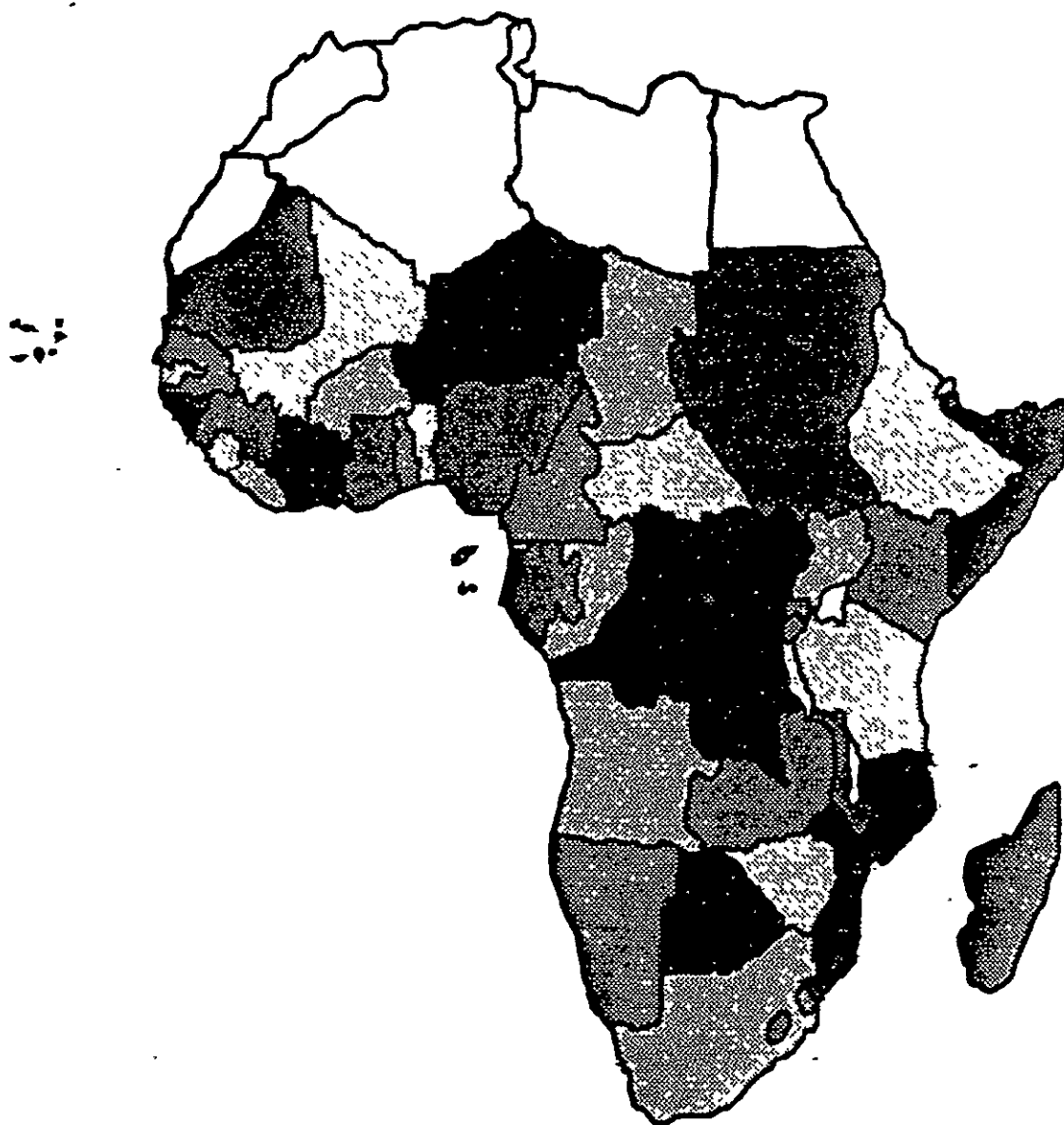


**CONGRESSIONAL PRESENTATION OVERVIEW  
DEVELOPMENT FUND FOR AFRICA  
FISCAL YEAR 1993**



**AGENCY FOR INTERNATIONAL DEVELOPMENT**

## **AFRICA OVERVIEW**

### **I. MEETING THE CHALLENGE THROUGH THE DEVELOPMENT FUND FOR AFRICA**

The years following the enactment of the Development Fund for Africa (DFA) have witnessed a pace of economic, social and political change unprecedented since the majority of the nations of sub-Saharan Africa won independence. The economic and political liberalization spreading in the region is encouraging, but fragile. There are many positive signs that the people of Africa are responding to the development challenges of the region in order to create a better life for the next generation. We must note, though, that at the same time growing health menaces, and continued unabated population growth threaten both the social progress made to date and the viability of the resource base.

