- PD-ABJ-304 ISN 90337

MAJOR TRENDS

IN ANE

- Economic
- Demographic
- Agriculture
- Social Services
- Energy

December 15, 1989

DRAFT - Talking Points for CA

PD-11BJ-304
CA 19337

ASIA/NEAR EAST
RESHAPING A PROGRAM

CHOICE

-"Where there is no vision, the people perish" (Proverbs _____). The ANE Bureau's vision of "choice" goes back to the thinking of an eminent development economist, Sir Arthur Lewis, who wrote: "The advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice. The case for economic growth is that it gives man greater control over his environment and thereby increases his freedom."

-In some of his first foreign policy remarks President Bush also stressed the importance of economic growth and talked about entrepreneurship as the most powerful engine for creating that growth. He explained that entrepreneurship is a product not of massive foreign aid transfers but of free and open societies.

-The ANE Bureau believes that choice is best advanced by open markets and open societies.

-Open Markets lead to the proliferation of trade, investment, and jobs, and allow people to choose what they produce and consume, where they work, what they invest in and how much of their profits they retain.

-Open Societies consist of the rule of law, freedom of the press, speech and religion. This leads to the proliferation of trade unions, cooperatives, PVOs, and business groups. These 1000 points of light provide the essential institutional framework or "rules of the road" to sustain open markets. They are the important counterweights to central government power.

WHERE WE'RE GOING

-Successful development is about coping with ever present change.

-Oliver Wendell Holmes said, "It's not so much where you stand as in what direction you are moving." Too often we design projects and Congress legislates programs for the problems of the 1960s. We shouldn't even be designing for today, but for the next decade. We should have our sights on the opportunities of the next decade, not the problems of the past.

-So, the ANE Bureau paused and looked at the future. We took a breather from our busy schedules to look at trendlines, not headlines and deadlines. We wanted to see where our countries are going, with or without us, and how our foreign aid dollars can be most relevant to ensuring broad-based sustainable growth.

-We discovered that ANE countries have undergone a rapid transformation from predominantly agricultural-based economies to a variety of new circumstances.

-We also observed that many of the traditional AID programs and legislation have not kept pace with these changes. Some of the most important changes include:

- Farming is no longer the most important sector of many ANE economies. This has a significant impact on all other segments of the region's economy.

- Urbanization and industrialization have increased and are continuing to do so at a rapid pace.

- More educated people, especially women, are participating in the cash economy. This has resulted in lower birth rates and "consumer" societies. We are seeing increases in the import of foods that require less time to prepare. People are eating, for example, wheat vs. rice, processed food vs. staples.

- ANE countries are increasingly becoming part of the world economy with more emphasis placed on the need for capital markets, trade and investment.

-Making that link, bringing countries into the world markets, was why foreign aid started 40 years ago with the Marshall Plan. We need to revive that vision in the 1990s.

THE TRENDS

A. Economic Trends

Chart:

1 1. Past, current and future growth trends are generally good. We asked why ANE countries have out-performed others. For example:

-Korea's debt in the late 1970s was worse than Brazil's.

-In 1960 Taiwan was poorer than Costa Rica.

In general, most ANE countries got their economies in order through sound macro-economic policies, effective debt management and the determination to liberalize their economies. They were able to weather the bad times of changing oil prices and decreasing commodity prices. Both Korea and Taiwan succeeded, for example, because they adjusted to the world economy. They made mistakes but corrected them.

2 2. Good growth has also been key to poverty reduction. Foreign aid was modest vs. private investment and private flows of capital, technology and people. It's extremely important that we view foreign aid as a catalyst to long term development which is sustained by private flows.

3-4 3. When economic growth increases, trade and integration into the world economy is increasingly important:

-Economic growth usually brings dramatic increases in exports. Therefore:

- Countries are fertile for trade and investment opportunities.

- They experience a new set of problems as they integrate into the world economy:

-Adapting their products to world technical standards; establishing those standards that support U.S. products (IPR, FDA, GATT, etc.).

-Establishing financial markets -- stock markets, privatization--ESOPS, deregulation.

-AID's role is very important because we want them to play by international rules of the game -- to keep growth going and make sure their rules/standards are favorable to the U.S. (South Korea and Taiwan example vs. ANE Bureau emphasis on helping the second generation newly industrialized countries [NICs] such as Thailand, Indonesia and Tunisia enter the world market.)

-But AID legislation and staff skills are not yet focused on these areas.

B. Demographic Trends.

1. The demographic trasition is the most significant trend -- it affects virtually all of our decisions about new programs. Most notable is the dramatic increase in the working age population.

✓5-6 • In the Philippines and Indonesia, for example, the working age population is 60% by the year 2000. At the same time the overall population growth rate is flat. There will be the same number of children in 2000 as there are now.

• AID's legislative emphasis on infants and children and increasing services and infrastructure for them ignores this. (Comparison to U.S. building schools in 1950s and 1960s and overcapacity in the 1970s.)

✓7-8 • Even on the far end of the spectrum, in Pakistan and Yemen, while there will be more children in the year 2000, we still have <u>more</u> people in the working age group.

• This has tremendous implications for generating jobs, adult diseases, vocational training and higher education (especially science and engineering). AID is not focusing on these areas now.

✓9 2. Another way to measure this phenomenon is to look at median age. This shows the trend even more dramatically.

• Median age in many of our countries is the <u>same</u> as the U.S. in the 1970s and the <u>same</u> as the NICs in the 1980s.

10 3. Populations are changing not only in age, but also in where they live.

• In the 1960s most of our countries were predominantly rural. Now and in the future, urban dwelling is coming closer to 40-50% of the population.

• By the year 2000, 10 of the 20 megacities will be in our region. The population of Karachi in the year 2010 (32 M) will be the same as all of Pakistan at Independence in 1947.

should consider

- AID legislation is directed more to rural areas, yet urban areas are increasing and they are the engines of economic growth through industrialization. Thus, ANE is working more on municipal management, taxation, revenue generation and urban problems.

4. Implications of demographic trends.

- Historically, rising median age/working age is associated with peaks in savings and investment. This is the time when our countries have opportunities to create capital for industrialization. It is particularly important to get economies away from welfare societies because people now have money to invest. We should create and encourage private sector job opportunities.

- There will be a much larger labor force. It's very important that we seek to create jobs (especially off-farm such as manufacturing and agribusiness).

- Larger amounts of capital and monetized income will make the financing of social services (health, education) more plausible, e.g. risk pooling for insurance.

- Energy consumption will sky-rocket, yet there will be more money to finance it.

- Higher level skills are needed for a changed labor market.

- Health needs are shifting to adult diseases and environmental problems.

- Food processing/distribution is increasingly important to feed growing city demand and more sophisticated diets.

- These are all areas where we need to restructure our legislation, program directions, and staff skills if we are to be relevant to the 1990s. We must move with our countries because they are moving with or without us.

C. Agricultural Trends.

11-12 1. Agriculture is declining as a share of GDP and percentage of the labor force, with the exception of Bangladesh and Nepal, in ten ANE countries agriculture's share of GDP is less than 30%. In most ANE countries agriculture accounts for less than 50% of the labor force.

- Yet AID legislation focuses significantly on agricultural production and research.

13 2. The agriculture trade balance shows the region is feeding itself. Nearly half of the ANE countries are net food exporters.

14 3. Non-cereals are being consumed as much or more than cereals. Only in Bangladesh is cereal consumption larger than non-cereal consumption.

- Diets are diversifying as incomes increase.

- Food processing/agribusiness/marketing/exports are becoming much more important and provide jobs for former farmers.

- Legislation and earmarks haven't caught up with the trends.

4. ANE's new Agriculture Strategy focuses on natural resources and agribusiness, changing detrimental government policies, and off-farm employment.

D. Health Trends.

15 1. Infant Mortality Rates are declining. As a region, we've almost met the Agency target of 70 deaths per 1000 live births (70/1000).

- The speed is unprecedented. Similar changes which took 40 or 50 years in the West have taken only 20 years in Asia and the Near East. This is due to overall improvements in living standards, better education and modern medicines.

16 2. In 1960 many ANE countries Infant Mortality Rates were more than 100 deaths per 1000 live births; by 2000 none will be more than 100.

- This, coupled with increases in older populations has dramatic implications for health care. (No longer does the 30¢ measles shot take care of the bulk of health problems. Now we are facing costly adult chronic diseases in countries which continue to provide free/highly subsidized health care. Thus the health bank is busted. It's no surprise why most of government's health budget goes to urban, curative care. This is where the demand is driving it.

- The emerging health problems point to the increasing importance of insurance, privatization, cost containment, financing and management. These are the areas in which the ANE Bureau is focusing -- trying to get those people who can pay off of the public roles, thereby freeing up scarce resources for the truly needy.

- Yet AID's legislation and programs focus primarily on infants and children and the direct delivery of services usually through government ministries.

17 3. Government health expenditures bear no relation to decreases in the Infant Mortality Rate.

- Countries show decreases or marginal increases in health expenditures and the Infant Mortality Rate falls anyway. This is because:
  - -Government health expenditures are generally not effective.
  - -Governments are not usually the main source of health care anyway.

4. ANE has a new health strategy to deal with huge cost increases of adult diseases and to utilize the private sector. We will continue to focus on child survival in the few remaining countries with high Infant Mortality Rates.

E. Education Trends.

18 1. Most countries have 50% completing primary education.

- They know how to build schools and provide access.

19 - The focus for us is now quality, financing, and the need for new skills, secondary and higher education in business, science and engineering for the labor market. This is the key to competitiveness in the 1990s. Links between U.S. universities and ANE countries help U.S. exports as well.

- Yet congressional earmarks continue to push us in the direction of basic education.

20 2. Of great concern to us is the low level of female literacy in some of our countries. The gap between male and female literacy has actually widened in some ANE countries.

- Yet as an Agency we're not focusing on how to improve female literacy. It's not simple. It's not just building schools and training teachers.

- AID legislation doesn't address it either.

3. As part of our new education strategy we're beginning to work with the National Governor's Association and other groups to bring some of the innovative aspects of U.S. education to LDCs.

F. Energy/Environment Trends.

21 1. Just as ANE economies have grown, so has energy consumption. As prosperity increases, energy needs increase. This is to be expected.

2. Rising energy needs can be viewed as a risk or an opportunity in the 1990s. ANE views it as an opportunity:

- The ANE Bureau's private power strategy and our projects in private power show that power can be privately owned and operated and priced to support growth. AID's role is to foster this.

- When governments try to finance energy, populations are insulated from real costs, and energy needs are not met.

3. The ANE Bureau leads the Agency in funding of environmental projects. Efficient natural resource management is key to sustainable growth.

- The increasingly predominant role of industrial, export-oriented, urban ANE economies will shape our environment strategy. The ANE Bureau is designing an environmental strategy which deals with the natural resource constraints which impact on the economic growth of our countries.

- Whereas rural uplands water issues may have been relevant to many of our countries in the 1970s, the more relevant constraints and environmental problems of the 1990s will center on such areas as industrial waste and water management and urban pollution.

G. Summary

1. In each of our new strategies, the themes of open markets and open societies will prevail.

2. Open markets are reflected in our new agribusiness, health financing, private power, education and environment initiatives.

3. Open societies are reflected in our new Democratic Pluralism Initiative. This will help foster democratic institutions which create choice -- elections, multiparty systems, freedom of association. Creating pluralism in the avenues of service delivery (i.e. private sector options) expands the range of human choice -- our vision of development.

TABLE 1: GDP GROWTH PERFORMANCE IN THE ASIA-NEAR EAST COUNTRIES
(Annual Growth Rates)

	Per Capita Income 1987	Historical Growth Trends 1965-80	Historical Growth Trends 1980-85	Recent Growth Performance 1986-88	Projected Trend 1990-95
	$	Percent per year			
South Asia					
Bangladesh	160	2.4	3.6	3.8	4-6
Nepal	160	1.9	3.4	4.4	unclear 1/
India	300	3.7	5.2	6.0	4-6
Pakistan	350	5.1	6.0	6.2	4-6
Sri Lanka	400	4.0	4.6	3.0	4-6
East Asia					
Indonesia	450	8.0	3.5	4.1	5-6
Philippines	590	5.9	-0.5	4.2	5-6
Thailand	850	7.2	5.1	7.9	6-8
Near East					
Yemen	590	8.7	4.5	11.1	3-5
Morocco	610	5.4	3.0	4.1	3-5
Egypt	680	6.8	5.2	2.8	1-3
Tunisia	1,180	6.6	4.1	1.9	3-5
Jordan	1,560	5.2	4.1	1.6	3-4

1/ Nepal faces continued slow growth as long as the present trade conflict with India continues.

TABLE 2: CHANGES IN THE INCIDENCE OF ABSOLUTE POVERTY IN THE ASIA-NEAR EAST REGION

Country	Year	Total Poverty Incidence	Interperiod Growth Rate of Per Capita Income
Indonesia	1970	57.1	
	1980	39.6	5.2
	1984	34.0	2.6
India	1978	49.9	
	1983	41.9	1.1
	1987	33.1	3.1
Pakistan	1970	42.8	
	1979	29.8	1.4
Bangladesh	1973	65.1	
	1985	43.9	1.8
Egypt	1974/75	N/A	
	1981/82	29.8	3.0
	1984	33.8	2.5
Philippines	1975	46	
	1985	52	0.0
Morocco	1970	42.6	
	1979	38.0	3.1
Tunisia	1980	13	
	1985	11	1.8

N/A = Not available.

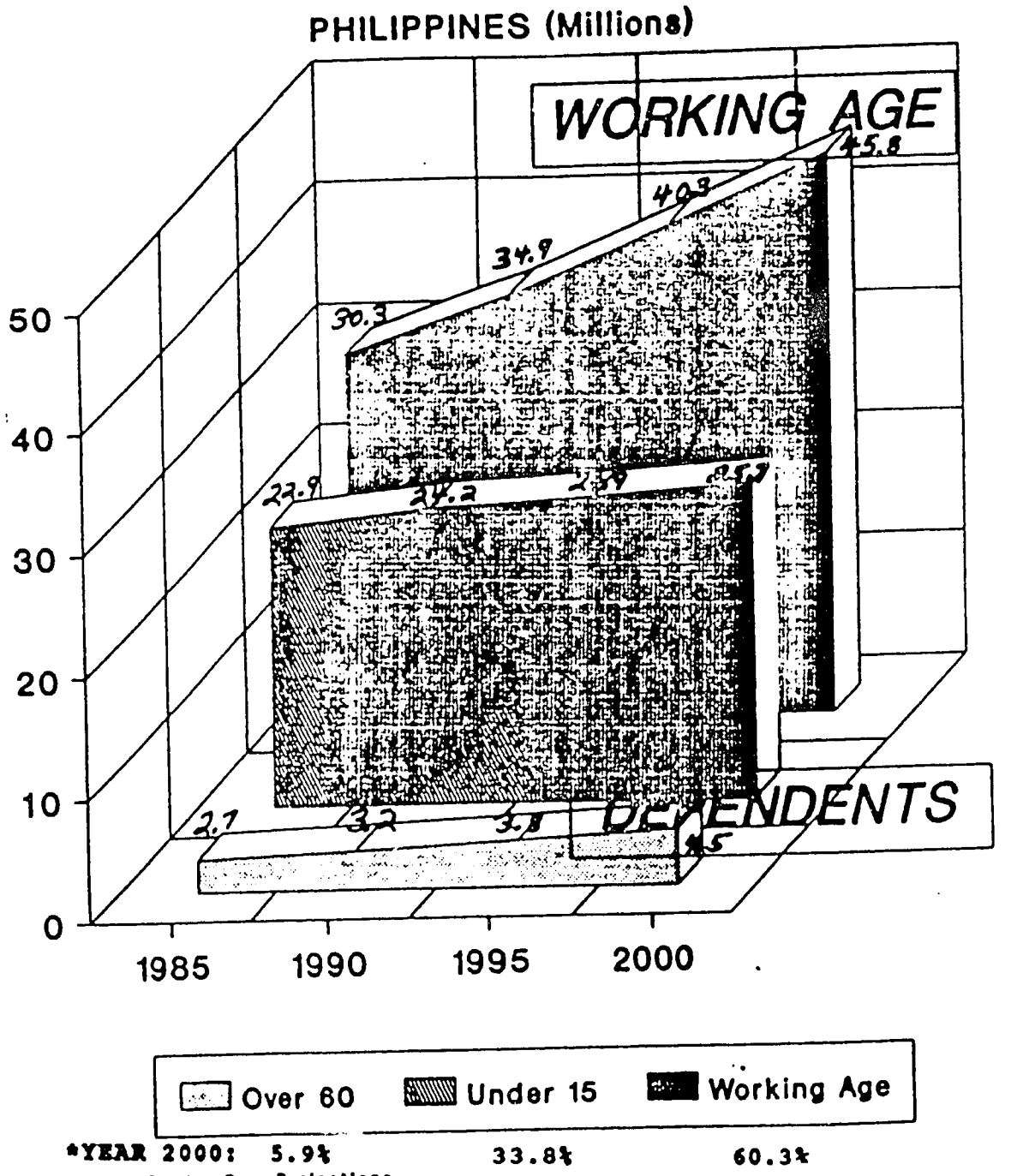
TABLE 3: GROWTH OF MERCHANDISE TRADE IN THE ASIA-NEAR EAST REGION
(Average annual growth in percent)

