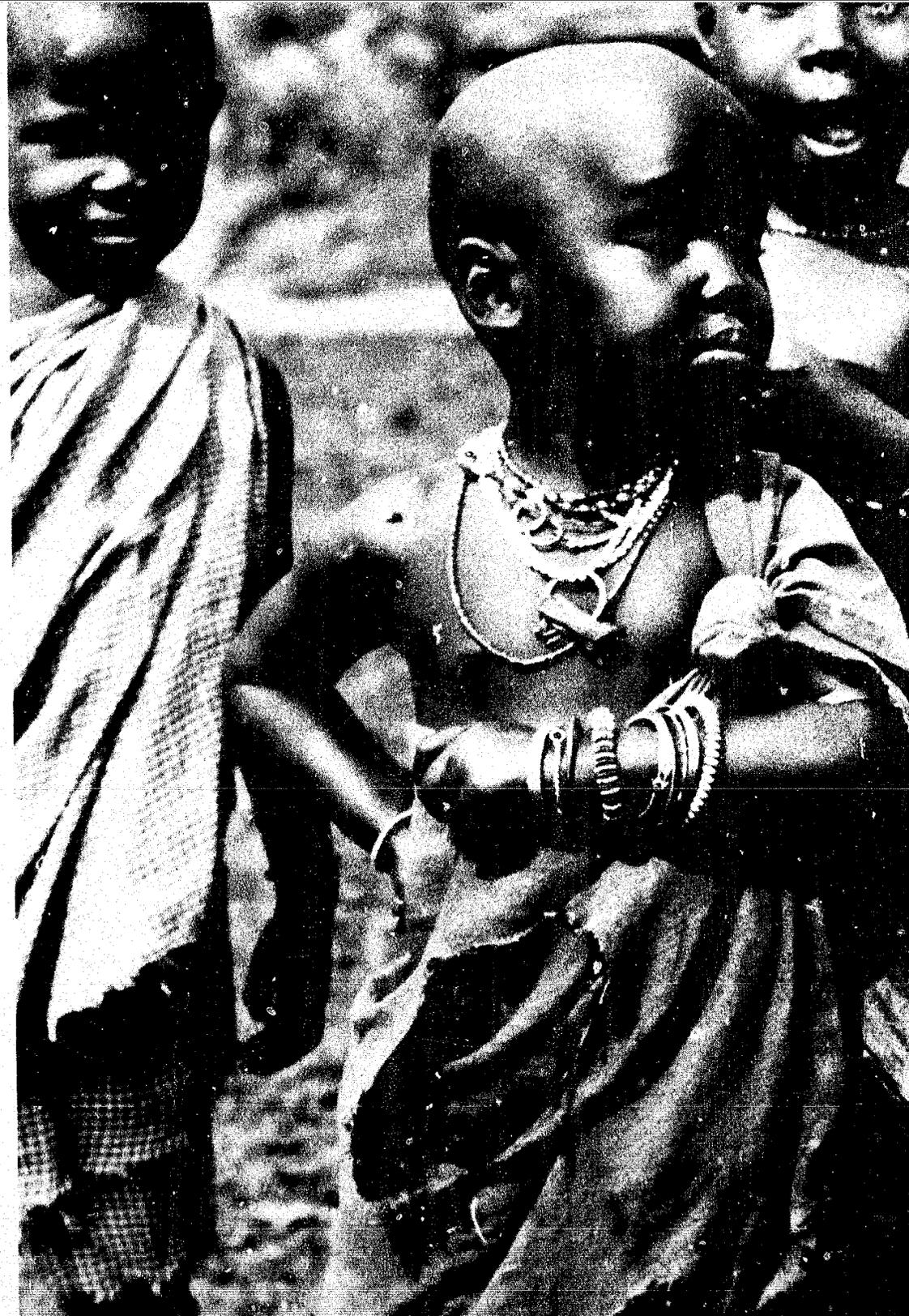
Nonetheless, Africa remains the poorest region in the world. Health-related challenges such as AIDS and malaria continue to threaten human life. Southern Africa is facing the most severe drought of the century. Drought is also affecting other parts of the continent, causing people to be displaced or 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 DFA is a critical tool for addressing Africa's pressing and diverse development problems. The four objectives under A.I.D.'s DFA Action Plan are to:

1. Help Africans 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.

The first part of this year's report will give the reader a sense of what has happened in Africa during the last year, followed by information on how the DFA has contributed to the accomplishment of the above objectives. We wish this process to be an interactive one, and welcome comments from all organizations and individuals with a role or an interest in African social and economic development. Requests for copies of this or previous reports as well as additional information should be addressed to:



Through The Development Fund for Africa

In the years following the enactment of the Development Fund for Africa, 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 viability of Africa's natural resource base.

The end of the Cold War, the collapse of the Soviet Union and the restructuring of Eastern Europe have not caused the United States to wane in its commitment to African economic development. From 1987 to 1992, the U.S. expanded its support to Africa. Specifically, we have:

- increased overall aid to Africa by 30 percent (*Fig. 1 U.S. Assistance*);

and short-term financial assistance) from 50 to over 65 percent;

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

Figure 1

U.S. Economic Assistance to Africa FY 1987-1992 (\$ million)

FY	Development Fund for Africa	Economic Support Fund	Food Aid**	Foreign Disaster Assistance	Total
1987	396.7*	164.8	244.3	16.6	822.4
1988	553.6	39.7	287.9	41.8	923.0
1989	578.4	99.3	249.7	32.7	960.1
1990	585.1	28.9	250.7	31.0	895.7
1991	804.3	59.3	297.4	44.7	1,205.7
1992 (est)	800.0	28.3	254.3***	30.0****	1,270.3

* Funding under the DFA begins in 1988.

** Food aid levels do not include transport costs.

*** FY 1992 levels will change as food aid levels evolve in response to the drought in southern Africa.

**** Emergency assistance levels are not requested in advance and may increase.

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

U.S. PVOs in FY 1991 — \$145.5 million. This level is expected to increase slightly in FY 1992.