The African people themselves are making the critical difference in Africa. Well over half the continent is attempting economic reform. Many countries have begun to open their political systems. Ethiopia and Angola have achieved peace settlements and are putting in place market economies and multiparty democracies. South Africa's historic transition toward a non-racial democracy continues to move forward. For the continent, the payoffs are registering in economic growth. The economic reformers are averaging almost 4% annual growth in output, and the gap between food production and population growth is closing.

The DFA is the right tool for addressing Africa's pressing development problems and the tremendous diversity in challenges and opportunities. The DFA's flexibility allows A.I.D. to concentrate resources and achieve measurable results. In Africa, A.I.D. has used the DFA to decentralize planning and implementation in order to more effectively calibrate our assistance to the continent's diverse economic, political and social conditions. Through decentralization, we have encouraged local participation in program design and implementation. The problems we tackle directly relate to assuring that Africans attain a higher standard of living through economic development, while at the same time addressing the political and social dimensions of the development process.

An important aspect of our ability to respond to African development realities lies in the mix of assistance modalities. Projects, including capital projects and grants to private and voluntary associations, are and will continue to be A.I.D.'s primary mode of assistance. Food aid continues to support humanitarian and development objectives. The critical new dimension under the DFA has been the flexibility to integrate sector assistance with traditional project and food aid activities.

Sector assistance helps African governments make policy changes that radically improve sectoral prospects for sustainable development. Historically, donors have focused assistance on project activities without helping governments address the policy environment. Many of these projects have indeed improved the social and economic well-being of the recipients. But they often have not been sustainable beyond the flow of donor resources. Through sector assistance programs, A.I.D. can work with governments -- and in many cases local communities -- to find policy solutions that will make development investments pay off.

The principal concept underlying sectoral support is policy transition. Most policy changes are costly in their early stages. They may, for example, cause prices to rise in urban centers when markets are deregulated. They can create budgetary crises when the real costs of health care get put on government budgets. The cash resources provided under sectoral programs help governments finance the cost of transition. In agriculture, many sectoral programs can be combined with food aid to create an immediate increase in food supplies that can ease the impact of market liberalization and protect the food insecure.

Early evidence presented in this document demonstrates that sectoral reform programs can lead to a broadening of political power and more equitable distribution of benefits to poorer population groups. Without basic liberalization, many African economies will be overwhelmed by declining employment and incomes and burgeoning poverty. By dealing with broad objectives in social sectors such as primary education, health care and family planning, A.I.D. sector assistance programs can directly improve the lives of the poor majority of Africans. Both macroeconomic trends and micro-level

monitoring provide firm reinforcement that the DFA is having the desired impacts.

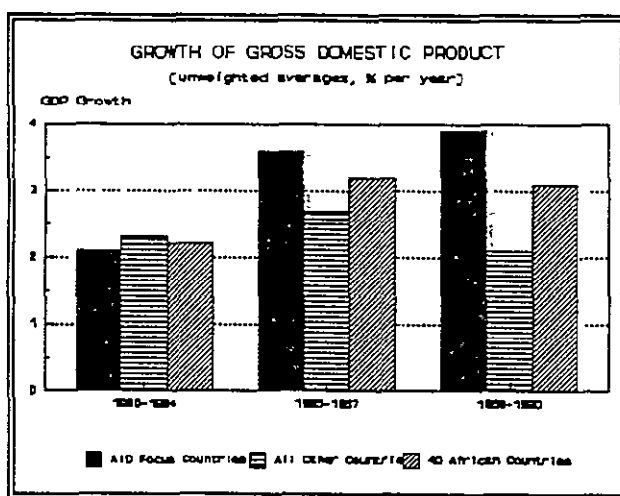
#### A. Positive Economic Developments in Sub-Saharan Africa

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% per year. While the recovery is fragile, there are hopeful signs of a more durable turnaround. In food security and the social sectors, too, there are some good reasons to question Afro-pessimism and to look forward to higher living standards for the majority of Africans.