	GDP Growth		Import Growth		Export Growth	
	1965-80	1980-87	1965-80	1980-87	1965-80	1980-87
South Asia						
Bangladesh	2.4	3.8	N/A	2.3	N/A	6.2
Nepal	1.9	4.7	3.0	6.4	-2.3	5.1
India	3.7	4.6	1.6	4.7	3.7	3.6
Pakistan	5.1	6.6	0.4	3.4	4.3	8.4
Sri Lanka						
East Asia						
Indonesia	8.0	3.6	14.2	-2.2	9.6	2.7
Philippines	5.9	-0.5	2.9	-4.0	4.7	-0.4
Thailand	7.2	5.6	4.1	3.4	8.5	10.2
Near East						
Yemen	N/A	5.6	23.3	-11.0	2.8	-4.0
Morocco	5.4	3.2	6.5	1.6	3.7	3.7
Egypt	6.8	6.3	6.0	1.6	2.7	8.4
Tunisia	6.5	3.6	10.4	-2.5	10.8	2.2
Jordan	N/A	4.3	9.7	0.6	13.7	5.9
Reference						
United States	2.7	3.1	5.5	9.7	6.4	-0.5
Japan	6.3	3.8	4.9	3.6	11.4	5.8
Korea	9.5	8.6	15.2	9.6	27.2	14.8
Turkey	6.3	5.2	5.3	-4.2	5.5	17.1

TABLE 4: CHANGING STRUCTURE OF MERCHANDISE TRADE IN THE ASIA-NEAR EAST REGION
(Percent)

	Share of Food in Total Imports		Share of Manufactures in Total Exports	
	1965	1987	1965	1987
South Asia				
Bangladesh	N/A	16	N/A	87
Nepal	22	8	22	72
India	22	8	49	69
Pakistan	20	16	36	67
Sri Lanka	41	17	1	40
East Asia				
Indonesia	6	3	4	27
Philippines	20	8	6	62
Thailand	6	5	4	53
Near East				
Yemen	40	27	0	78
Morocco	36	14	5	49
Egypt	26	24	20	19
Tunisia	16	11	19	61
Jordan	28	18	18	55
Reference Countries				
United States	19	6	65	88
Japan	22	17	91	97
Korea	15	6	59	92
Turkey	6	4	2	67

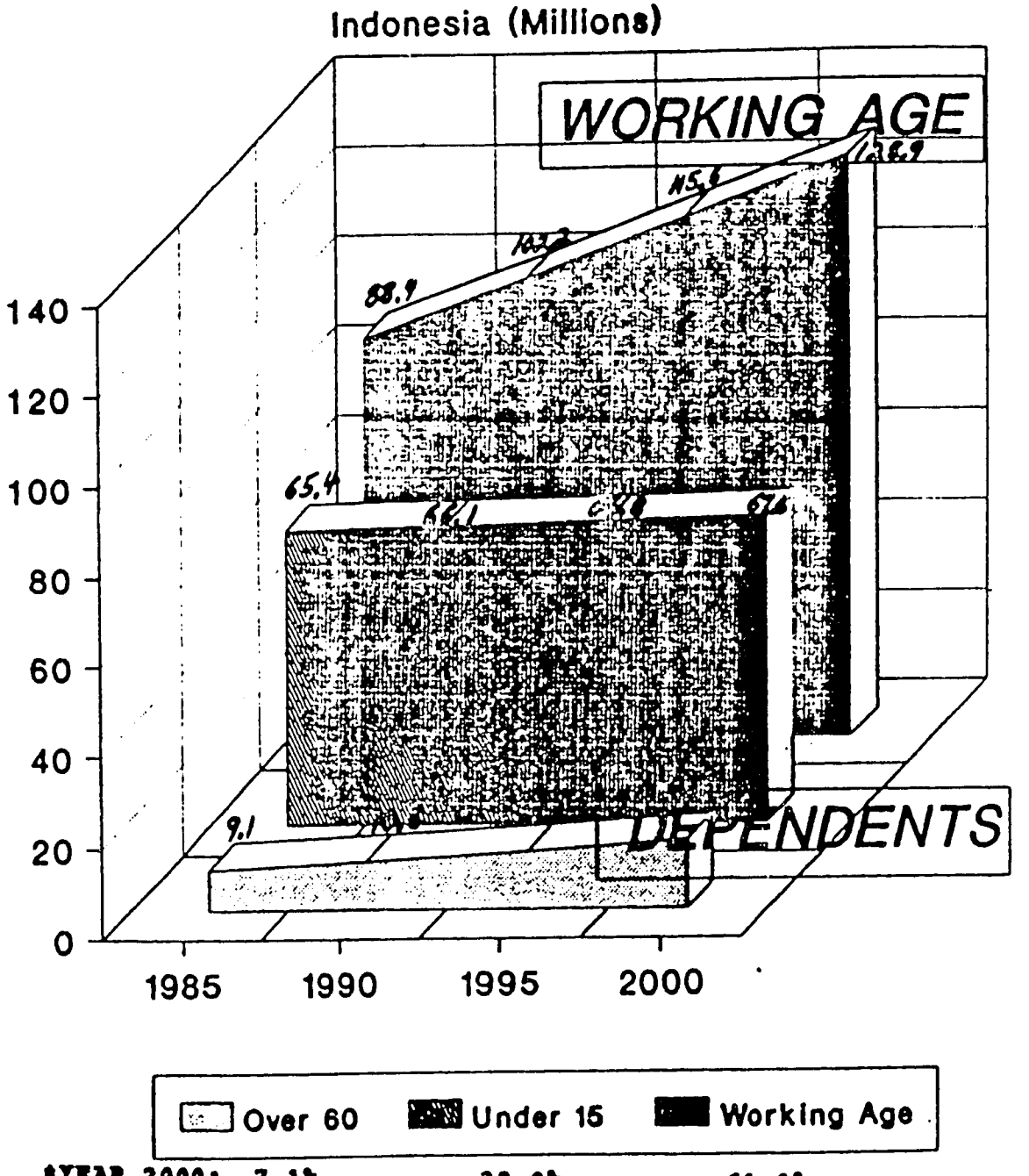
Working and Dependent Populations 1985 to 2000



*YEAR 2000: 5.9% 33.8% 60.3%

Source: Asia Region Pop. Projections 1988-1989 Edition, World Bank

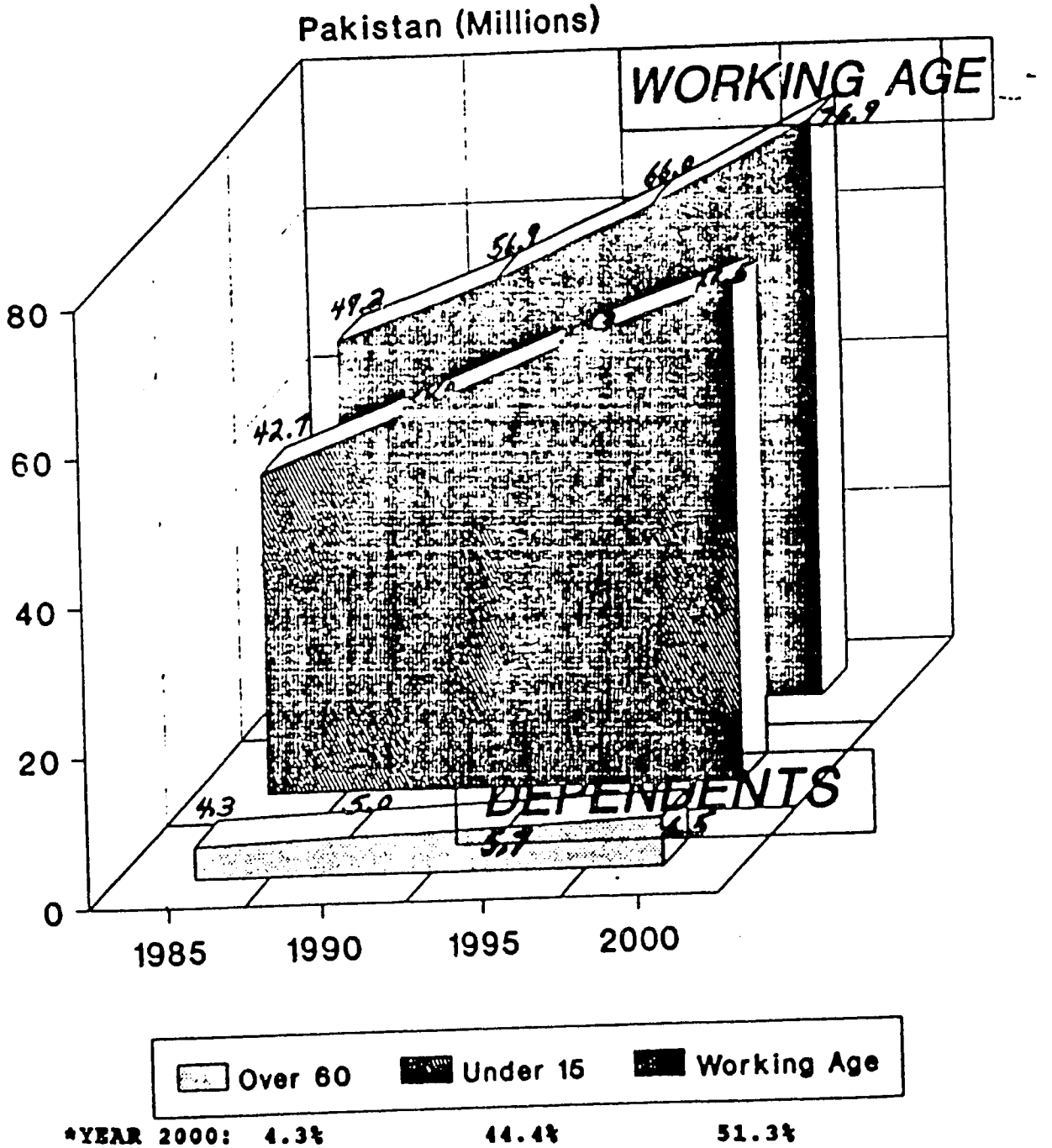
Working and Dependent Populations 1985 to 2000



*YEAR 2000: 7.1% 33.0% 61.0%

Source: Asia Region Pop. Projections
1988-1989 Edition, World Bank

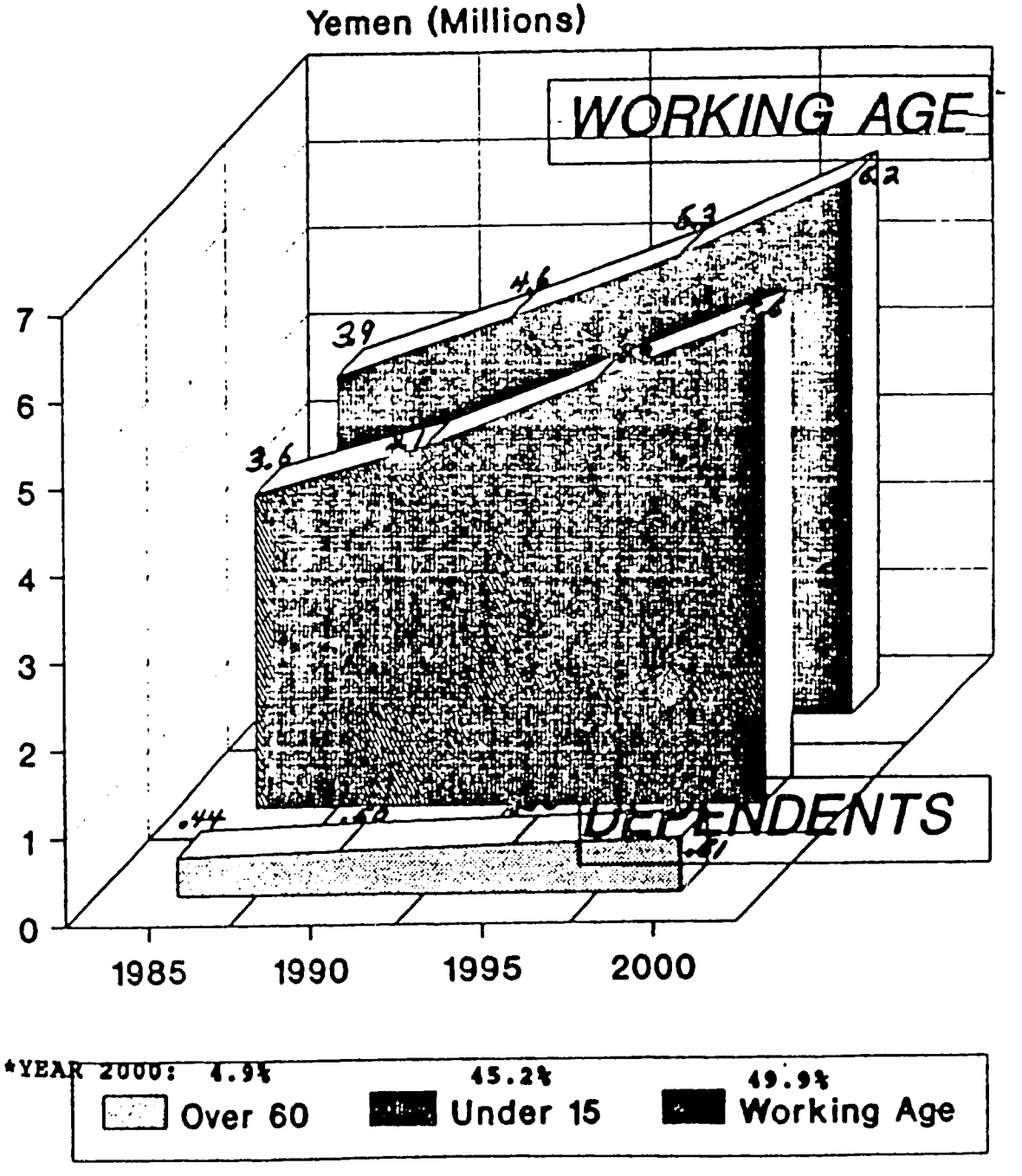
Working and Dependent Populations
1985 to 2000



*YEAR 2000: 4.3% 44.4% 51.3%

Source: Asia Region Pop. Projections
1988-1989 Edition, World Bank

Working and Dependent Populations 1985 to 2000



Source: Asia Region Pop. Projections
1988-1989 Edition, World Bank

MEDIAN AGE EVOLUTION

2000ANE REGION

Sri Lanka (27.3)
Thailand (27.1)
India (23.2)
Indonesia(25.3)
Tunisia (23.8)
Morocco (21.6)
Philippines(21.7)