Another A.I.D. goal is to increase the role of the private sector in the continent's social and economic development, in recog-

nition of the fact that a strong private sector is critical for Africa's growth. A.I.D. has worked 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. U.S. companies participate in our program through grants and contracts, by accepting

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through African-American business associations and by joining A.I.D.-Overseas Private Investment Corporation (OPIC) trade and investment missions. The largest potential benefit for U.S. business from A.I.D.'s work in Africa will come over the long term — through the development of a stronger African private sector and new trade and investment opportunities.

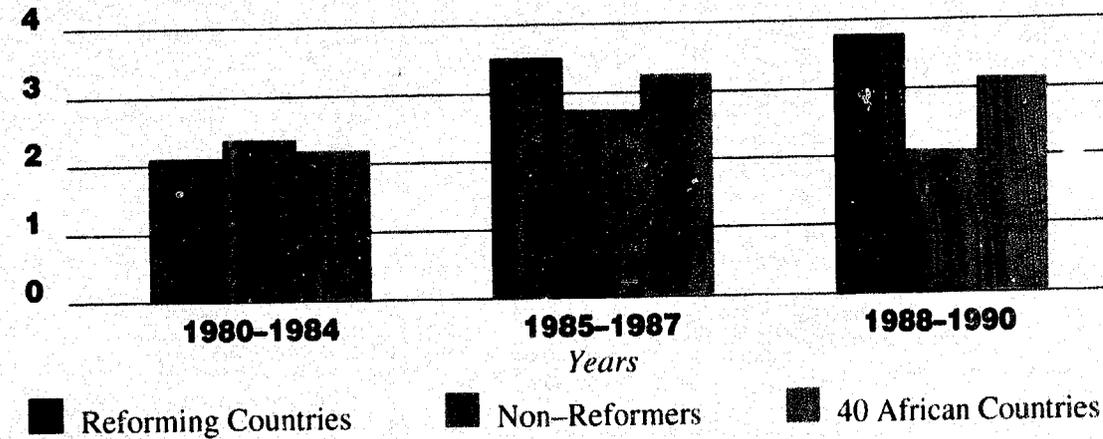
POSITIVE ECONOMIC DEVELOPMENTS

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. (Figure 2

Growth of Gross Domestic Product (unweighted averages, % per year)

Growth of GDP



The economic growth achieved by reforming African countries has occurred despite a slackening of long-term lending, particularly private lending, and has only partly been due to growth in official development assistance. A major factor has been solid export growth. While African export performance cannot be compared to that of East Asia, it is nonetheless respectable among the continent's economic reformers, improving from -0.2 percent annually in the 1980-84 period to 5.3 percent per year during 1988-90, and an impressive 8.6 percent in 1990 alone. This is much better than the export performance of non-reforming countries, which rose from .9 percent annually during 1980-84 to only 2.5 percent in 1988-90.

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. Th



urbanization trends have increased vulnerability to disease, and population movements and various climatic factors have introduced malaria into areas that had been malaria-free. The extensive spread of drug-resistant malaria parasites has exacerbated the problem.

Population Dynamics

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.

POLICY REFORM AND POVERTY

The issue of how structural adjustment policies — measures to stabilize economic conditions — affect the poor in Africa is one which concerns many working in African development, including A.I.D. In FY 1988, A.I.D. commissioned Cornell University to undertake a research project on the impact of policy reform on the poor in nine sub-Saharan countries. The work will be completed in 1993, but current findings show that the poor are either unaffected or benefit from adjustment programs in most countries. Adjustment programs, moreover, can help developing countries redirect resources towards productive purposes and make investments in human development. While adjustment has not generally hurt the poor, it has adversely affected the material well-being of groups such as civil servants or workers laid off from state-owned companies who are vulnerable and need assistance to adapt to rapidly changing economic structures.

Several significant results from the nine country studies are:

- ***Evidence suggests that quickly moving to reform markets and institutions will not hurt the poor. However, it cannot be concluded that such reform will quickly benefit the poor.***
- ***Government spending has been maintained as a percentage of gross national product (GNP).***
- ***Public expenditures on social services such as health and education were as likely to rise as to decline after policy adjustment; moreover, the share of budget resources allocated to the social sectors generally increased following adjustment.***
- ***Prior to policy adjustment, public subsidies were not targeted to the poor, so elimination of subsidies largely affected administrative bureaucracies and the better-off classes. The poor were basically unaffected by cuts in subsidy programs.***
- ***Africa's poor are primarily rural, derive a large share of their income from crops they produce and consume directly, and have diversified sources of income off-farm. Changes in prices of goods produced by the rural poor have improved their possibilities for increasing incomes as a result of policy adjustment, except for farmers producing commodities in which the world prices have fallen.***

EQUITY AND OWNERSHIP IN EDUCATION

A.I.D.'s education initiatives in Africa have stressed greater equity among all population groups and local ownership of the education process. These new programs are designed to rectify imbalances, whether they are rural versus urban, gender, or ethnic. Their impact to date is evident through improved governmental practices, such as increased capacity to recognize inequity problems, willingness to address those problems, and strengthened effort and resolve to implement reforms.

Another principle behind A.I.D.'s basic education programs in Africa is broad-based ownership of primary and secondary schooling. More than just participation, ownership means taking responsibility for the provision of schooling by the community, including PVOs and the commercial sector. The objective is to engage larger segments of society than those directly involved in the education process. Community and PVO ownership makes the education system more responsive, accountable, and sustainable.

Education studies in Mali showed that primary school enrollment was decreasing, because parents found formal education costly and sometimes irrelevant. In partnership with the government and other donors, A.I.D. used this analysis to introduce policies, forums, and initiatives to develop ownership as a solution. All stakeholders, including donors, met in 1990 to share expectations for education reform and designed a system of matching grants in response to community and PVO advocates. Those grants complement community efforts to improve primary schools through classroom rehabilitation, well and latrine construction, learning materials, and income-generating enterprises, such as carpentry ventures and gardens. A.I.D. funding was increased in 1991 due to the success of these early efforts. Primary school enrollment is now stabilizing, and even increasing, in parts of Mali where A.I.D. is working in education.