A.I.D. focuses its assistance to Africa in 22 countries, which are generally those most committed to policy reform and where we are more likely to have a significant, positive impact on development. As the discussion in this and later sections shows, these "focus countries" have enjoyed stronger performance than other countries in sub-Saharan Africa, and our assistance is making meaningful contributions.

#### Stronger Economies<sup>1</sup>

Economic growth in the A.I.D. focus countries has been significantly higher than elsewhere in sub-Saharan Africa (see Figure 1). During the 1988-90 period, they averaged 3.9% growth per year, nearly double their 2.1% growth rate of the 1980-84 period. In the same period, the other countries' growth rate fell from 2.3% in 1980-84 to 2.1%. Also, growth in the focus countries has been more widespread, as the number growing at rates of at least 3% per year doubled over the decade, from 8 of 22 in the 1980-84 period to 16 of 22 during 1988-90. While three-fourths of the focus countries grew at rates exceeding 3.0% during 1988-90, only one-third of the other countries did so.



The economic growth achieved by the focus 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 A.I.D.'s focus countries, improving from -0.2% annually in the 1980-84 period to 5.3% per year during 1988-90, and an impressive 8.6% in 1990 alone. This is much better than the export performance of the other countries, which rose from .9% annually during 1980-84 to only 2.5% in 1988-90. The growth performance in the focus countries is primarily attributable to the changes African governments have made in policies which affect the ability to export, such

as freeing up foreign exchange markets and reducing import barriers and red tape. Assuring that economic growth is broadly based was a continuing concern during the period of adjustment (see: box).

<sup>1</sup> African economic data are notoriously bad; they fail to capture the trends in informal, unrecorded activity and suffer from incomplete reporting of formal economic activity. If the measurement errors and omissions do not vary wildly from year to year, the trends reported here on the basis of the best available data indicate the beginnings of a turnaround in Africa with significantly better growth and export performance among A.I.D.'s focus countries. Nonetheless, the results should be interpreted with caution.

### *Policy Reform and Poverty*

*The issue of how structural adjustment policies 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 affected the material well-being of significant 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:*

- *Government spending has not declined as a percentage of gross national product (GNP).*
- *Public expenditure on social services, generally, and health and education, in particular, were as likely to rise as to decline after adjustment; moreover, the share of budget resources allocated to the social sectors tended to increase following adjustment. Further analysis will examine resource allocations within the social sectors to confirm whether governments have increased spending for primary education, basic health care and other social services which focus on the poor.*
- *Prior to 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 adjustment, except for farmers producing commodities in which the world prices have fallen.*
- *Devaluations did not increase the price of food, which is the major budget item in poor households. As a result, the purchasing power of the poor did not fall during adjustment.*
- *The few country studies which permit conclusions about the real incomes of the poor show that these incomes were not affected by policy reform in several countries, give ambiguous results for Ghana, but show that real income of the poor did fall in Cote d'Ivoire.*
- *In general, the evidence from the nine country studies suggests that moving quickly to reform markets and institutions will not hurt the poor. However, it cannot be concluded that such reform will quickly benefit the poor.*

Economic performance in Africa would have been better were it not for its external debt burden, which remains a drag on development. Debt service payments in 1989 were \$8.8 billion. This represented about 60% of official development assistance. Confidence in African economies is weak among potential investors. Excluding Nigeria, which is in a unique position in Africa due to its oil revenue, long-term private lending continued to decline throughout the 1980s from a high of \$4.6 billion to sub-Saharan Africa in 1980 to only \$2.2 billion in 1989. In contrast, net official development assistance to sub-Saharan Africa (again excluding Nigeria) increased from \$7.4 billion in 1980 to \$13.5 billion in 1989.

Owing to more vigorous export growth, debt relief and improving economic management, A.I.D.'s focus countries perform better in servicing their debt than do other sub-Saharan countries. In fact, focus countries are meeting well over half of their payments while the others are struggling to pay just 40%.