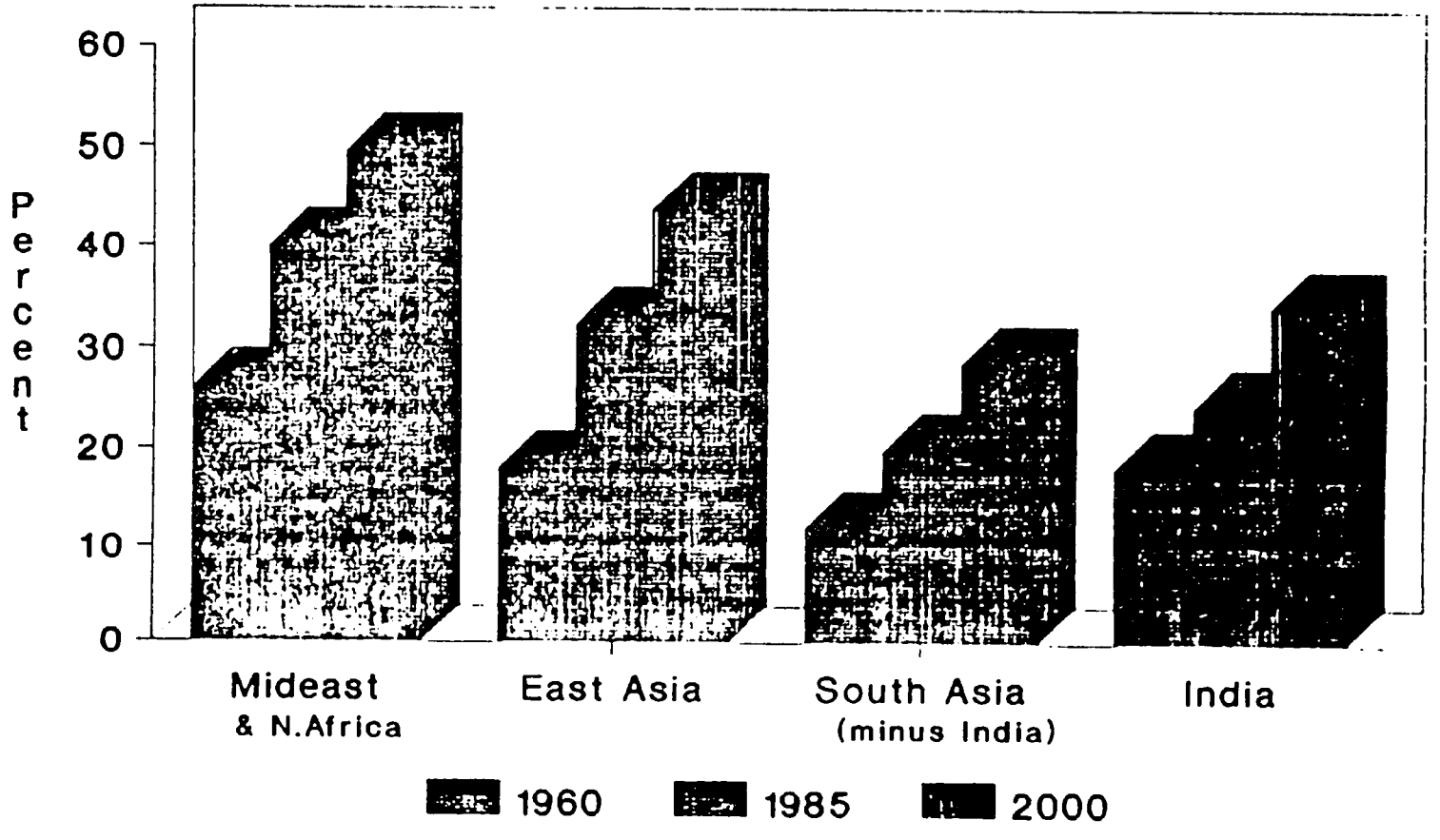
WEST AND OTHER ASIA

1980
Korea (21.1)
Singapore(24.5)
Hong Kong (26.0)

1970
Australia (27.6)
United States(27.9)
Netherlands(28.6)

Source: UN, World PopulationProspects1988.

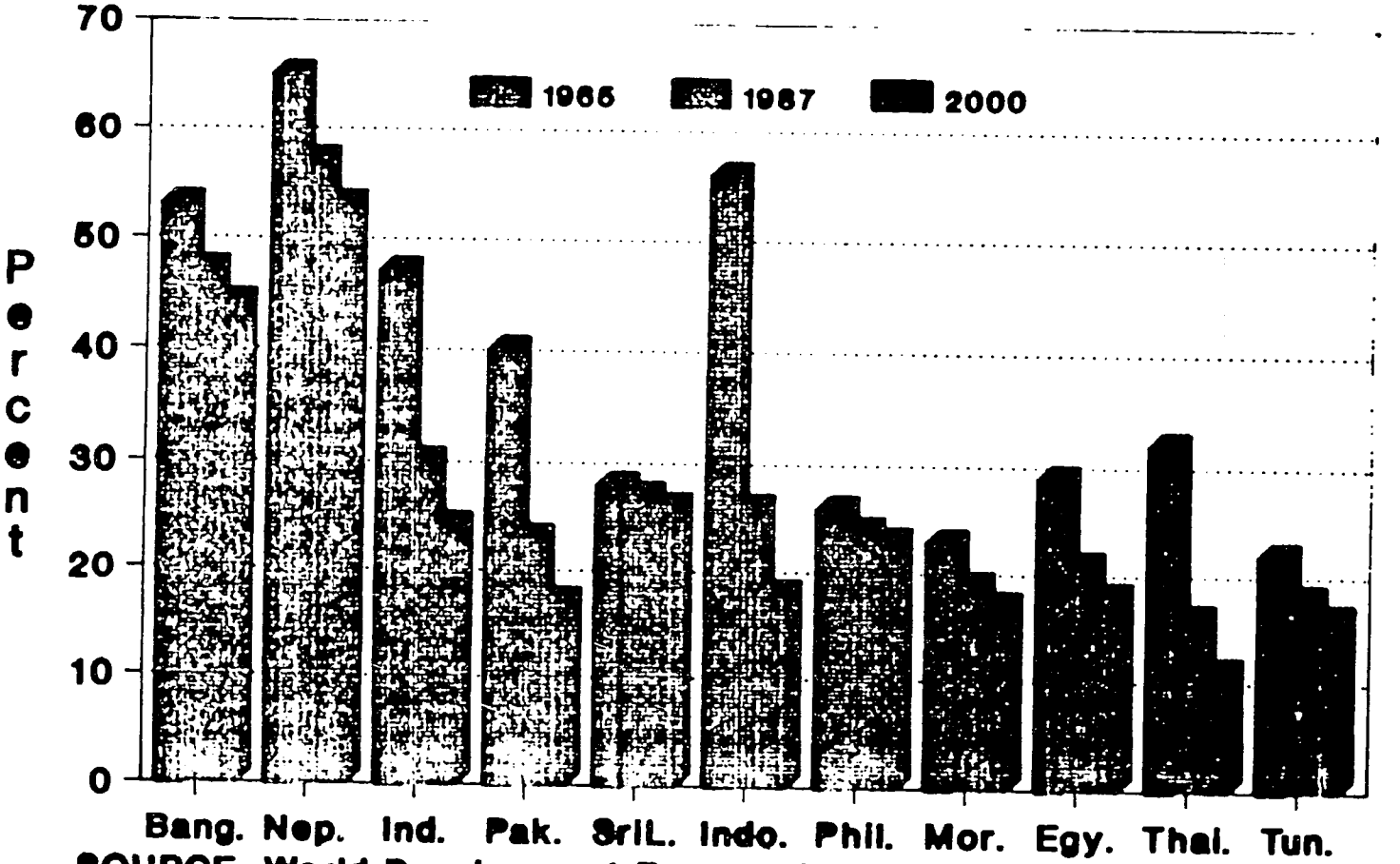
URBANIZATION
By ANE Sub-Region



UN World Population Prospects, 1988.

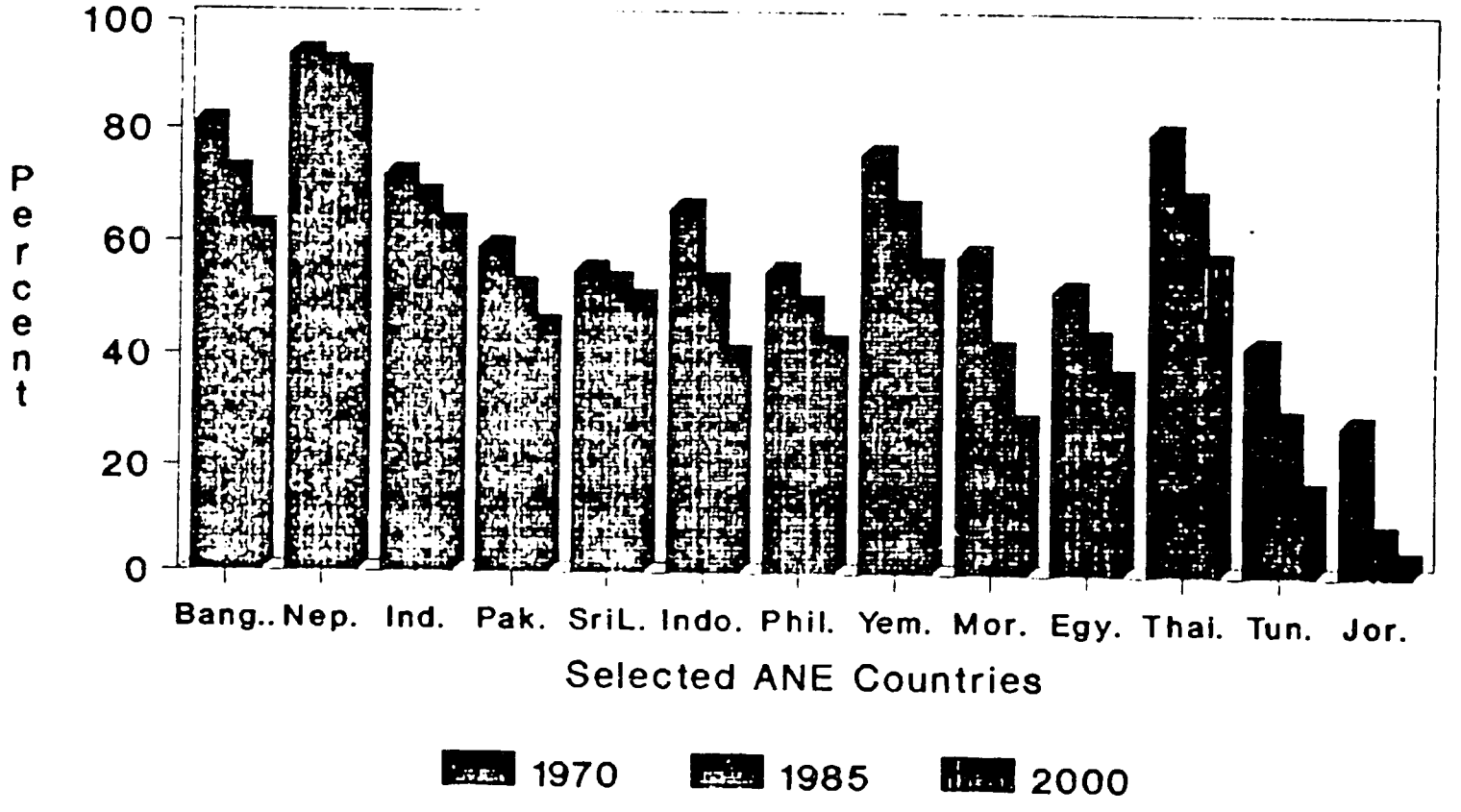
Agriculture as a Share of GDP

Selected Asia & Near East Countries



SOURCE: World Development Report 1989.

Agricultural Labor
as a % of Total Labor Force

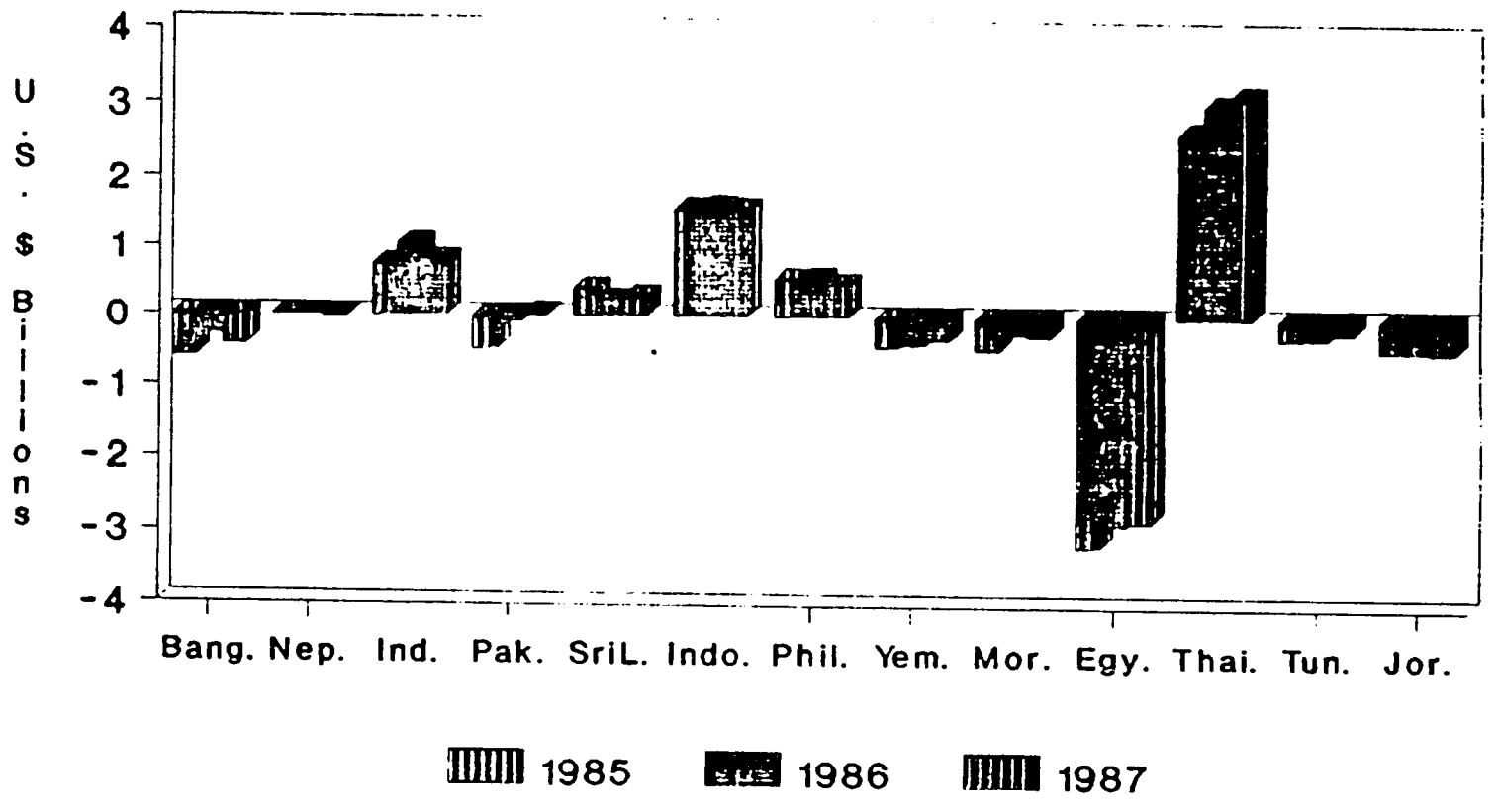


Source: Agriculture: Toward 2000, FAO, 1987.