Impacts of U.S. Assistance Under the DFA

The following section highlights some of the accomplishments under the four strategic objectives of the DFA Action Plan. These objectives were chosen to support the overall goal of the Africa program, which is to encourage economic growth. Commitment by Africans as well as the USG towards these objectives will ensure growth which is broad-based, market-oriented, and sustainable. This is the only way to meet Africa's tremendous human needs on a continuing basis.

STRATEGIC OBJECTIVE 1: IMPROVING MANAGEMENT OF AFRICAN ECONOMIES

Fundamental lessons from three decades of African development experience are clear. For Africa to achieve broadly-based and sustainable economic growth, leading to improved living conditions for the population, development needs to be led by the private sector. To achieve this, governments should perform fewer tasks in those areas where they can be most effective. Governments must also provide a positive, enabling environment for the private sector. This includes setting appropriate policies and investing in

essential public goods, such as physical infrastructure, human capital, and sustainable management of natural resources.

In the 1980s, most governments of Africa began to apply these lessons to varying degrees. Late in the decade, many of these reform programs began to bear fruit as economies stabilized and economic growth rebounded. Already, there is evidence of the impacts of joint A.I.D. and other donor initiatives with African countries in:

- **improved stability in African economies** through better management of debts and better fiscal and monetary policies, and
- **improved equity and efficiency in providing key public services**, particularly health, family planning, education, and transportation infrastructure.

Improved Stability

Because improved economic stability is generally beyond the influence of A.I.D. alone, it is crucially important for African countries and all donors to work together in order to have a positive impact. A.I.D. contributions to economic stability are coordinated through international fora, chiefly the Special Program of Assistance

(SPA) for Africa. The SPA coordinates quick-disbursing sector assistance and debt relief to support the economic stabilization and adjustment efforts of 26 poor, debt-distressed African countries. A.I.D. is one of the largest bilateral donors, and also provides substantial intellectual inputs. A.I.D. participated in the process of standardizing certain disbursement and accounting procedures among donors, as well as helping to formulate a new initiative in public expenditure reviews that helps African governments improve their budget management capacity.

In FY 1991, A.I.D. relieved \$409.4 million in debt owed by 12 African countries to the United States for concessional economic assistance loans. This brings total debt relief (including interest) to \$787.5 million for 17 sub-Saharan African countries in the last two fiscal years. Also in FY 1991, eight African countries benefitted from \$416.2 million in relief of food aid debt. The largest beneficiaries of U.S. debt relief have been Ghana, Kenya, Tanzania, and Zambia.

The impact of government policy reforms, supported by A.I.D.'s assistance and that of other donors, can be seen in improvements in fiscal management, the balance of payments, and investment. Excluding Cameroon, which as an oil exporter has gone from a strong surplus during the oil boom to a steep recession-induced

percent in 1990. In the other countries, the average deficit grew as a percentage of GDP, from 6.7 percent in 1983 to 7.4 percent in 1989.

The *balance of payments* has improved in reforming countries, where the current account deficit fell from 9.3 percent of GDP in 1980 to 4.5 percent in 1989. The balance-of-payments deficit for the other countries (excluding Nigeria, with its huge swings due to oil prices) improved more slowly, falling from 7.1 percent of GDP in 1980-84 to just 5.7 percent in 1988-90.

In terms of *investment*, reformers performed better than other countries in sub-Saharan Africa. Although investment in reforming countries increased slightly as a proportion of total economic activity, rising from 19.0 percent of GDP in 1980-84 to 20.1 percent for 1988-90, it fell for the other countries, from 21.1 percent in 1980-84 to 18.9 percent in 1988-90.

Data on private investment are incomplete, but they point to a "wait and see" attitude for many African and foreign investors. African governments must demonstrate their commitment to the liberal market policies they have recently put in place before investors will perceive a sufficiently attractive economic environment and the real benefits of reform, improved living conditions, will be fully achieved.



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Improved Equity and Efficiency in Providing Public Services

A major concern about structural adjustment programs in Africa is that they might result in less government involvement in areas where the public sector should remain, such as health and education. Preliminary findings from A.I.D.-supported research in nine adjusting African countries do not substantiate this fear. In those countries, public expenditure on social services was as likely to increase as it was to decline after adjustment. Additional data from 1988-89 suggest that social sector spending is gaining in importance relative to other sectors (*see poverty box p.7*).

Although the level of expenditures for public services may not be a major concern in Africa overall, it is in certain countries, particularly where military expenditures are high. Even in countries where expenditure levels for social sectors may be reasonable, the distribution may be inappropriate for assuring broad-based impact, such as too much being spent for higher education and not enough for basic education. A.I.D. hopes that the SPA, through its new public expenditure initiative, can attack these issues comprehensively throughout Africa, first by enabling donors and

African governments to gain a much better understanding of actual budget outlays, and then by encouraging African governments to make more appropriate budget decisions.

A.I.D. already is working with several African governments to provide more funding for the social sectors and to improve the equity and efficiency of that funding. In education, for example, since 1989 A.I.D. has initiated sector assistance programs in Mali, Ghana, Guinea, Benin, Malawi, and Namibia, and it has revised older programs in Botswana, Lesotho, and Swaziland.

A.I.D.'s new education programs support policy reforms designed to establish more efficient and equitable allocation of financial resources. This includes reallocating education ministry budgets and expenditures to primary education from higher education or from other sectors and increasing the level of budgeted resources for educational materials and support. Other measures that current sector programs are introducing include: 1) expanding community and local participation in education, 2) introducing policies to raise the efficiency of education systems,

3) developing a rational and appropriate curriculum, and 4) implementing incentives (or dismantling regulations) to encourage increased private sector provision of educational services (*see education box p.8*).