Though A.I.D. is encouraged by the focus countries' improving economic performance, much needs to be done. First, about a third of the focus countries are not even achieving modest growth rates of 3%. Secondly, although focus country growth rates have averaged 3.9%, this is barely above the rate of population growth and not high enough to assure meaningful improvements in

living standards for most Africans in this generation. African countries must increase their economic growth. Lastly, with declining terms of trade, widespread political and economic instability and uncertain climatic conditions, Africa's gains are too easily reversible. The progress we are helping to foster is fragile and we need to reinforce it.

## Food Security

A key aspect of improved economic performance in sub-Saharan Africa is increased food security. Food security is fundamental to the well-being of the poor in Africa and is particularly challenging, given both vulnerability to drought on the one hand, and lack of foreign exchange for food imports to augment insufficient domestic food production, on the other. A.I.D. therefore considers food security to be both a reflection of a country's level of development and a necessary condition for a country to achieve productivity gains as well as sustainable and broad-based economic growth.

The most significant progress in improving African food security has been on 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 has been increasing at slightly more than 2% per annum for the 1980s. Improved domestic production is attributed to post-adjustment policy reforms -- particularly market liberalization -- as well as the increasing use of higher-yielding technologies and relatively favorable weather.

Nonetheless, statistics show a slight drop in aggregate foodgrain availability from levels attained in the early 1980s. Sub-Saharan Africa imported less foodgrain commercially as foreign exchange reserves were squeezed ever harder. Food aid levels declined from the record levels set during the drought in the earlier part of the decade. Part of the problem rests with statistical failure. Much of Africa's food trade was channelled early in the decade through parastatal agents and was easily recorded in national accounts. The onset of liberalized markets later in the 1980s brought private farmers and traders directly into the marketplace, causing significant shares of domestic trade to go unrecorded. The trend toward private trade has fundamentally restructured and improved production incentives, but in the short run it has confused the aggregate statistical picture.

The real test of improved food security is increased household access. Improvement in access is a long-term challenge which requires increasing incomes for the poor so that they can purchase more food. Very preliminary research results, discussed in following sections, show that the nutritional status of the rural poor improved in many countries, suggesting that their household access to food is indeed improving. But the results are not, at this stage, conclusive. Together with African governments and other donors, A.I.D. continues to analyze the access of African households to food, and we will continue to translate the lessons from our analysis into more effective assistance programs.

### B. A Summons to Democracy

A summons to democracy is being heard throughout Africa. Over two-thirds of the countries in the region within the past two years have either opened up their political systems, or their leaders have made clear commitments to democratic societies.

In 1991 alone, important first steps toward more open and competitive political systems occurred in 19 African countries.

The free and fair election in Zambia allowed a legitimate, peaceful and significant change in government and subsequent move toward free-market, accountable and transparent policies. In Mali, steady progress on the part of the government in implementing democratic reforms has resulted in solid popular support. This has made possible a renewed commitment to economic reform and the principles of market-driven economic growth, despite the belt-tightening which will undeniably affect Malian society in the short- and medium-term. In Niger, the ambitious pace of democratization sets the stage for significant changes in economic development trends. The end of Ethiopia's civil war brought about new freedoms affecting everyone's daily life. These changes are delicate but promising, and stand in stark contrast to Kenya. Kenya, in FY 1992, was reduced from its budgeted aid level of \$39.1 million to \$19.1 million as a reflection of U.S. concerns over economic performance, human rights violations and recent political events. This decision articulates U.S. concern over restrictions on freedom of expression and human rights by the Government of Kenya, the need for greater openness and accountability on the part of the government, and its failure to carry out policy reforms necessary for

economic development.

Africans have become increasingly concerned with "governance." Much of the protest movement has focused on improving the accountability and the responsiveness of African governments to average citizens. In international and bilateral fora, Africans are talking about issues of governance, including accountability, legitimacy, responsiveness, openness and public management transparency and effectiveness.

Although many African governments are committed to a transition to more democratic, open societies and more accountable leaders, the consolidation of democratic institutions will be a long road. Emerging democratic institutions are tenuous, old elite relationships continue to exist, civil society is weak or non-existent, and much of the demand for change has been urban based. More sobering is the extreme difficulty of establishing and maintaining democratic societies in the context of continuing harsh economic conditions.