Agricultural Trade Balances

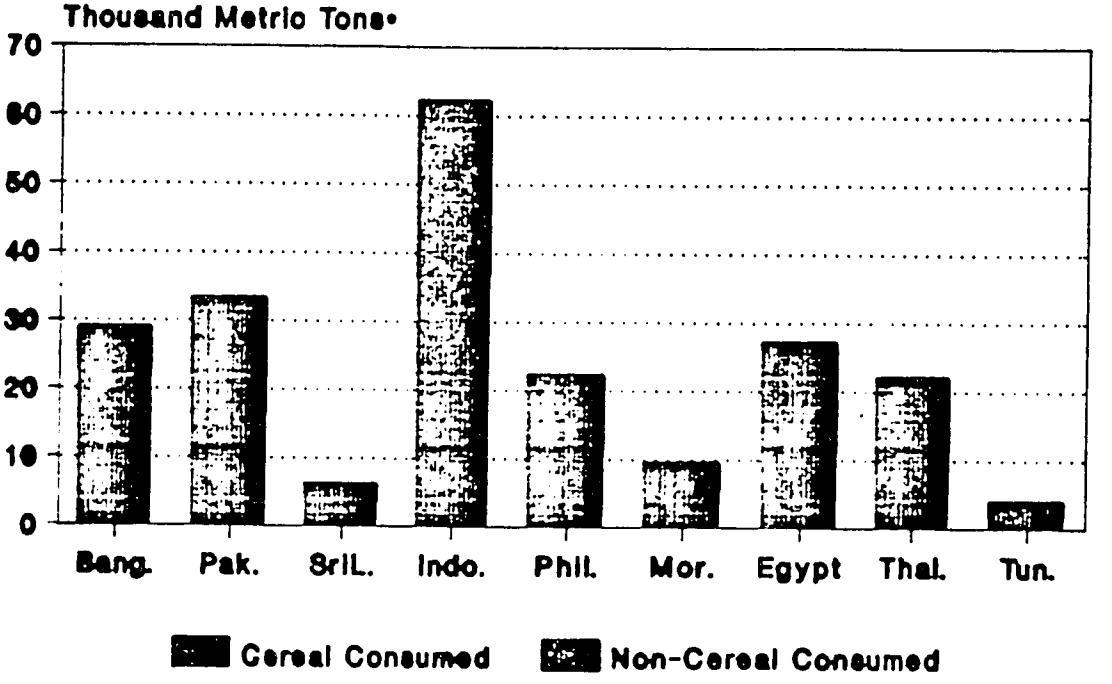
Selected ANE Countries

(1985 - 1987)



Source: World Agricultural Trends and Indicators, 1970-88, USDA/ERS.

Food Consumption (1980-86)
Cereals vs. Non-Cereals



* 1980-86 Annual Average
Source: HIID, FAO

DEFINITIONS

Cereals: rice, wheat, maize, sorghum, millet, barley

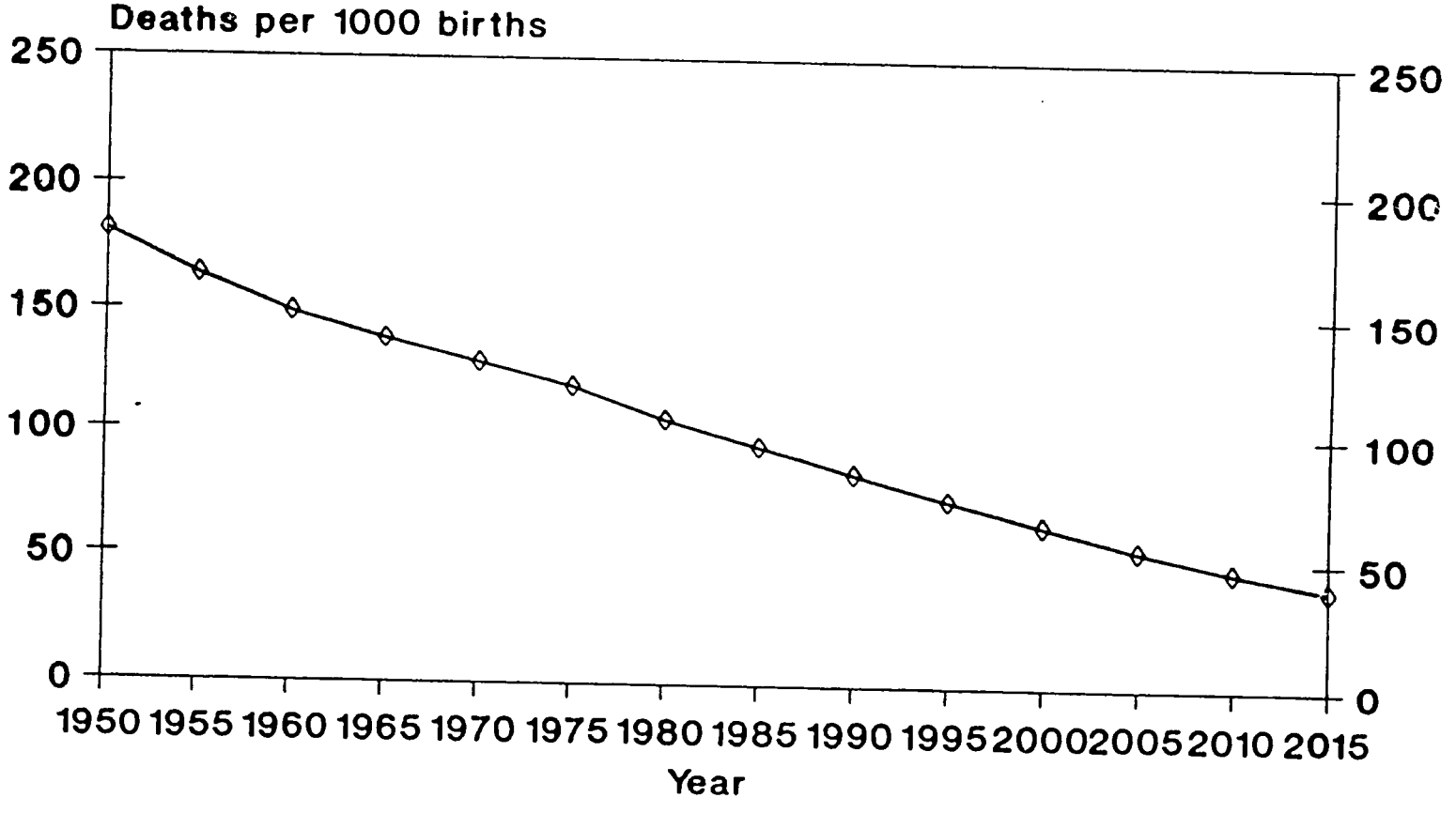
Non-Cereals: root crops, sugar, pulses, fruits and vegetables, vegetable oil, meats, dairy and eggs

Consumption: total food consumption, includes both domestic & imported supplies

Infant Mortality Rate

ANE Region

Weighted average, 1950-2015



Source: UN, World Population Prospects 1988

INFANT MORTALITY RATES
(1960-1987-2005 Aggregates)

1960		1987	2000-2005
OVER 100			
Nepal 180 Thailand 103 Pakistan 163 Morocco 163 Jordan 135 Bangladesh 156	Indonesia 139 India 165 Egypt 179 Tunisia 159 Yemen 214 Oman 220	India 100 Pakistan 110 Bangladesh 120 Yemen 117 Nepal 129 Oman 100	--
50-99			
Philippines 80 Sri Lanka 70 *Korea 85*		Tunisia 60 Morocco 84 Indonesia 85 Egypt 87	Yemen 77 India 67 Indonesia 55 Nepal 99 Pakistan 79 Bangladesh 85 Oman 57
UNDER 50			
--		Sri Lanka 34 Thailand 40 Jordan 45 Philippines 46 *Korea 26*	Jordan 25 Tunisia 33 Thailand 23 Egypt 46 Sri Lanka 21 Morocco 45 Philippines 29

Source: UN

INFANT MORTALITY RATES and GOVERNMENT HEALTH EXPENDITURES

	HEALTH EXPENDITURES(%)			IMR	
	1972	1987	DIFF.'72-87	1965	1987
BANGLADESH	5.0	5.3	+	145	119
NEPAL	4.7	5.0	+	173	128
INDIA	1.5	1.9	+	151	99
PAKISTAN	1.2	0.9	-	159	109
SRI LANKA	6.4	5.4	-	63	33
INDONESIA	1.4	1.5	+	129	71
PHILIPPINES	3.2	5.5	+	72	45
YEMEN	2.9	3.6	+	197	116
MOROCCO	4.8	2.9	-	147	82
EGYPT	5.6#	2.5	-	122	59
THAILAND	3.7	6.1	+	90	39
TUNISIA	7.4	6.5	-	147	59
JORDAN	3.8	4.2	+	114	44
OMAN	5.9	4.8	-	197	100

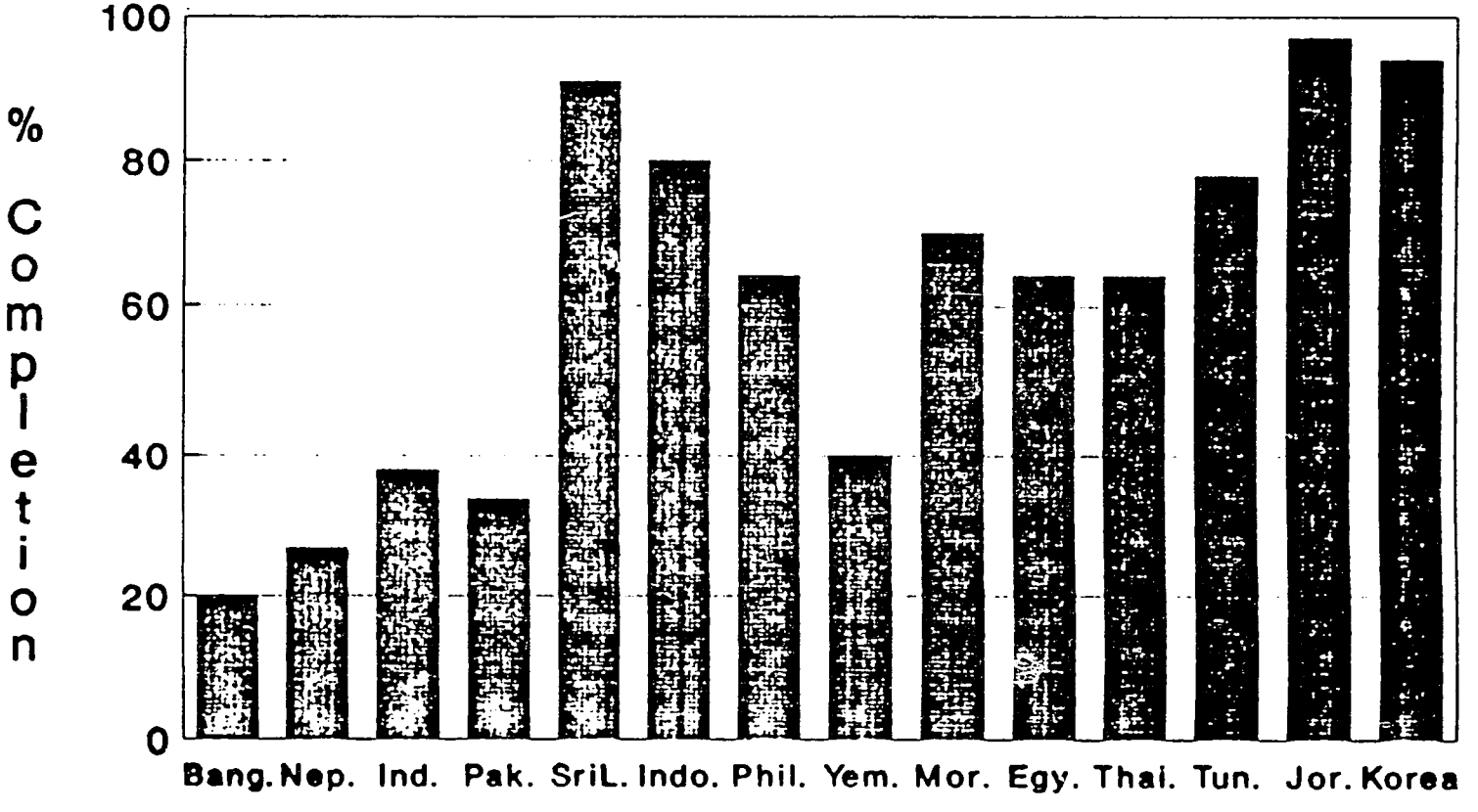
• As a % of total government expenditures
• IMR equals the number of deaths per 1000 births

Note: In eleven of the fourteen ANE countries for which government health expenditure data are available as a percentage of total government expenditures, there are either significant decreases or marginal increases in government investments over the past fifteen years. Independent of these investments by the government, a basic indicator for measuring the health status of a population, the infant mortality rate, has shown consistent improvement. Although government contributions are declining, total health sector investments are increasing. For instance, in Indonesia, the World Bank estimates that private health expenditures are approximately 68% of total national expenditures.

(1976 data), USAID Health Sector Study, 1982
Source: World Development Report 1989.

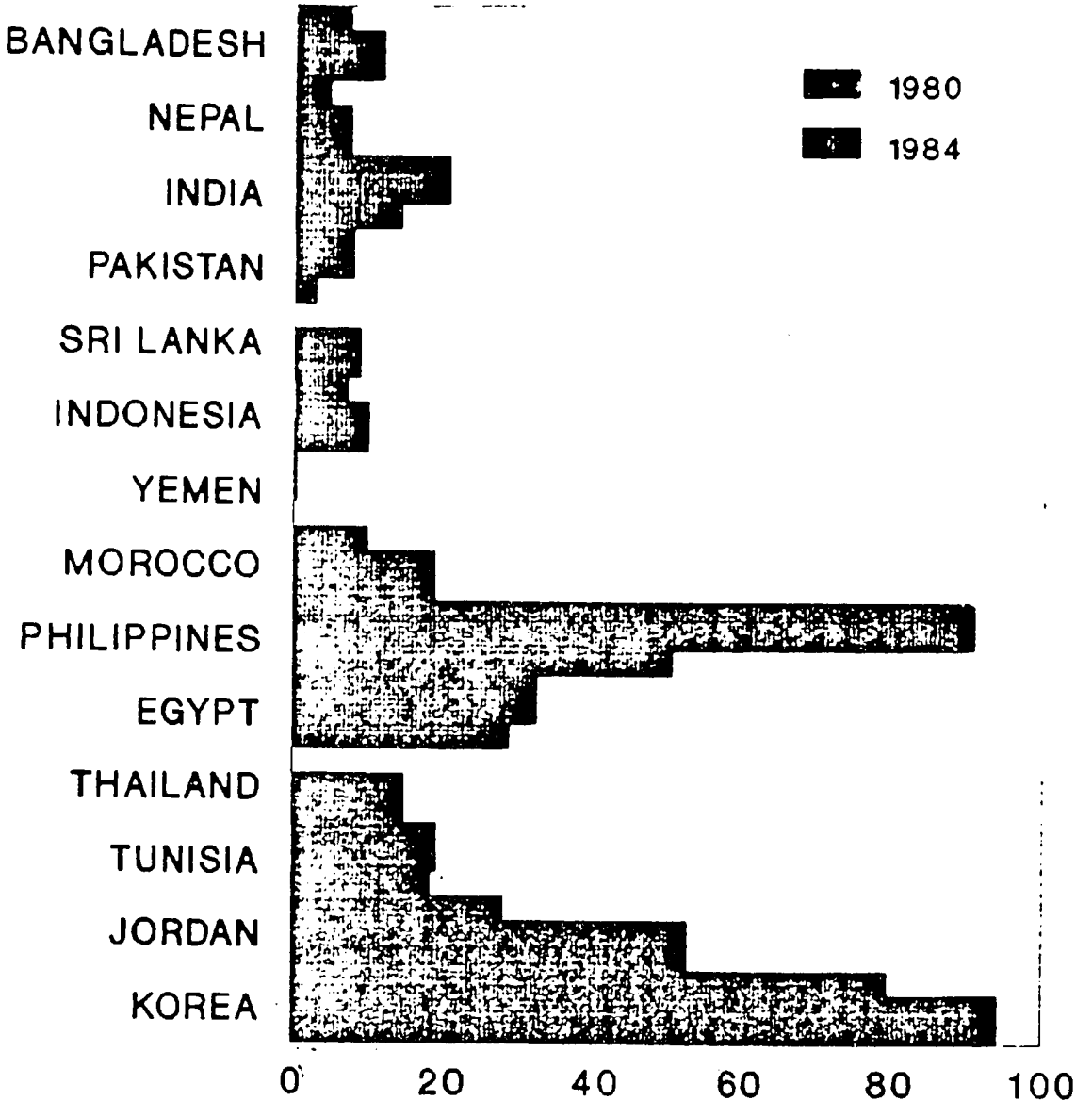
PERCENT OF GRADE 1 STUDENTS COMPLETING PRIMARY SCHOOL

Selected ANE Countries



Source: UNICEF, 1980-86 data.