STRATEGIC OBJECTIVE 2: STRENGTHENING COMPETITIVE MARKETS

In dialogue with African countries, there is no longer a question of whether growth should be market driven and based on the emergence of a strong and diverse private sector. The issue has become how to create competitive markets that will bring incentives to producers and, through greater efficiencies in processing and distribution, reduce prices for consumers.

A.I.D. actively supports private sector development in countries committed to market-based growth by:

- **promoting an enabling environment** for private enterprise,
- **strengthening market incentives** for private production, and
- **reducing physical barriers** to business and trade.

Although the process of market development is nascent in Africa, A.I.D.'s early experiences demonstrate that market-based growth can generate employment, increase rural incomes, provide better prices for

Promoting an Enabling Environment

As a first step, market development requires that governments allow the private sector to compete on at least equal terms with parastatals, or quasi-governmental enterprises. In Uganda, A.I.D. worked with the government to analyze the coffee sector and to break up the parastatal marketing board's export monopoly. Private cooperatives stepped in to export coffee directly, using technical assistance to set up a public tendering process. In 1991, their first year as exporters, the cooperatives exported 7 percent of Uganda's coffee, received higher prices than the parastatal marketing board, and created the competition necessary to drive the restructuring of the board into a commercial company.

Simplified regulations for business and trade also have increased the volume of private sector activity. Since the Mozambican Government legalized private competition with the parastatal agricultural marketing agency and simplified regulations for private wholesale trade in 1990, private traders have virtually driven the parastatal marketing agency out of commodity trade. Rwanda, Ghana, and Mali are all taking steps to streamline business registration and revamp investment and commercial codes. In Rwanda,



CHILD SURVIVAL

In a decade of economic collapse, war, drought, and political turmoil, the continued decline in infant and child mortality stands out as a startling success. In the 14 African countries where A.I.D. has emphasized child survival activities, infant and child mortality rates decreased 15 and 17.3 percent, respectively, since 1981. The spread of low-cost primary care interventions, immunization, and oral rehydration therapy (ORT), have been important factors in attaining this level of success.

National childhood immunization coverage rates in the 14 emphasis countries reached an average of 80 percent, doubling from about 30 percent in the mid-1980s. Five of these countries, Burundi, the Central African Republic, Lesotho, Malawi, and Swaziland, attained coverage rates of 75 percent or more for the third dose of polio and diphtheria-pertussis-tetanus (DPT) vaccines. In the 12 countries where data are available, the percent of pregnant women receiving two doses of tetanus toxoid (TT) vaccine increased from 20 percent during the mid-1980s to over 40 percent by the late 1980s. Beyond increasing coverage, some African countries have documented sustained decreases in the incidence of vaccine-preventable diseases, such as measles and polio. Immunization efforts throughout Africa have benefited from strong collaboration among ministries of health, A.I.D., UNICEF, WHO, Rotary, and other partner agencies.

Significant progress also has been made in the promotion of oral rehydration therapy to prevent death from diarrhea-related dehydration. In the same 14 emphasis countries, mothers' use of ORT for their children with diarrhea has increased from an average of under 10 percent in 1985 to an average of 40 percent during the late 1980s. Within the same time frame, the availability of oral rehydratics solution has increased threefold from an

administrative delays to register a new business have been slashed by up to two years and up-front cash outlays reduced. In Mali, the number of new businesses registering in the first quarter of 1991 alone reached 80 percent of the total number of business starts in 1990.

Strengthening Market Incentives
Improved market reforms proved most successful when governments have also eliminated centrally administered price controls and allowed markets to be regulated by buyers and sellers. In Mozambique, the government enhanced its marketing reforms by dropping an archaic fixed-pricing system for agricultural commodities in favor of market-based pricing for maize, beans, and rice. Despite serious security problems throughout much of the country, farmers with a minimum of stability are producing more crops, resulting in improved child nutrition. From 1989 to 1990 — a period of relatively constant food aid levels and consistent weather — growth rates for children under five improved in each of the country's ten provinces.

The positive impact of deregulating food prices is not unique to Mozambique. Market and price liberalization resulted in lower real food prices in Ghana, Tanzania, Guinea, Malawi, Gambia, and Mali. In Senegal, deregulation of cereal markets for millet, sorghum, and maize significantly reduced

greater share of the retail price to make its way to farmers. By contrast, Guinea-Bissau's failure to liberalize pricing and marketing for rice contributed to a 20-25 percent decrease in production from 1990-1991.

Readjusting pricing policy has proved equally important in stimulating exports, particularly in encouraging new investments in non-traditional trade. In Uganda, the rapid increase in vanilla exports stemmed directly from a reform of the exchange rate system that offers better returns to exporters. The new foreign exchange regime encouraged a private Ugandan firm to secure a contract with McCormick, the U.S. spice company. The firm paid farmers about six times the price they had received for vanilla in 1989, and tripled the number of producers they work with. In Mali, the government's decision to lift export taxes has reduced the marketing cost per head of livestock from \$20 to \$8.60, vastly increasing the potential for regional trade.

Reducing Physical Barriers to Business and Trade

In some countries, high marketing costs have precluded new investments and frustrated attempts to generate employment. More significantly, high entry and

crops and make them available to consumers at reasonable prices. In short, when competition is thin, neither farmers nor urban consumers may benefit from market reforms.

In Tanzania and Ghana, A.I.D. is working successfully with the government and the private sector to reduce physical trade constraints by institutionalizing programs to build and maintain feeder roads. The Ghana program will rehabilitate 10,000-12,000 kilometers of feeder roads through contracts with private firms that receive start-up loans and training in labor-intensive construction. As of September 1991, 41 firms were under contract. A survey of businesses where roads have been completed indicates that complaints about land transport dropped from 72 to 39 percent. In Tanzania, a similar construction approach also is producing significant results: increased mobility, especially in the rainy season, improved movement of crops, better supply of agriculture inputs and consumer goods, increased public transport, and increased marketing choices for agricultural producers.