### C. 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, which is the longest-term and most difficult to accomplish. Though the economic and political picture in sub-Saharan Africa is beginning to brighten, there are dark clouds on the horizon with respect to important measures of human well-being. 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 service delivery systems is fragile, at best. The inability to service Africans' health, education and other welfare needs, and continued environmental degradation, are symptomatic of the underlying problem of the rapid growth in population.

#### Health Status

According to basic health indicators, sub-Saharan Africa has made good progress in the 1980s. In just a decade, due in part to immunizations and the use of oral rehydration therapy (ORT), life expectancy at birth increased from 47 years in 1980 to 51 in 1990. In the 14 A.I.D. child survival emphasis countries in Africa, average national immunization coverage reached 60% in 1990. In those same countries, mothers' use of ORT for their children with diarrhea increased from an average of under 10% in 1985 to 40% late in the decade.

However, HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome), and resurgent malaria threaten to halt or reverse the social and economic gains made in many African countries. AIDS kills people in their most productive years. This affects the trained labor force of a

#### **DEMOCRACY AND GOVERNANCE**

*Across the continent, Africans are making their voices heard in demanding changes in their governments. More participation, more accountable government policies, and more democratic freedoms are goals that Africans want for themselves. African leaders are asking for A.I.D. assistance as governments and non-governmental organizations (NGOs) examine ways to build democratic societies after a generation of mostly authoritarian rule.*

*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 are designed to assist with immediate necessities, as prioritized by Africans themselves. These 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 so that the resulting strategies reflect local needs and thus stand a better chance of success.*

*Increasingly, our foreign assistance levels will reward positive African performances in democratization, human rights, and the quality of governance. Democracy and governance are incorporated into our decisions regarding country budgets. The aim is to encourage political processes that provide adequate freedom of expression, and participation and accountability in public policy matters.*

country, making investment in education unproductive as the young and educated become infected. Families are disrupted, children become orphaned, and the aged are left without support.

AIDS is already the leading cause of death in some urban centers of Africa. In many African cities, current HIV-infection levels could cause a doubling or tripling of the total adult mortality rate and a 50% increase in the child mortality rate during the 1990's. HIV is spreading to rural areas and may become the leading cause of death among all young and middle-aged African adults by the end of the decade. As HIV infection levels continue to increase rapidly throughout Africa, infection rates of 25%-30% of urban-dwelling adults currently are not uncommon in many African capital cities. Rural adult infection rates are already at or exceeding 10%-15% in several countries.

Malaria in sub-Saharan Africa also is an increasingly significant problem, the dimensions of which are unlike those seen anywhere else in the world today. Approximately 80% of the 267 million people infected with malaria are Africans; 90%-95% percent of malaria-related deaths in the world are in Africa. Each year, more than 1.5 million people in sub-Saharan Africa (1 million are children) die from malaria.

A variety of factors has contributed to the rise of malaria-related morbidity and mortality. Population and political and economic pressures have forced Africans to leave non-malaria endemic areas (such as in Ethiopia, Somalia, and the Sudan) to live and work in endemic areas without the benefit of natural immunity. Long-term migrants, as well as seasonal laborers and nomadic populations, suffer some of the gravest consequences because of their transient status. Recent urbanization trends in Africa have caused increases in both the population and disease vector pools. Population movements as well as various climatic factors have introduced malaria into areas that had been previously malaria-free. The extensive spread of drug-resistant malaria parasites, as well as resistance to previously effective insecticides, also have significantly exacerbated the impact of malaria in Africa.

### Population Dynamics

There has been progress in reducing population growth, but its not enough. From 1980 to 1989, the total fertility rate for sub-Saharan Africa dropped slightly from 6.8 to 6.6. In a few countries, the drop has been impressive; in Kenya, the total fertility rate fell from 8.0 in 1980 to 6.6 in 1990.

With a population growth of 3.2% 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. The growth rate further pressures the economy to produce sufficient food and to create the jobs needed 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 a long-term, unwavering commitment to their solution. Africans, with the help of outside resources - notably the United States in the case of family planning - are making slow but steady progress toward stabilizing population growth. Accelerating the pace of economic growth and social well-being demands, though, a sharp reduction in fertility rates across the continent.