Higher Education Enrollment in Science and Engineering* 1980 and 1984



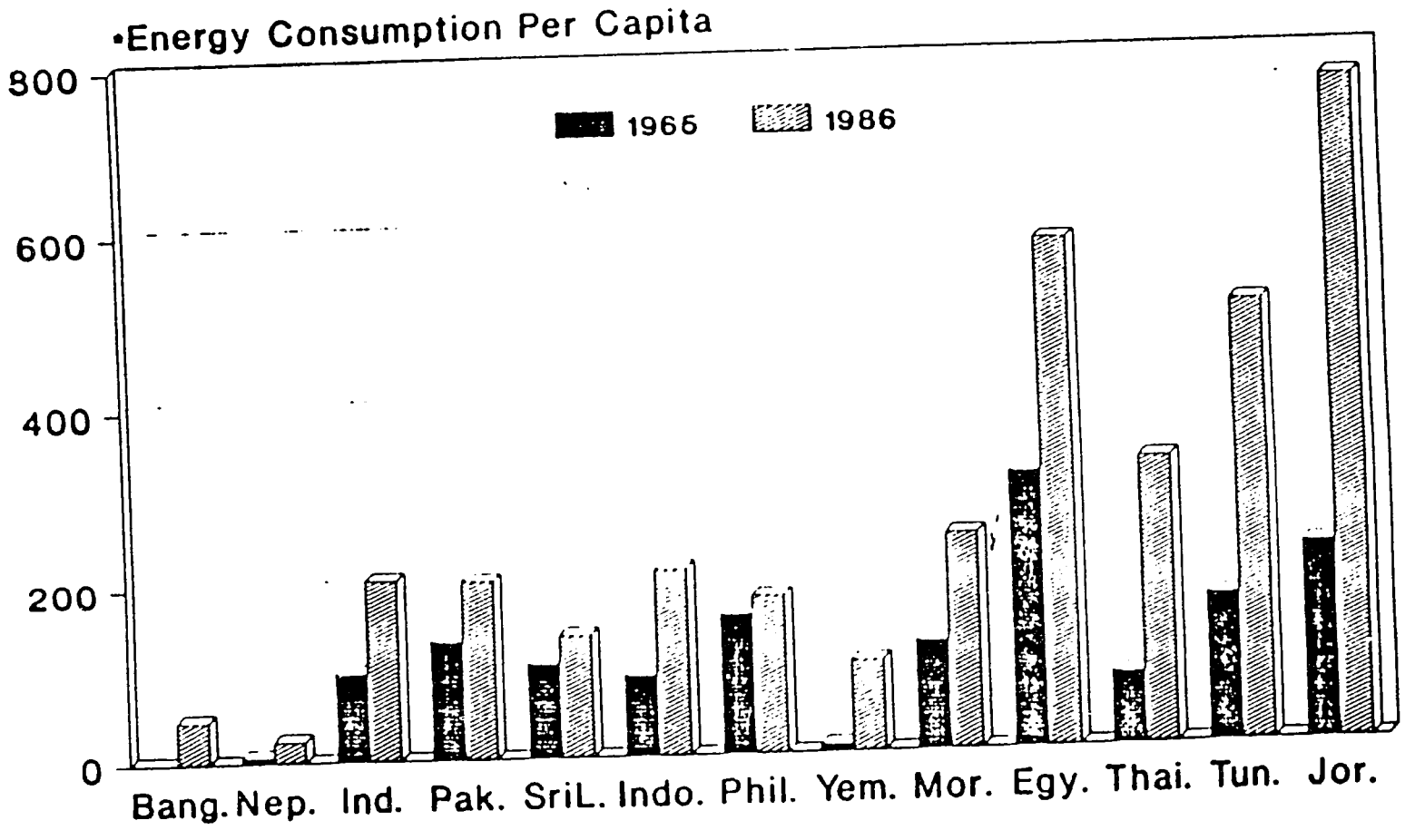
UNESCO Statistical Yearbook, 1987
* Per 10,000 Population

DIFFERENCE BETWEEN MALE AND FEMALE LITERACY RATES

	1970 % Gap	1985 % Gap	Difference (1970-85)
Bangladesh	24	21	-3
Nepal	20	27	+7
India	27	28	+1
Pakistan	19	21	+2
Sri Lanka	16	8	-8
Indonesia	24	18	-6
Philippines	3	1	-2
Yemen	8	24	+16
Morocco	24	23	-1
Egypt	30	29	-1
Thailand	14	6	-8
Tunisia	27	27	0
Jordan	35	24	-11

Source: UNICEF 1988.

ENERGY CONSUMPTION
ANE Countries 1965, 1986



Source: IBRD/World Bank, WDR 1988.
•Kilograms of Oil Equivalent

ANE
FY 1992 BUDGET PRESENTATION

INTRODUCTION

- FY 1992 PRESENTS AN IMPORTANT OPPORTUNITY TO RESTRUCTURE U.S. FOREIGN ASSISTANCE TO BETTER SUIT THE CHALLENGES OF THE 1990'S.

  -- HISTORIC POLITICAL CHANGES MARK A NEW ERA IN INTERNATIONAL RELATIONS AND PROVIDE A BASIS FOR REWRITING THE FOREIGN ASSISTANCE ACT.

  -- WE SEEM TO BE COMING TO A CONSENSUS ON THE MAIN ISSUES FOREIGN ASSISTANCE SHOULD ADDRESS IN THE 1990'S, AND THESE CAN SERVE AS THE BASIS FOR INITIATIVES BY THE ADMINISTRATOR.

  -- WE APPEAR TO BE COMING TO THE POINT WHERE OUR BACKS ARE UP AGAINST THE WALL ON OPERATING EXPENSES, AND WE WILL NEED TO IMPLEMENT A COMPREHENSIVE RESTRUCTURING OF THE AGENCY.

- ANE HAS WELCOMED THE OPPORTUNITY TO PARTICIPATE IN THE BRAINSTORMING WHICH HAS GONE ON SO FAR. AT ALL LEVELS OF THE BUREAU, WE WANT TO PARTICIPATE AND CONTRIBUTE IN FUTURE.

*** SEE VIDEO #1 ***

- ANE IS WELL ALONG IN IMPLEMENTING A PROGRAM WHICH IS FULLY CONSISTENT WITH SECRETARY BAKER'S OBJECTIVES FOR FOREIGN ASSISTANCE.

- ANE HAS ALREADY MADE EXTENSIVE REVISIONS IN STAFFING AND PROCEDURES TO MORE EFFICIENTLY MANAGE THE AGENCY'S LARGEST PROGRAM. BETWEEN FY 1989 AND FY 1991, THE BUREAU CUT 47 U.S DIRECT HIRE JOBS IN WASHINGTON AND THE FIELD AT THE SAME TIME ABSORBING AN ADDITIONAL 32 POSITIONS TO CREATE STAFF FOR AFGHANISTAN AFFAIRS, PRIVATE SECTOR DEVELOPMENT, DEMOCRATIC PLURALISM, AND AN EXPANDED MISSION IN PHILIPPINES. IN EFFECT, ANE HAS REDUCED STAFF TWICE AS FAST AS THE REST OF THE AGENCY DURING THIS PERIOD.

- ANE HAS PLANS FOR FUTURE EFFICIENCIES IN COUNTRIES SUCH AS EGYPT. THE BUREAU ALSO NEEDS ADDITIONAL FTE LEVELS AND OPERATING EXPENSES TO EFFECTIVELY MANAGE THE EASTERN EUROPE PROGRAM.

VIDEO #1

Open Markets/Open Societies anticipated Secretary Baker's five objectives for foreign assistance.

ANE's new initiatives implement the Secretary's objectives.

ANE recognizes the need for more efficient operations and is restructuring.

ANE PRIORITIES
OPEN MARKETS/OPEN SOCIETIES

- FOR TWO YEARS, THE ANE BUREAU HAS VIGOROUSLY PURSUED A PROGRAMMING STRATEGY WHICH EMPHASIZES OPEN MARKETS AND OPEN SOCIETIES.

  -- THIS EFFORT HAS TRANSLATED INTO A PROGRAM FRAMEWORK ORGANIZED AROUND SIX CORE CONCERNS.

- THE OPEN MARKETS/OPEN SOCIETIES STRATEGY CORRESPONDS VERY CLOSELY WITH SECRETARY BAKER'S FIVE OBJECTIVES FOR FOREIGN ASSISTANCE IN THE 1990'S.

SEE VIDEO #2

- THE BUREAU HAS USED ALL ELEMENTS OF THE PROGRAMMING PROCESS TO BRING THE ANE PORTFOLIO IN LINE WITH SECRETARY BAKER'S OBJECTIVES.

*** SEE VIDEO #3 ***

- AT THE SAME TIME, THE BUREAU HAS RESTRUCTURED ITSELF TO OPERATE EFFECTIVELY WITH LESS STAFF. AS A RESULT, ANE IS BY FAR THE MOST EFFICIENT BUREAU IN TERMS OF PROGRAMS MANAGED PER U.S. STAFF MEMBER. AFTER THE PENDING REORGANIZATION, THE CONTRAST WILL BE EVEN MORE DRAMATIC.

*** SEE VIEDO # 4 ***

VIDEO # 2

ANE - Six Core Concerns - Oct., 1989

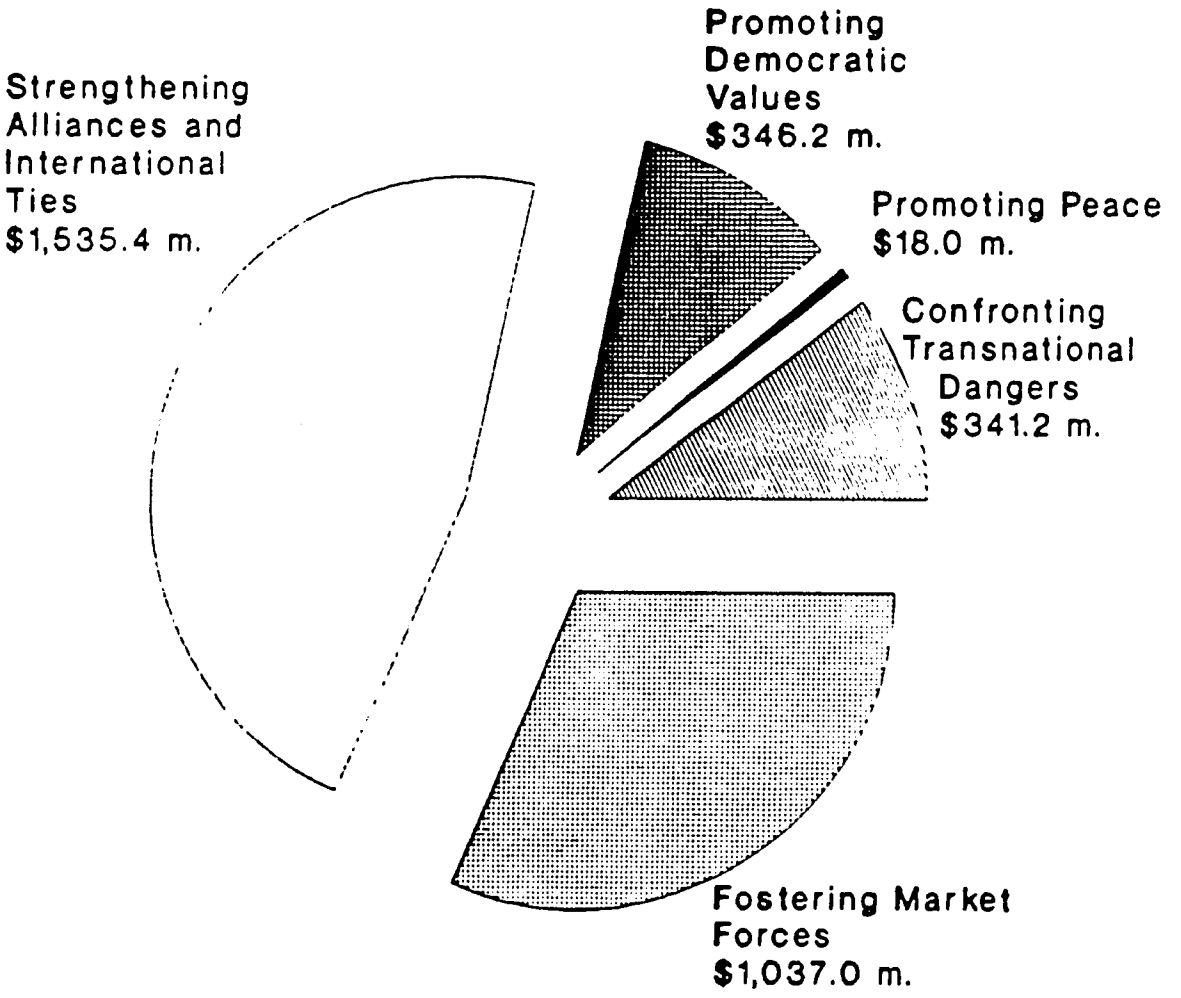
1. Democratic Pluralism
2. Economic Freedom
3. Equity of Public Policies
4. International Investment and Trade
5. Social Service Reform
6. Energy, Environment and Natural Resources

Secretary Baker's Five Objectives - Feb., 1990

1. Promoting Democratic Values
2. Fostering Market Forces
3. Promoting Peace
4. Protecting the World Community Against Transnational Dangers (Environment, Narcotics)
5. Strengthening Alliances and International Ties