In Uganda, A.I.D. financing and technical assistance helped a private manufacturer of pharmaceuticals overcome high start-up costs in a non-traditional field for private investment and set up a factory to produce oral rehydration salts (ORS). The factory, with state-of-the-art mixing and packaging equipment purchased from U.S.



J. WOLF

Organization (WHO) and U.S. standards. It is now fully operational and was on target to produce 1.65 million ORS packets by the end of 1991. The bulk of the 1991 output was provided to the national diarrheal disease control program as a loan repayment by the manufacturer. Starting in October, packets were produced for commercial sale, with distribution and promotion covering most of Uganda.

The Employment Challenge

Through the 1990s, the greatest challenge for Africa's private sector may be to generate employment to meet a burgeoning labor force. Kenya estimates that it must create 4.3 million new jobs by the year

2000 to prevent an increase in the aggregate number of unemployed. To meet this demand, the vast majority of the jobs must come from small-scale, private-sector growth: 1.8 million jobs from small farms, and 1.9 million jobs from the informal sector. Other African countries are likely to face similar circumstances.

The positive side is that small-holder agriculture and the informal sector respond quickly to opportunities for growth. In most African cities, increased government



...major peri-urban economic growth. A recent study in Mozambique demonstrates that the informal sector in Maputo, the capital, produces greater income for about 750,000 peri-urban residents than the formal sector, with virtually no inputs from government other than the right to trade. Projects in Kenya and with South Africa's black majority have tested group-lending approaches on microloans that help expand employment, particularly among women, and have had high repayment rates. In agriculture, price and market liberalization have demonstrated that the farm sector can retain laborers if profits are realized. The key issue will be the strategies that must be employed to maintain such potential increases in productivity from Africa's natural resources and from its people.

**STRATEGIC OBJECTIVE 3:
DEVELOPING THE POTENTIAL FOR
LONG-TERM INCREASES IN
PRODUCTIVITY**

African economies are largely agricultural, and until at least the end of the 20th century, the continent's comparative advantage will continue to be in developing its agricultural sector. Part of the challenge is merging the need for

protection of a fragile natural resource base. A.I.D. is working to meet these challenges by:

- **developing new technologies** that will improve African agricultural productivity,
- **improving the health and education** of the human resource base, and
- **balancing growth in the economy and growth of the population**, which is critical to sustainable improvements in the lives of Africans.

Improved Natural Resources Management

A.I.D. realizes that a key aspect of assuring lasting increases in agricultural productivity is **sustainable management of the natural resource base**. The first step toward this goal is to create an environment that encourages farmers, pastoralists, and others to make more efficient use of resources that will lead to continued growth in income and improved welfare.

No farmer who is living at a marginal level will use resources more efficiently unless he or she will benefit directly. There is often at least a perceived conflict between short-term gain, or even survival, and the longer-term objectives of the individual and of society in general. The first step in providing incentives for farmers to consider adopting technologies that have both short- and long-term payoff is often to change the policies that affect

with an appropriate regulatory and fiscal policy framework so that individual decision-making is not usurped nor profits taxed away.

A.I.D. often takes a lead role in setting the preconditions for long-term resource management. In Lesotho, where wool provides a substantial share of farm income, the government, with A.I.D. support, has encouraged the establishment of local range-management areas (RMAs). Within the RMA, local people set limits on resource use, both in terms of the number of animals permitted and the schedule of land use. The oldest of the RMAs was established in 1983 as an A.I.D.-supported experiment in local range management. Results reported from that experiment in 1990-91 show significant checking and reversal of deterioration of the range and a substantial increase in the quality and value of the animals on the managed range area.

Conservation of biodiversity often goes hand in hand with the maintenance of agricultural productivity in Africa. The most obvious link is through the sustainable use of natural products such as woods, fibers, fruits, seeds, honey, and meat. Meat from wild animals is the most important source of protein in much of central Africa, but the



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African
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potential value of many other natural species remains untapped. Continued discovery of natural pharmaceuticals in Madagascar, for example, demonstrate that the United States has a stake in assuring the conservation of species whose value may become clear only in the future, as medical research progresses.

Accelerated Agricultural Technology Development and Transfer

A crucial aspect of increasing sustainable economic growth in sub-Saharan Africa is generating and making available new, more efficient, and higher-yielding agricultural technologies. The adoption of these technologies will permit African farmers to increase the returns from their labor as they respond to changing domestic and international markets. The intensification of agricultural productivity is one part of a formula for balancing the resource base with the population it must maintain.

A key element to increasing agricultural labor productivity is encouraging technological change that will intensify production levels. A.I.D. has recognized the importance of agricultural technology development and transfer since the

1960s. The approach taken since the late 1980s, however, is much different from A.I.D.'s earlier efforts.

The work of the 1960s and 1970s generated some very useful products such as Kitale maize in Kenya, but A.I.D. has also learned that a more comprehensive approach is needed to make a steady stream of improved technologies available to African farmers. This is hampered by host country research institutions that require substantial development and overhaul, research programs that do not respond to the demands of farm and agribusiness clients, and researchers who are insufficiently linked with counterparts in other countries.

These challenges to developing improved agricultural technologies led A.I.D. to design programs that improve the efficiency of research institutions through better management and encourage cooperation between public and private sector organizations so as to better understand farmers' needs and to share the costs of technology development and transfer. A.I.D. also moved to strengthen relationships between African countries and the International Agricultural Research Centers as well as among research systems within various subregions. These efforts raise prospects that as markets are adjusted and resources allocated, the future impact of agricultural technology development and transfer will improve signifi-

Improving the Human Resource Potential

Natural resources are only one component of productivity in sub-Saharan Africa. The other critical ingredient is the human population. Poor health detracts from labor productivity, while an untrained work force leads to inefficiencies in the economy. Most important, high population growth rates threaten the sustainability of any gains in economic productivity.

Support for family planning programs is an essential element of U.S. development assistance in Africa. The United States has been a leader in policy dialogue with African countries on the implications of high population growth rates for the sustainability of other gains, such as higher value for agricultural products, enhanced child survival, and increased school enrollment levels (*see child survival box p.12*).