## II. FY 1993 REQUEST

A.I.D. requests \$775.6 million to further the objectives of the Development Fund for Africa (DFA) and \$19.3 million in Economic Support Funds to support U.S. strategic and political interests in selected African countries. In addition, A.I.D. requests \$120.7 million in P.L. 480 Title II resources, for which transport costs are included within the global P.L. 480 Title II program, and \$116.7 million for P.L. 480 Title III, including transport costs. A.I.D. will continue to take advantage of the new Title III authority in program planning and will ensure close integration between DFA and food aid programs to achieve maximum development impact.

In FY 1993, A.I.D. proposes to provide assistance to 32 African countries and to a consolidated group of small countries through a streamlined program modality. The FY 1993 portfolio includes two new:

programs in Angola and Ethiopia to meet the enormous rehabilitation needs and a greatly expanded program for disadvantaged South Africans. The proposed DFA program incorporates several changes which are responsive to Congressional concerns expressed both in consultations with A.I.D. and in Committee reports. These include efforts to further focus and concentrate DFA resources in a limited number of countries where they will be used most effectively and to use management resources as efficiently as possible.

One modification this past year is initiating a new assistance model for small African countries. Programs designed in accordance with this model accommodate U.S. interests in furthering development in these countries, while reducing the management intensity and responding to the need to maintain an acceptable level of accountability. Assistance will be provided through such options as regional training, Peace Corps, human rights programs, special self-help, short-term democracy and governance programs, as well as emergency food aid as needed, and, where justified, a single grant in a single sector implemented preferably by a private and voluntary organization (PVO). Initially, seven country programs will be carried out under this new model: Central African Republic, Comoros, Congo, Equatorial Guinea, Mauritius, Sao Tome and Principe, and Sierra Leone.

In the effort to focus resources in a limited number of sectors within country programs, A.I.D. continues to emphasize the critical sector priorities set out in the DFA authorization legislation. As in the past, A.I.D. expects to meet or exceed the three 10% targets in health, population and natural resources management and the 5% target in AIDS through a combination of DFA and central program funds.

In FY 1992 and FY 1993, A.I.D. will expand or initiate programs in health (including child survival and AIDS) in Cameroon, Gambia, Malawi, Mozambique, Nigeria, Tanzania, Togo and Zambia; in population in Kenya, Madagascar, Rwanda, Senegal, Swaziland and Tanzania; in natural resources management in Burkina Faso, Cameroon, Gambia, Kenya, Madagascar, Mali, Rwanda, Senegal, Swaziland and the Southern Africa Regional Program; and basic education in Guinea, South Africa and Uganda. All of these are in addition to already-funded, ongoing programs.

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 and coordinate with PVOs, including U.S., international and local and community-based groups. In a great many of our programs, these organizations provide the critical link to ensure grass-roots participation, and we consider them integral to the success of our development efforts. Over the FY 1991-93 period, we will provide approximately 18% of the DFA budget through PVOs in each year. In our efforts to collaborate and coordinate more closely with U.S. PVOs, A.I.D. has retained a focal point of

#### **PVO INITIATIVES PROJECT**

*A.I.D. is using the regional PVO Initiatives project to establish stronger links with African NGOs through their U.S.-based PVO partners. The three-year old project is an effective vehicle for establishing and strengthening African grass-roots NGOs by providing access to financial and human resources.*

*A major feature of this project is the Partnership Initiative Fund (PIF) which provides small grants to NGOs. To date, 21 grants have been awarded for activities such as developing domestic and export markets, strengthening women's enterprise and income-generating activities, improving sanitation and waste disposal practices, and providing financial management assistance. PIF also facilitates information sharing among NGOs in agribusiness and small enterprise development.*

*There have been numerous successful PIF grants. Through a U.S.-based PVO, Aid to Artisans, their partner NGO in Ghana was able to train craftspeople in product design, production and marketing for export, resulting in a new product line of handicrafts which is now exported to the United States. The success of the activity resulted in the NGO obtaining \$75,000 in other grant funds to continue product development. A Kenyan NGO, Tototo Industries, developed small business training materials in cooperation with World Education, a U.S. PVO. These were subsequently translated into French by a Malian NGO - all in an effort to foster south-north NGO relationships. In Senegal and the Gambia, Private Agencies Collaborating Together (PACT) and a regional local NGO partner collaborated to disseminate needed technology on oilseed processing.*

contact for the Africa region; has supported networking activities such as a quarterly newsletter; and has maintained a forum, the PVO Liaison Task Force, for dialogue with the PVO community. To



strengthen host country PVOs, A.I.D., through the Africa region's PVO Initiatives project, has successfully implemented a small grants program, the Partnership Initiatives Fund (see box).