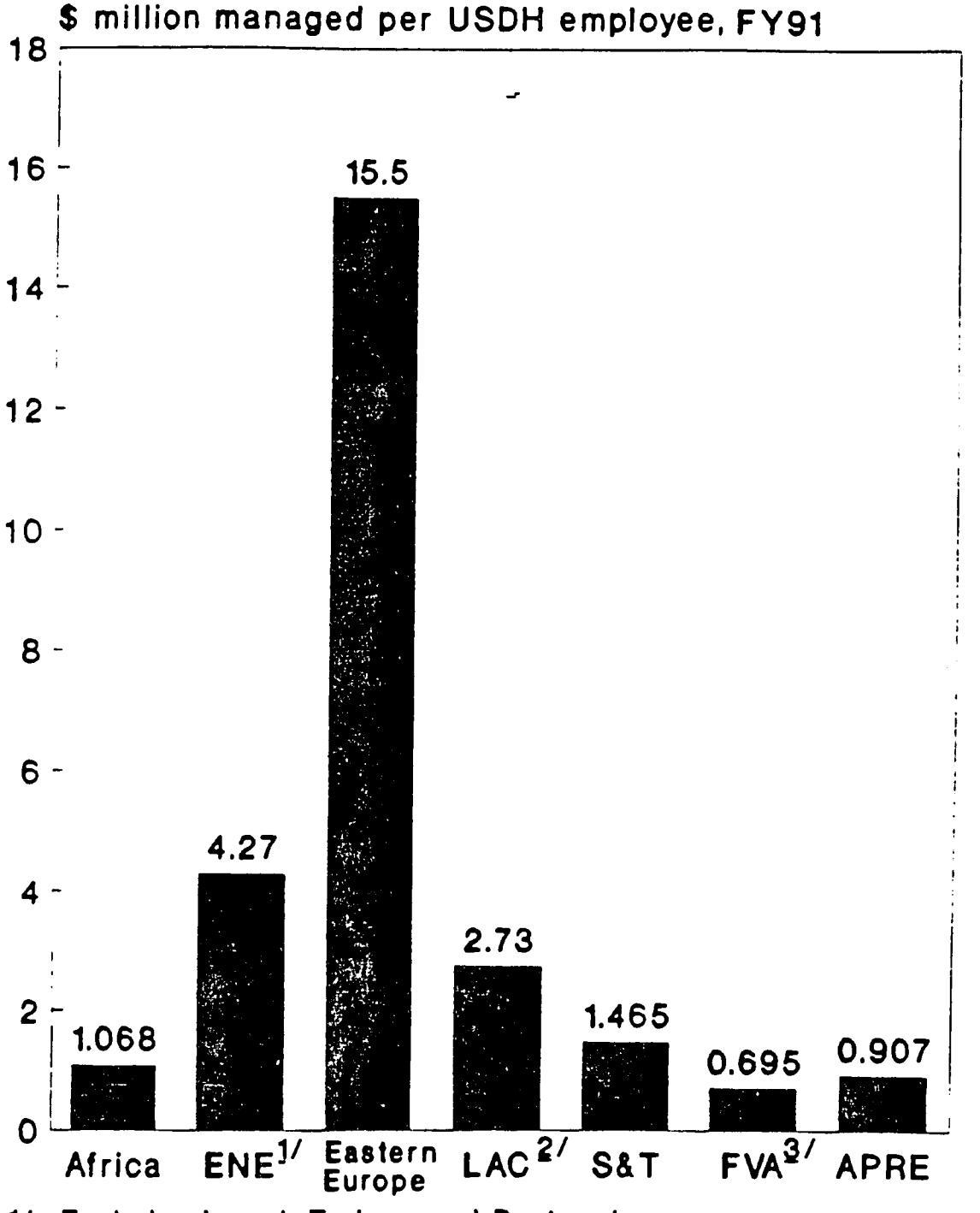
VIDEO # 3

FY 1992 ANE Priorities
($ millions)



Total = $3,277.8 m.

Per-Employee Program Management Burden,



1/ Excludes Israel, Turkey, and Portugal.

2/ Includes $200 million for Nicaragua.

3/ Excludes P.L. 480.

INITIATIVES

- THE ANE BUREAU HAS PROPOSED AN FY 1992 BUDGET WHICH AGGRESSIVELY REALLOCATES RESOURCES TO MEET PRIORITIES.

- AT ATHE SAME TIME, ANE FUNDING FOR INITIATIVE AREAS WOULD REQUIRE ONLY MODEST ADDITIONAL FUNDING ABOVE THE LEVEL ANTICIPATED FOR FY 1991. THIS WOULD GIVE THE ADMINISTRATOR THE ABILITY TO ADD ADDITIONAL FUNDING WHICH COULD BE PROGRAMMED FLEXIBLY IN THESE INITIATIVE AREAS.

*** SEE VIDEO # 5 ***

- THE ANE PROPOSALS FOR INITIATIVES BY THE ADMINISTRATOR ARE:

  - DEMOCRATIC PLURALISM--AN AREA WHERE ANE IS ALREADY ACTIVE. A DEMOCRACY FUND, WHICH STATE IS CONSIDERING AND SENATOR LEAHY APPEARS TO SUPPORT, IS A POSSIBLE WAY TO ENSURE FLEXIBILITY TO RESPOND TO THE NEEDS OF EMERGING DEMOCRACIES.

*** SEE VIDEO #6 ***

  - ENERGY AND THE ENVIRONMENT--AN AREA WHERE THE AGENCY IS ALREADY PUSHING FORWARD. ANE LEVELS ARE EXPANDING RAPIDLY.

*** SEE VIDEO #7 ***

  - MUTUAL ECONOMIC INTERESTS--IT SEEMS CLEAR ECONOMIC COMPETITION WILL BECOME A RELATIVELY MORE IMPORTANT STRATEGIC CONCERN FOR THE U.S. IN THE 1990'S. IT IS APPROPRIATE THAT U.S. FOREIGN ASSISTANCE INTRODUCE PROGRAMS WHICH ADVANCE THE INTERESTS OF BOTH THE U.S. AND A.I.D. RECIPIENTS. ADDITIONAL RESOURCES MIGHT BE PROPOSED FOR:

    -- FACING COMPETITIVE CHALLENGES WITH MIXED CREDITS IN SPOILED MARKETS;

    -- USING OTHER PEOPLE'S MONEY BY ACCESSING TO GUARANTEES MANAGED BY EX-IM AND OPIC TO LEVERAGE PRIVATE CAPITAL FOR DEVELOPMENT;

    -- TECHNICAL ASSISTANCE TO SUPPORT RESPONSIBLE PARTICIPATION BY DEVELOPING COUNTRIES IN THE INTERNATIONAL ECONOMY ON ISSUES SUCH AS IPR, ETC.

*** SEE VIDEO # 8 ***

- FAMILY PLANNING AND WOMEN'S ECONOMIC OPPORTUNITIES -- IN EFFECT A NEW WAY OF LOOKING AT MANY OF THE "HUMANITARIAN" ISSUES LIKE FAMILY PLANNING AND CHILD SURVIVAL. THIS IS AN AREA WHICH WILL CONTINUE TO HAVE PUBLIC AND CONGRESSIONAL APPEAL.

  -- MANY ANE COUTRIES, PARTICULARLY IN ASIA, HAVE RAPIDLY REDUCED THEIR FERTILITY LEVELS. A.I.D. HAS MADE A MAJOR CONTRIBUTION THROUGH OUR FAMILY PLANNING PROGRAMS.

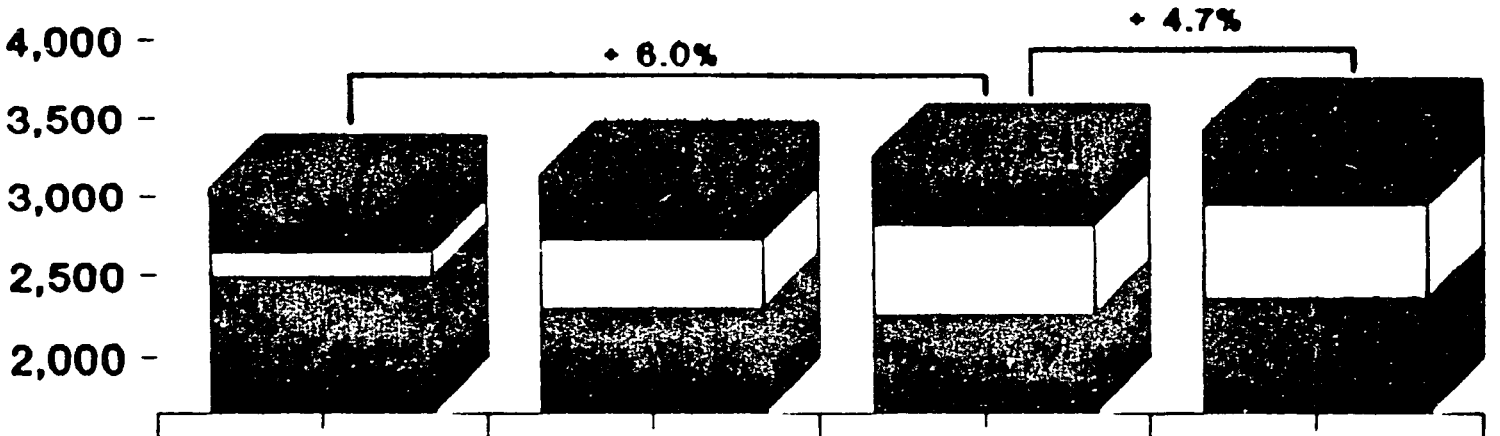
  -- WE NOW CONFRONT A DIFFERENT SET OF PROBLEMS, WHERE WOMEN HAVE THE POTENTIAL FOR PLAYING A MORE SIGNIFICANT ROLE IN ECONOMIC DEVELOPMENT. AS A BY-PRODUCT OF FULFILLING THIS ROLE, A SECOND ROUND OF FERTILITY REDUCTIONS CAN BE EXPECTED.

*** SEE VIDEO #9 ***

- EASTERN EUROPE IS, OF COURSE, A "FIFTH" INITIATIVE. CLEARLY ADDITIONAL STAFF IS NECESSARY TO MEET THE COMING HEAVY WORKLOAD.

*** SEE VIDEO #10 ***

ANE Budget Trends
($ Millions)



	1990 Actual	1991 C.P.	1991 Projected	1992 Proposed
Total	3,386.1	3,470.5	3,590.5	3,757.8
DA	401.4	404.5	432.1	470.5
SAI	159.3	430.0	567.1	600.0
ESF	2,825.4	2,636.0	2,591.3	2,687.3

ESF SAI DA

DA - Development Assistance
ESF - Economic Support Fund
SAI - Special Assistance Initiative

VIDEO # 5

VIDEO #6

"WE SEEK TO PROMOTE DEMOCRATIC VALUES ABROAD BECAUSE THEY REFLECT THE BEST THAT IS IN OURSELVES."

.....Secretary Baker

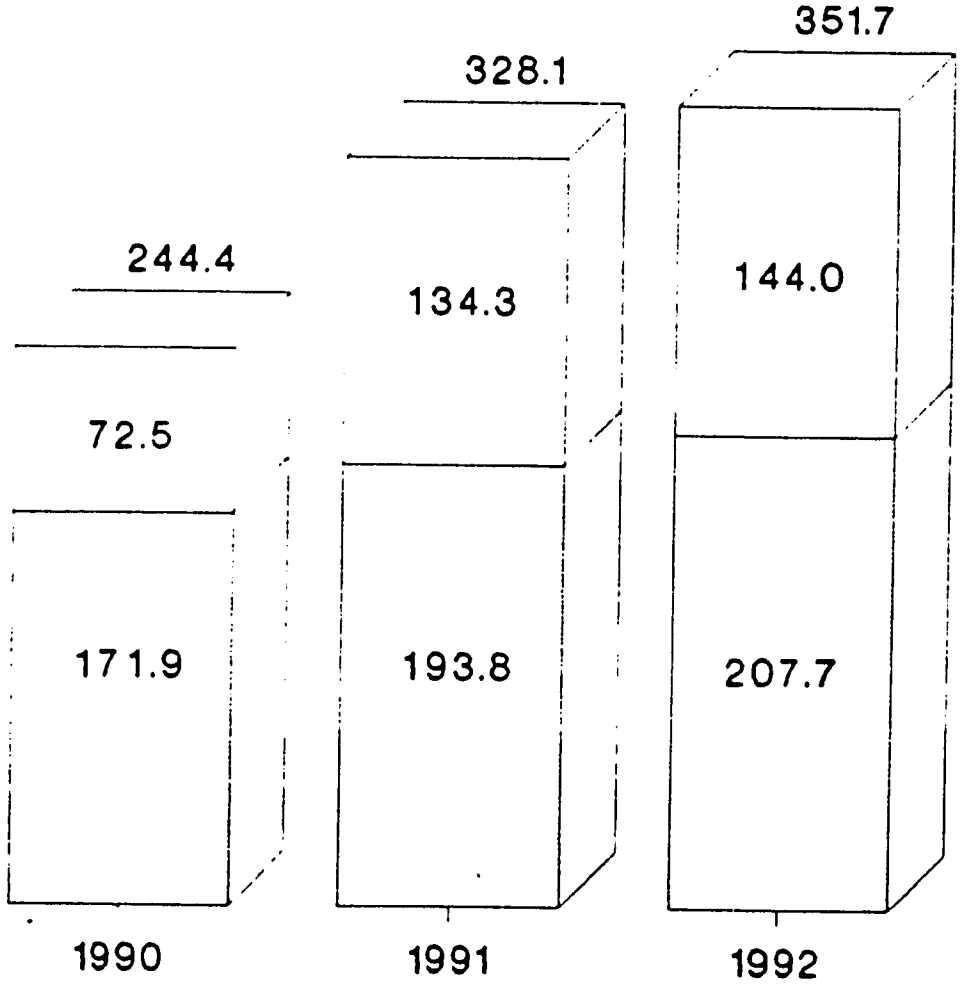
ANE
DEMOCRATIC PLURALISM
($ 000)

	FY 1990	FY 1991	FY 1992
REGIONAL:			
DEMOCRATIC PLURALISM INITIATIVE	3,300	2,700	3,500
INDONESIA:			
STRENGTHENING INSTITUTIONAL DEVELOPMENT	-0-	3,150	3,150
PAKISTAN:			
DEMOCRATIC PLURALISM	-0-	3,000	6,000
EASTERN EUROPE:			
DEMOCRATIC INITIATIVES	13,957	25,000*	50,000*
TOTAL	17,257	33,850	62,650

* ESTIMATE

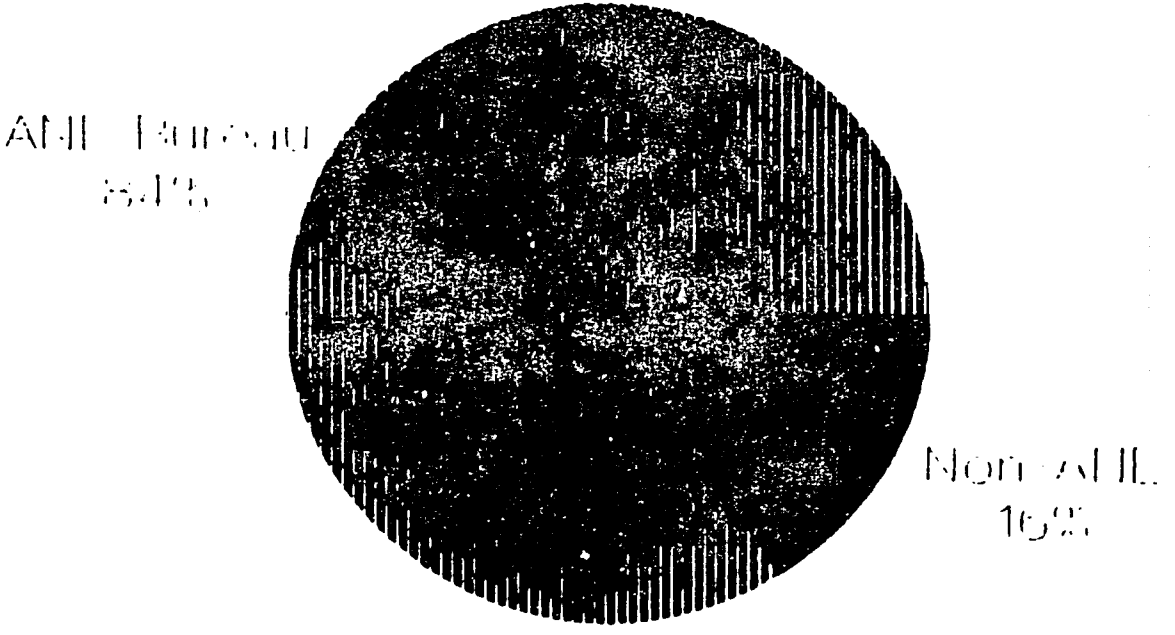
V I DEC

Trends in ANE Energy and Environment Programs ($ millions)