Fertility in sub-Saharan Africa remains the highest in the world by a considerable margin, as African societies, in general, have placed a high value on fecundity. It is only in the past few years that A.I.D. has been able to demonstrate a decline in the total fertility rate in any sub-Saharan countries where it supports family planning and population policy development. This may signal a significant change in values related to children and to the role of women in society. In each country in which fertility has declined, an

among married women in Kenya increased from 10 to 18 percent, while in Botswana it increased from 18 to 32 percent, and in Zimbabwe from 27 to 36 percent. Other countries are also showing promising results. In Rwanda, the most densely populated nation in Africa, contraceptive prevalence shot up from less than 4 percent in 1988 to the present level of nearly 11 percent, after A.I.D. began an innovative community-based program. Use of modern methods in Senegal has increased steadily in urban areas, where A.I.D.-supported family planning services are concentrated, from 6.6 percent in 1986 to 10.4 percent in 1991.

A.I.D. has funded AIDS prevention and control activities in 38 African countries since FY 1988. As A.I.D. has gained experience in HIV/AIDS prevention and control in Africa, the following activities have become key: monitoring HIV/AIDS prevalence, increasing government and public awareness of the problem, assisting African countries with the development and implementation of AIDS prevention programs, and conducting applied research aimed at improving preventive measures. But the AIDS problem is far from solved (*see AIDS box*).

As noted earlier in this report, sub-Saharan Africa is experiencing a growth in infection and death rates

REDUCING HIV/AIDS TRANSMISSION RATES

In spite of the bleak picture painted by the increasing numbers of HIV-infected individuals in Africa and the lack of effective treatments or cures, A.I.D. has begun to realize small gains in changing behaviors, with the expectation that HIV transmission rates can be lowered. This has required significant innovation and flexibility, and new directions are beginning to emerge.

- ***With A.I.D. support, several PVOs and NGOs have developed the capacity to enter the field of HIV/AIDS prevention and make an impact on the problem. A condom social marketing program in Zaire has demonstrated convincingly the effectiveness with which private sector resources can be employed to provide HIV/AIDS education and promote HIV prevention. The Zaire project repackages A.I.D.-donated condoms under a popular local brand name and distributes them through its own sales force to pharmacies, private medical centers and hospitals, hotels, bars and nightclubs, wholesalers, and other consumer-oriented commercial outlets. As an indicator of its unprecedented coverage, 90 percent of the pharmacies in metropolitan Kinshasa participate. Sales have increased steadily from 1 million in 1988, to 9 million in 1990, and over 18 million by November 1991.***
- ***An early impact of the regional HIV/AIDS Prevention in Africa project was the evaluation of newly developed rapid tests for HIV. This multicenter trial, conducted in Ghana, Kenya, Senegal, and Zaire, evaluated both screening and confirmatory tests for HIV in field laboratories. The recently published results showed that these tests are as sensitive as the currently used methods and perform well in field testing. These technologically appropriate tests require neither instrumentation nor electricity, require minimally trained technicians, and are also much faster to perform and much less expensive than currently used technologies. This assessment led to a major policy change by the Government of Kenya to purchase rapid HIV tests for use in emergency situations such as emergency blood transfusion services and for routine use in district and rural hospitals. Other African countries are following suit, and these research***

FOOD AND POLICY REFORM

Before economic policy reform measures were undertaken in many African countries, a large proportion of consumers were paying artificially high prices for food. Even though official prices were often set below market-clearing levels, shortages occurred in official markets due to inefficiencies. These contributed to the emergence of parallel markets, where food commodities, reflecting scarcity, were sold for high prices.

In a multicountry study done by Cornell University on the impacts of policy reform on the poor in Africa, the evidence suggests that access to food by poor households has improved in the wake of reform.

In Ghana, food prices have declined as a result of reform. The consumer price of maize declined at 1.8 percent per year following price policy adjustment. An appreciable decline was found for rice as well as for sorghum, millet, garri, and yam.

In pre-reform Guinea, officially-priced rice was available in Conakry at prices subsidized by as much as 70 percent. Access to that subsidized rice was skewed toward better-off households, however, and even those households were forced to supplement their rice supply at parallel market prices that were up to 3.5 times higher than the official price. After state marketing controls were dismantled and imports and commercial trade liberalized, real rice prices plummeted and supplies became more abundant.

In Tanzania, open-market prices for maize, rice, and beans have been dropping since 1983. Finally, in Malawi, a downward movement in maize prices has been recorded since the adjustment process began. By 1988-89, real maize prices hit their lowest point since data collection began in 1975-76.

including migration to endemic areas, urbanization, climate, and the presence of drug-resistant malaria parasites — are formidable foes and will take their toll on the declines in morbidity rates that occurred in the late 1980s.

A.I.D., along with other donors, has renewed its attention to the malaria threat. A.I.D. is developing a malaria control strategy that field missions can use to increase their involvement in supporting host-country malaria control programs in Africa. One dimension of the strategy will be policy dialogue. In Tanzania, A.I.D.'s policy analysis helped convince the government to waive duty taxes on the importation of insecticide-impregnated bed nets, reducing their cost from approximately \$25 to \$4, and making them more widely accessible. This strategy, furthermore, will emphasize community participation, the development of locally sustainable methods of interventions, and establish innovative, broad approaches to expand malaria control beyond the health sector alone.

IMPROVED FOOD SECURITY

Food security is an essential component of improved economic performance in sub-Saharan Africa. It is fundamental to the well-being of the poor in Africa and is particularly challenging, given both vulnerability and drought on the one hand, and lack of foreign exchange for food imports to augment insufficient domestic food production, on the other.

The most significant progress in improving African food security has been in food availability. Despite relentless population pressure and repeated droughts in sub-Saharan Africa, annual foodgrain production increases are catching up with population growth. Food production throughout the 1980s increased at slightly more than 2 percent per annum. Improved domestic production is attributed to policy reforms as well as the increasing use of improved technologies and relatively favorable weather.

In Africa, A.I.D. has used an effective combination of DFA and P.L. 480 (food aid) resources to bring about results in terms of both availability (aggregate food supply) and access (ability of individuals to purchase the food they need). Most dramatically, those countries that help themselves by undertaking economic policy reforms are achieving the best results in terms of assuring food security and reducing dependence on food imports from donors.



INCREASED FAMINE PREPAREDNESS

One of the most vulnerable groups in Africa remains the innocent victims of famine. In an effort to save lives and preserve U.S. and African financial resources, A.I.D.'s Famine and Early Warning System (FEWS) project is successfully providing the U.S. Government with timely information while strengthening African institutional capacity to respond to food shortfalls before they develop into full-fledged famine situations.

The FEWS project was developed in response to the 1984-85 drought and famine tragedy in the Horn of Africa and today covers the five Sahelian countries plus Sudan and Ethiopia. (In 1992, FEWS was expanded to include countries affected by the southern Africa drought). The system, which relies on satellite imagery combined with field verification, has been consistently upgraded and its technology refined since its inception. Famine was once again a major problem in the Horn in 1991, and FEWS successfully predicted this food crisis. U.S. food assistance totaling nearly \$420 million (including transport costs) was delivered on time to avert widespread starvation. Today, FEWS is a state-of-the-art tool that has become one of the stalwart forces against impending disaster.

Another benefit of the FEWS project has been improved joint collaboration with other donors. Information sharing has helped ensure adequate and timely donor response.

A.I.D. has used FEWS and other projects to reinforce the local capacity to forecast and monitor food needs in a number of African countries. Strengthened capacity in Africa to make sound decisions in a rapid and cost-effective fashion will be key to achieving increased famine preparedness. For example, the A.I.D.-funded Sahel Regional Institutions project supports crop and cereal assessment in Sahelian countries through the Network for the Prevention of Food Crises in the Sahel.

Given the importance of agriculture in the economies of African countries, improvements in agricultural performance are closely linked to the availability and access dimensions of food security. A.I.D. is contributing to food availability through development programs aimed at improving agricultural productivity. Several of these country programs and projects are comprehensive enough to contribute significantly to food security. In Mali, for example, A.I.D.'s support for cereal market reform has contributed to increases in investment and productivity of rice.

The performance of countries that have pursued market reforms during the 1988-1990 period is encouraging. Per capita foodgrain availability edged back up toward the record levels of the mid-1970s. More noteworthy, net domestic production climbed significantly above the record low levels of the early 1980s. Foodgrain availability from commercial imports held steady, but well below the record high levels of the pre-structural adjustment period (*see food and policy reform box p.18*).

In contrast, among the countries that have not undertaken market reforms, total foodgrain availability

per capita fell, led primarily by a sharp decline in commercial imports as foreign exchange reserves virtually vanished. Availability of foodgrain from domestic production improved only slightly over the levels of the mid-1980s, and food aid sources remained steady. Thus, as the 1990s opened, total foodgrain availability in the non-reforming countries fell to some 15 percent below that of reforming countries. For these same countries, a review of daily caloric intake trends, however, indicates that while per capita intake has fallen from the 1970s, the magnitude of the decrease is less than 5 percent. One partial explanation is an increasing shift away from cereals to roots, tubers, and other high-caloric and lower-priced food commodities.

U.S. food aid commodities have increased food availability in African countries and have contributed to a reduction in the year-to-year instability of food supplies. U.S. food aid resources in the form of the new P.L. 480 Title III Food for Development program authorized under the 1990 Farm Bill also have been used in support of economic policy reform to improve food security. For example, in FY 1991, balance-of-payments savings through the provision of food aid, coupled with the local currencies generated from the sale of food aid commodities, have directly

The United States also has provided massive amounts of emergency food aid throughout Africa but particularly in the Horn, the Sahel, Liberia, Mozambique, and Angola. This food aid — which totaled nearly \$420 million (including transport costs) in FY 1991 — provides a food safety net for vulnerable groups and dampens annual instabilities in food supply and prices (*see famine box*).

Access to Food

The real test of improved food security is increased household access. Improvement in access is a long-term challenge that requires increasing incomes of the poor so that they can purchase more food. Preliminary research results show an elevated nutritional status of the rural poor in many countries, suggesting that their household access to food is indeed improving.