*Excludes water and sewerage projects

Capital Projects and CIPS Support U.S. Business

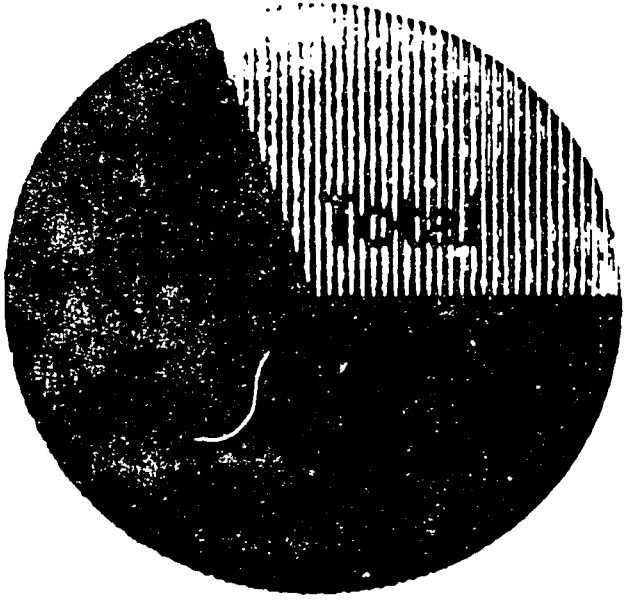


1990

VIDEO #8

Application of "Buy America"

Attributed to U.S. 44%
1.1 billion

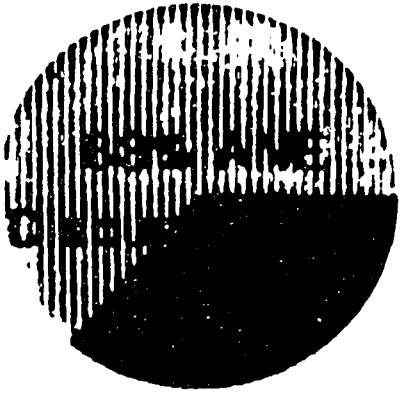


Not Attributed to U.S. 56%
1.4 billion

A.I.D. (1987)

Source: GAO, "Report on Economic Assistance Integration of Japanese Trade Policies"

Attributed to U.S. 63%
.95 billion



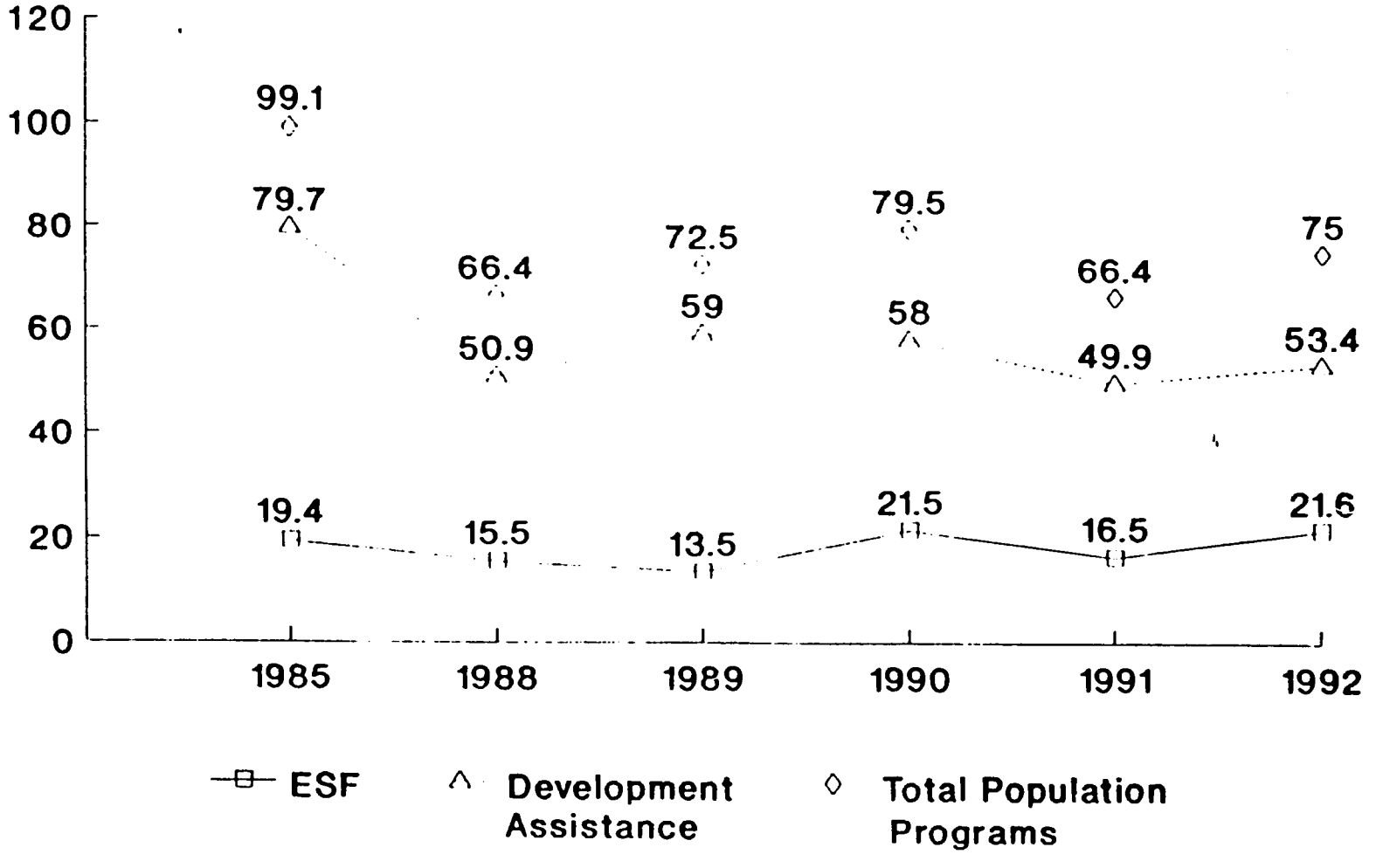
Not Attributed to U.S. 36%
.54 billion

ANE (1989 est.)

Source: DAI, "Reporting Systems for Source/Origin Procurement"

VIDEO # 8 C

Trends in ANE Population Programs
($ millions)



VIDEO #10

CRITICAL PATH FOR A.I.D. TO IMPLEMENT THE EAST EUROPE PROGRAM

July 31	Staffing for European activities approved by the Administrator.
August 1	Delegation of authority and contracting modalities approved by the Administrator.
August 15	All remaining FY 90 contractual requests submitted to the contracts office.
August 20	A.I.D. Representative to Poland reports for duty in Warsaw.
September 15	All Program Team Leaders on board.
September 30	All FY 90 contracts and grants obligated.
October 1	All Desk Officers on Board
October 1	Major Regional Projects authorized by the Assistant Administrator.
October 15	Major contracting requests submitted for competition.
December 1	Major contracting proposals received.
January 1	Major contracts signed.

PERFORMANCE BUDGETING

- ANE CONTINUES TO SUPPORT PERFORMANCE BUDGETING AS AN IDEA WHOSE TIME HAS COME.

  -- THERE SHOULD BE NO ENTITLEMENTS TO U.S. RESOURCES

  -- RESOURCES SHOULD BE ALLOCATED TO THOSE COUNTRIES AND PROGRAMS WHERE THEY ARE HAVING THE GREATEST IMPACT

- WE ARE LOOKING AT COUNTRY PERFORMANCE BASED ON INDICATORS WHICH RELATE TO OPEN MARKETS AND OPEN SOCIETIES.

  -- THEY REFLECT OUR POLITICAL VALUES.

  -- THEY LEAD TO GREATER EQUITY.

  -- THEY ARE SUBJECT TO INFLUENCE BY DECISION MAKERS.

  -- THEY ARE SUBJECT TO INFLUENCE BY A.I.D. PROGRAMS.

  -- WE STILL PLAN TO ALLOCATE $50 MILLION IN FY 1991 BASED ON COUNTRY PERFORMANCE AND HAVE PROPOSED A $75 MILLION FUND FOR FY 1992.

*** SEE VIDEO #11 ***

- ANE ALSO SUPPORTS PROGRAM PERFORMANCE ASSESSMENT.

  -- PROGRAM MANAGERS SHOULD BE HELD ACCOUNTABLE FOR RESULTS.

  -- RESOURCES SHOULD BE ALLOCATED TO THOSE PROGRAMS WHICH ARE PERFORMING BEST.

- KEY IS CAREFUL SPECIFICATION OF PROGRAM OBJECTIVES AND INDICATORS OF PERFORMANCE. THOSE PROGRAMS WHICH ARE MAKING PROGRESS TOWARD THEIR OBJECTIVES SHOULD BE SUPPORTED. THOSE THAT ARE NOT SHOULD NOT RECEIVE FUNDING FOR NEW ACTIVITIES.

~~*** SEE VIDEO #12 ***~~

not shown

VIDEO #. 11

Country Performance Assessment

Core Concerns and Performance Indicators:

1. Civil Liberties and Political Pluralism

2. Economic Freedom/Local Investment Climate

3. International Trade Openness

4. Equity of Policy Framework

5. Regulatory and Policy Climate for Foreign Investment

6. Legal and Institutional Means for Resolving Bilateral Country Disputes

RESOURCES FOR PERFORMANCE

- THE ANE BUREAU HAS MADE A SPECIAL EFFORT TO ENSURE AMPLE RESOURCES ARE AVAILABLE FOR NEW INITIATIVES. WE DO NOT WANT TO TRAP OURSELVES INTO THE POSITION WHERE ALL OUR NEW MONEY MUST GO TO ONGOING PROJECTS--THE MORTGAGE.

- WE HAVE SET AS A GOAL 25% TO 40% OF NEW RESOURCES SHOULD BE AVAILABLE FOR NEW ACTIVITIES.

  -- WE HAVE DEOBLIGATED THOSE ONGOING PROJECTS WHICH ARE NOT PERFORMING OR ARE NO LONGER RELEVANT TO POLICY.

  -- WE HAVE INSTRUCTED FIELD MISSIONS TO BRING PIPELINES AND MORTGAGES INTO LINE WITH GUIDANCE BUT BOTH SHOULD AVERAGE BETWEEN 2 AND 3 YEARS OF PROGRAM.

- AS A RESULT THE BUREAU HAS SUBSTANTIAL RESOURCES FOR NEW ACTIVITIES.

*** SEE VIDEO #13***

Video # 13

ANE Performance Resources

Development Assistance

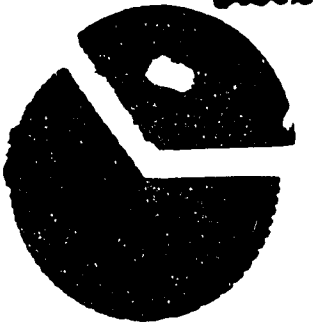
Total = $470.4 million

Performance
$134.8 million

ESF

Total = $1,387.3 million

Performance
$885.8 million



Special Assistance

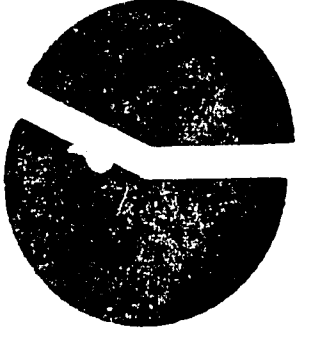
Total = $600.0 million

Performance
$430.0 million 1/

Total ANE

Total = $2,457.7 million 2/

Performance
$1,050.6 million



1/ Assumes entire $400 million for Eastern Europe will be allocated for new activities.

2/ Excludes Israel, Portugal, and Turkey.

OPERATIONS

- ANE'S MANAGEMENT CONSULTANT--THE MAN FROM MARS--HAS HELPED US FORMULATE AN APPROACH TO OPERATIONS WHICH STRESSES EFFICIENCY AND RECOGNIZES THE NEED FOR STAFF REDUCTIONS.

  *** SEE VIDEO #~~9~~ 14 ***

- WE ARE PLANNING FOR STAFF REDUCTIONS BECAUSE WE ARE CONVINCED THE AGENCY MUST CONFRONT A BASIC IMBALANCE BETWEEN ITS STAFF LEVELS AND FUTURE OPERATING EXPENSES LEVELS.

  *** SEE VIDEO #1~~0~~ 5 ***

- RECOGNIZING IT IS TIME TO "BITE THE BULLET," ANE HAS TAKEN STEPS TO SHARPLY ENHANCE THE EFFICIENCY OF OPERATIONS. THIS HAS MEANT STREAMLINING THE ORGANIZATION AND RESTRUCTURING THE PORTFOLIO.

  *** SEE VIDEO #'S 16-19 ***

- HOWEVER, WITH THE FY 1991 OPERATING EXPENSES BUDGET FALLING FAR SHORT OF REQUIREMENTS, IT IS INCREASINGLY APPARENT THE AGENCY AS A WHOLE MUST CONFRONT ITS "STRUCTURAL" PROBLEMS.

- IN DECIDING HOW TO REDUCE STAFF OVER THE MEDIUM TERM, OUR VIEW IS THE AGENCY AS A WHOLE MUST GIVE PRIORITY TO ITS "MOST IMPORTANT PRODUCT"--DELIVERY OF ASSISTANCE THROUGH OVERSEAS FIELD MISSIONS. ANE IS THE MOST EFFICIENT IN TERMS OF DELIVERING PROGRAM DOLLARS PER STAFF MEMBER.

- ANE BELIEVES THE AGENCY'S NEW MODE OF OPERATIONS MUST BE LEANER AT THE CENTER. OUR VIEW IS THAT SUPPORT FUNCTIONS ARE UNNECESSARILY STAFF INTENSIVE AND THERE IS UNNECESSARY REDUNDANCY IN TECHNICAL SUPPORT AT THE CENTER OF THE AGENCY. WE ARE DISMAYED AT THE APPARENT "OVERSTAFFING" WHICH IS NOW TAKING PLACE.

*** SEE VIDEO #20 ***

- ANE RECOGNIZES THE NEED FOR CONTINUED EFFICIENCY. THE STAFFING LEVELS WE ARE PROPOSING FOR THE NEW ENE BUREAU ARE AS TIGHT AS WE BELIEVE IS PRUDENT. IN ESSENCE, WE ARE PROPOSING A TRADITIONAL STRUCTURE WHICH COMPARES FAVORABLY WITH THE OTHER BUREAUS, PLUS THE FUCTIONAL EQUIVALENT OF A VERY LEAN FIELD MISSION FOR EASTERN EUROPE.