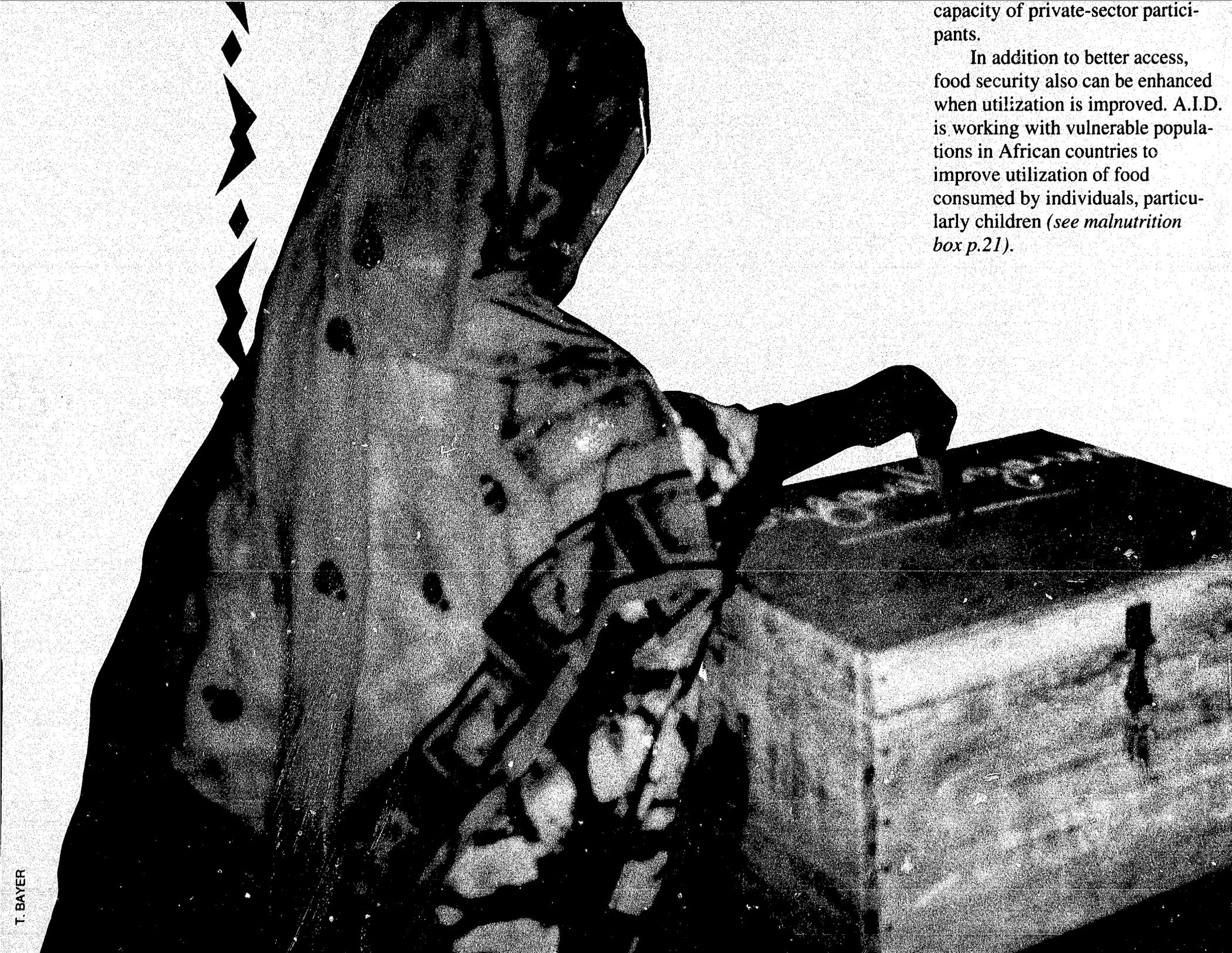
As commodity markets are liberalized in sub-Saharan Africa, short-term gains in access to food are being realized through a decline in the cost of food commodities. During the past few years, A.I.D.'s efforts to improve access have been concentrated on this approach. The

MALNUTRITION

A.I.D. has been supporting programs to promote improved child-feeding practices, including exclusive breast-feeding in the first four months of life, and improved weaning practices. These types of programs have been proven effective in reducing malnutrition, with potential cost-savings to poor families.

The World Bank recently identified several A.I.D.-supported PVO projects in Africa as effective models for improving child nutrition. These include a child survival project in Imo State, Nigeria and a maternal and child health (MCH) program in Togo. A 1991 evaluation of the project in Nigeria showed a reduction of malnutrition in the under-three population from 30% to 19% over a two-year period. This project focused on improving basic child-feeding practices through the production and sales of local, high-quality weaning foods and growth monitoring of young children by the communities themselves. The Government of Nigeria has asked for a replication of this program in other areas.

To support the promotion of optimal infant-feeding practices, over 60 African health workers in eight countries have been trained. A.I.D.'s Nutrition Communication project is working in Burkina Faso, Mali, Swaziland and Niger to assist governments and PVOs to design effective communication and nutrition education programs. In September 1991, A.I.D. supported a West African conference on nutrition and child survival. Policy makers from eight countries participated and emphasized the importance of integrating improved child feeding strategies into ongoing child survival, MCH and family planning programs. As a result of this conference, A.I.D. will be providing additional assistance to Cameroon, Senegal and To



capacity of private-sector participants.

In addition to better access, food security also can be enhanced when utilization is improved. A.I.D. is working with vulnerable populations in African countries to improve utilization of food consumed by individuals, particularly children (*see malnutrition box p.21*).

AFRICA: Sound Foundations for Human Development

The foundations for African economic development are becoming more solid. As in the rest of the world, experience has demonstrated that open and participatory societies give people a stake in their economic development. When given the opportunity to work hard and earn a profit from their efforts, Africans have responded. That is not to say that external support is not needed. Africa is desperate for resources to improve technology, expand health care, and promote sound education for its children. But the foundation for development lies with the African people, and it is they who must sustain Africa's economic growth. Their success may depend on whether African governments indeed strengthen the human resource base and give

people the freedom and incentives needed to exercise initiative and contribute productively to their societies.

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.

DEMOCRACY AND GOVERNANCE

A summons to democracy is being heard throughout Africa. More participation, more accountable government policies, and more democratic freedoms are goals that Africans want for themselves.

In 1991, important first steps toward more open and competitive political systems occurred in 19 African countries. A free and fair election in Zambia allowed a legitimate, peaceful, and significant change in government and subsequently moved toward a free-market economy and accountable and transparent policies. In Mali, steady progress on the part of the government in implementing democratic reforms has resulted in solid popular support. These changes may be delicate, but they are promising.

A.I.D. is committed to supporting African-led initiatives for democracy and improved governance. During FY 1991, A.I.D. obligated \$30.6 million for direct support of these initiatives and plans to increase assistance levels to over \$40 million in FY 1992. A.I.D.'s regional and bilateral programs include helping Africans redraft constitutions, establish free press laws, carry out free and fair elections, develop new NGOs and other independent associations, and increase participation in the political process. A.I.D. also plans to assist Africans to develop longer-term democratic institutions and to decentralize power and authority in countries committed to a process of change, such as Mozambique, Guinea-Bissau, Rwanda, Ethiopia, South Africa and Zambia. In each case, the emphasis is to help African countries grapple with tough technical issues in the transition to more open societies in ways that reflect local needs, and thus, stand a better



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

development. There is no other region in the world where U.S. support can have a more profound impact on people's lives.