*** SEE VIDEO #21 ***

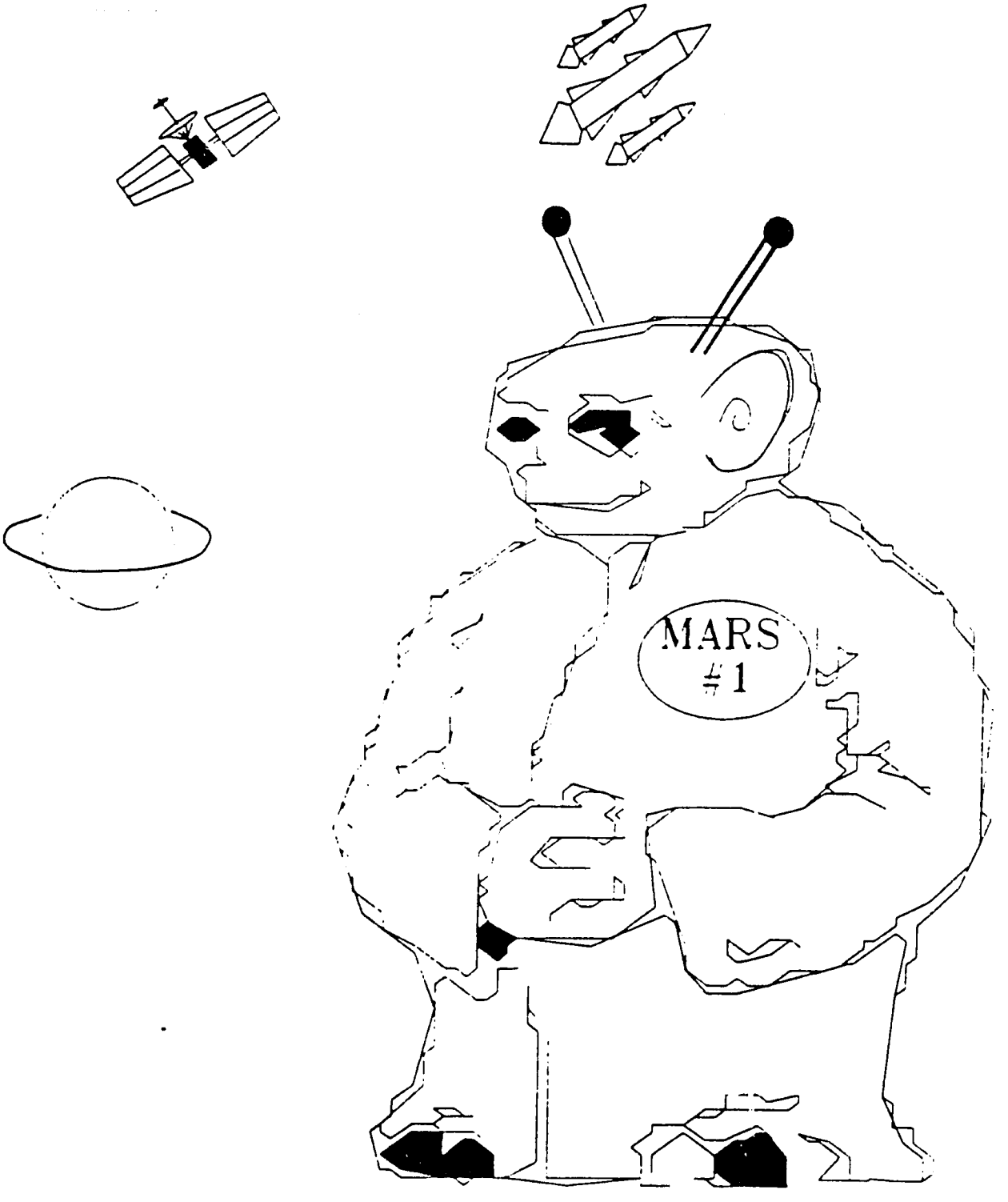
- IN THE MEDIUM TERM, WE ARE PLANNING ON REDUCTIONS IN EGYPT AND THAILAND. BUT THESE CAN TAKE PLACE ONLY AS STRATEGIES ARE ADJUSTED.

*** SEE VIDEO #22 ***

- IN SUMMARY, THE AGENCY NEEDS TO PUT ITS SUPPORT BEHIND ITS HIGHEST PRIORITY PROGRAMS AND EASTERN EUROPE HAS TO BE AT THE TOP OF THE LIST.

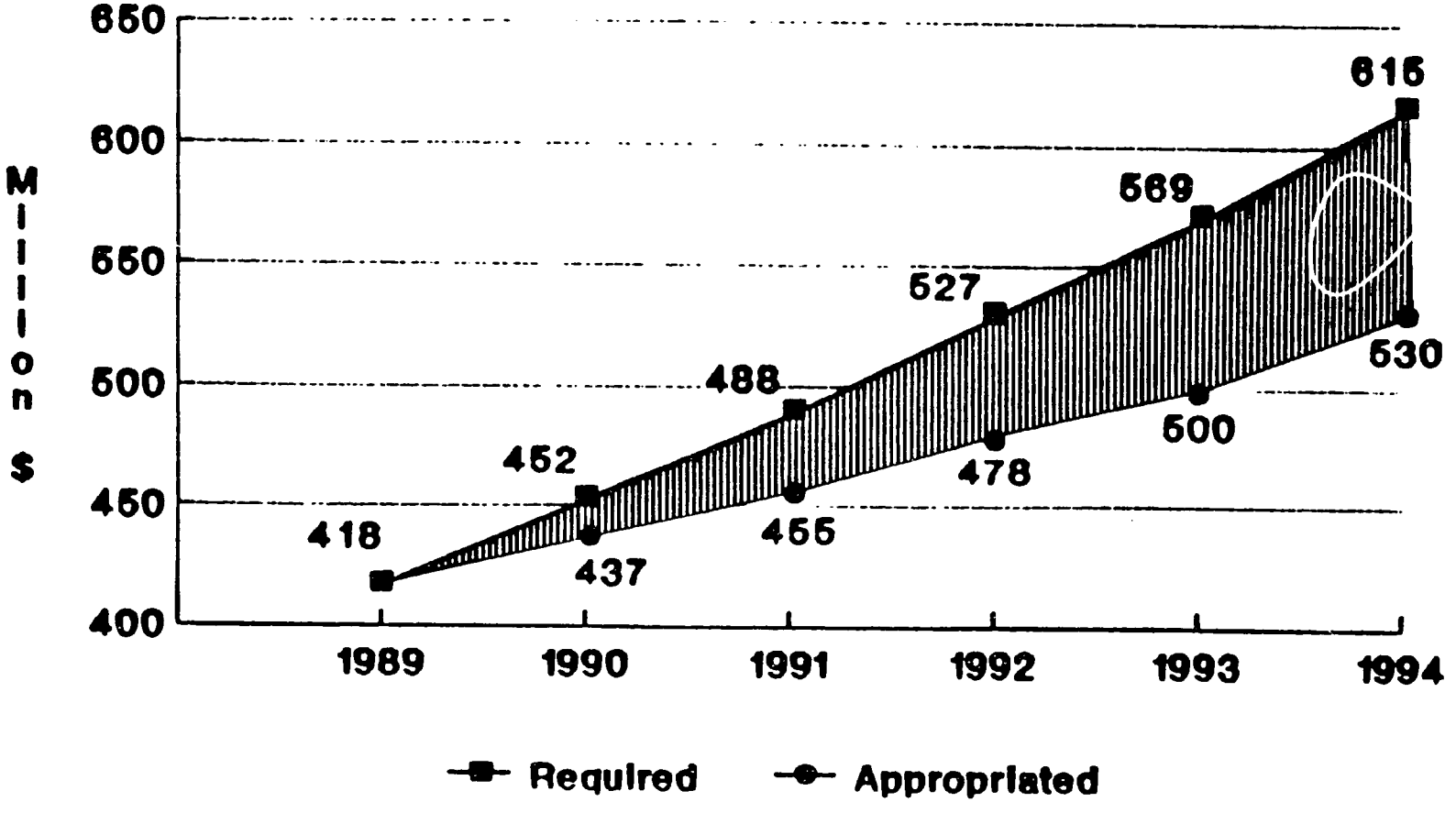
ANE/DP:LROGERS:7/19/90:4051L

VIDEO [redacted]
[redacted]
19



I told you so...

A.I.D. Operating Expenses
Required Vs. Appropriated



BITING THE BULLET

ROGRAM EFFICIENCIES

- **Portfolio Management**
  - Deobs (Bottom Third)
  - Performance Resources Identified
  - Reobs to New Initiatives
- Regional Funds
  - Reduce in FY 90 / Eliminate in FY 91 **Irrigation**
  - Refocus **PVO Co-Financing** Project to Democracy Pluralism Initiative (Also added reobs)
  - Decrease **USDA Production RSSA** to Initiate Ag Business
  - Switch regional **Forestry Research** to Environmental New Initiatives
  - Switch **PD&S Health** Funds to Health Finance Project

UP

1 SCR

34

BITING THE BULLET
(Continued)

MANAGEMENT EFFICIENCIES:

- ANE Streamlining Exercise
  - Reduced project meetings & clearances
  - Transferred training programs (Cyprus, Arab Scholarships) to USIA
  - Transferred Regional Coop Science Program
- Staff Restructuring
  - Downsized DP program analysis functions
  - Merging Technical Office, Private Sector Staff & Some PD Functions
  - Diverted Desk staff to Afghan and Eastern Europe Programs
  - Restructured TR staff to create positions for Democracy, Environment, Ag Business & Health Finance

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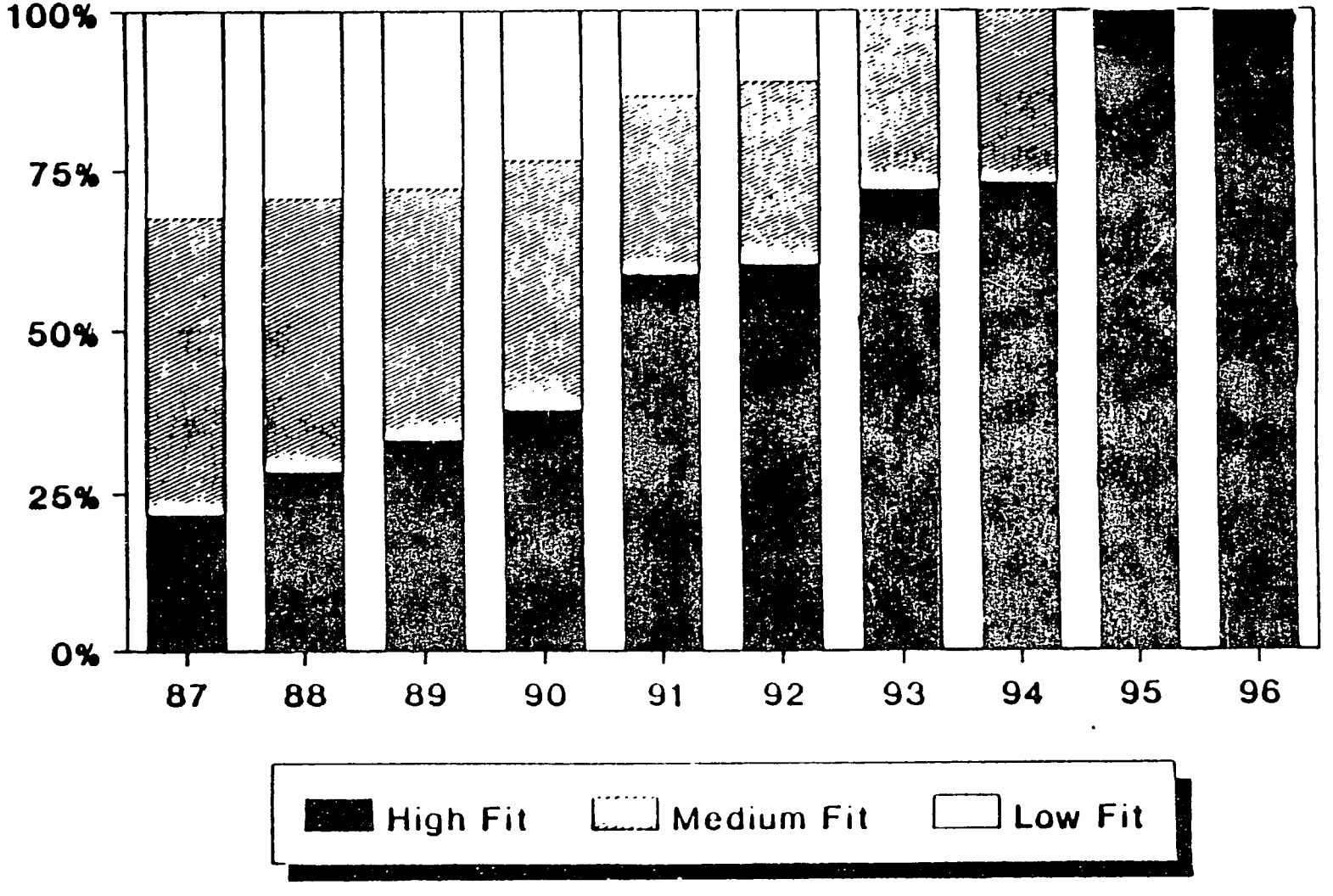
VIDEO # 16

Portfolio Trends

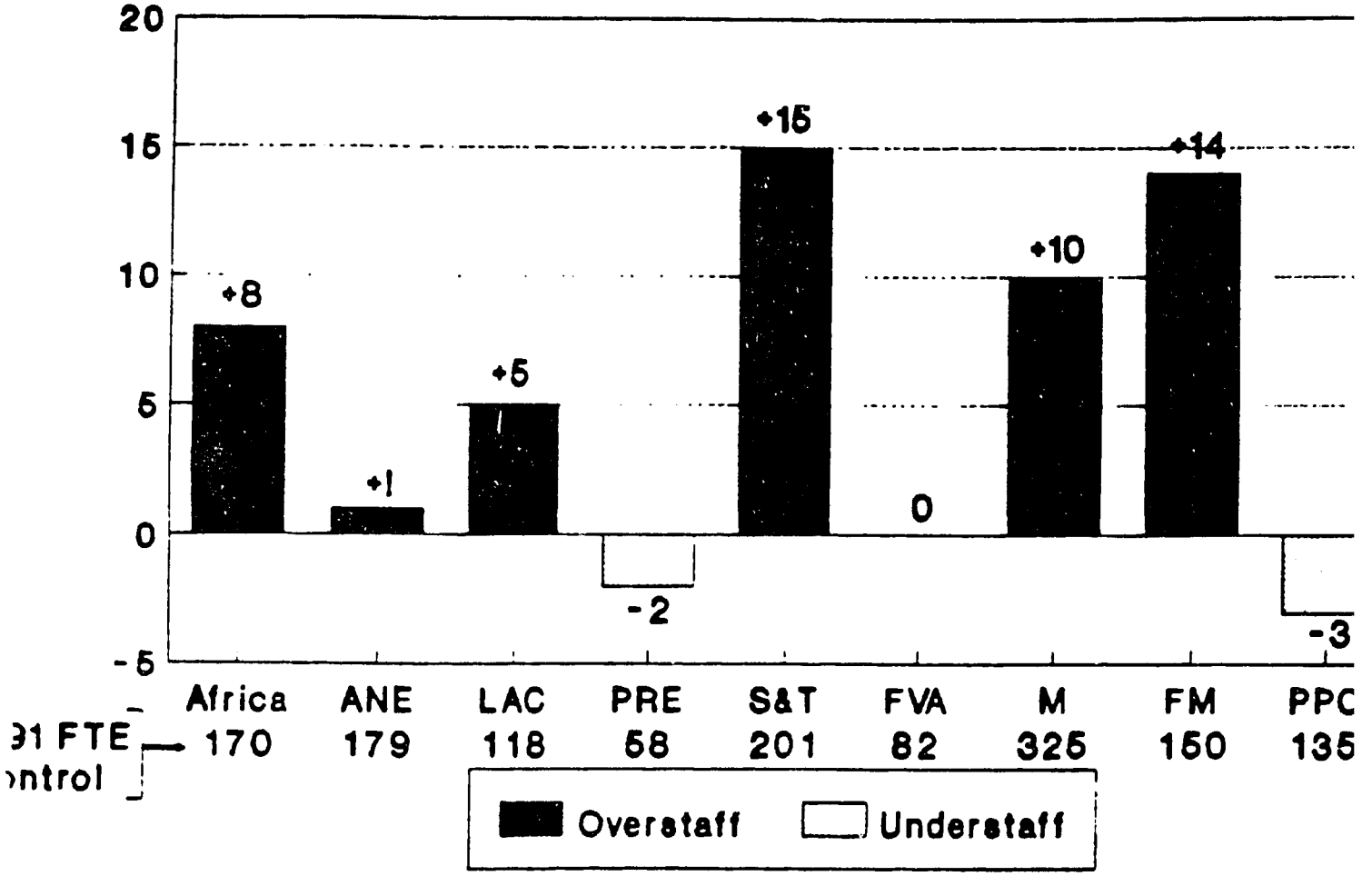
Funding by OM/OS Fit

Indonesia



VIDEO #

Projected AID/W Overstaffing Based on FY 1991 FTEs



Video #21

COMPARISON OF A.I.D./W GEOGRAPHIC BUREAUS

	6/30 ANE	ENE	AFR	LAC
TOTAL FTE	179	165	182	122
TOTAL FY 91 PROGRAM	2,364	2,148 1/	617	1,227

1/ INCLUDES EASTERN EUROPE AT $419 MILLION AND EXCLUDES ISRAEL, PORTUGAL AND TURKEY.