A.I.D. also proposes to provide \$50 million for the Southern African Regional Program to support the efforts of the Southern Africa Development Coordination Conference (SADCC), including the ten majority-ruled states of southern Africa. The FY 1993 A.I.D. program will focus on improving (1) the competitiveness of the region's private sector through transport sector capital projects and related operational efficiency activities; (2) natural resources management and (3) agricultural research coordination.

During FY 1992 and beyond, A.I.D. will persist in its support for the objectives of the Gray Amendment. In FY 1991, A.I.D. concluded more than \$37 million in contracts and grants with disadvantaged enterprises for the Africa region. New efforts are underway.(see box).

#### GRAY AMENDMENT

*A.I.D. continued its support for the objectives of the Gray Amendment (Sec. 567) in FY 1991 in Africa. A.I.D. executed more than \$37 million in contracts and grants with disadvantaged enterprises. This figure is \$7 million above the FY 1991 target level of \$30 million set by A.I.D.*

*In Africa, A.I.D. substantially exceeded its legislative target in FY 1991, as it has for each of the last five years. However, A.I.D. is committed to exceeding targets by an even greater margin in FY 1992 and beyond. To that end, senior management of the Africa program has taken a number of steps to encourage field missions and Washington offices to make better use of the capabilities and experience of Gray Amendment entities in implementing A.I.D.'s assistance program in Africa.*

*In the Africa region, field missions are establishing an early identification system for potential projects and contracts for disadvantaged enterprise utilization, as well as a monthly reporting requirement on progress. In A.I.D./W, an advisory group was created to provide policy and program direction for Gray Amendment entities, and to respond to implementation problems.*

*Other organizational and procedural changes have played a positive role, such as the designation of a Gray Amendment liaison officer in each field mission and Washington office for the Africa region. Organizational changes for the Africa region have ensured that the main contacts for Gray Amendment entities are the geographic offices, allowing for more direct access to information on upcoming contract and grant opportunities. In addition, A.I.D. continues to conduct outreach activities, such as participation in business conferences, sponsorship of trade and investment missions with the Overseas Private Investment Corporation (OPIC), and working with African governments to promote American investment in Africa, as an important element of the Africa region's Gray Amendment program.*

A.I.D. is forging new approaches to engender participation at all levels of society in African countries, reaching beyond its continued effort to involve local groups in their own development. Broader market access and participation continues to be a principal theme of our economic development programs, as competition not only has positive economic outcomes, but gives more individuals a stake in their society. Building on this theme, A.I.D. is embarking on a course of expanding non-governmental input into, and support for, economic and political reform measures in Africa. This transition to a participatory society requires changes in the roles and expectations of both government and the private and non-governmental sectors. A first step in this process for A.I.D. is to deliberately engage the non-governmental sector in the formulation and implementation of specific policy reform programs, and in the development of new strategies and approaches to development. A.I.D. also is exploring ways to strengthen the ability of the non-governmental sector to play a substantial role in shaping societal choices over time.

#### III. IMPACTS OF U.S. ASSISTANCE UNDER THE DFA

The flexibility that A.I.D. has derived from the Congressional decision to create the DFA carries with it special responsibilities. The principal one is to manage the program of assistance to Africa for results. A.I.D. is

also responding to Congressional concern that progress toward achieving the objectives of the DFA be demonstrated. The following section reports on some of those results.

Four years after the enactment of the DFA, we can begin systematic reporting on the difference that A.I.D.'s assistance has made in the lives of Africans under each of the four strategic objectives of A.I.D.'s Action Plan for implementing the DFA. We have developed a monitoring and evaluation system in fulfillment of the mandate to evaluate progress, and are using this to identify and report on

results achieved and lessons learned.

**A: 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, development needs to be private-sector led, and for this to occur, governments should perform fewer, only essential tasks, which they must do much better. Governments must get out of the business of producing and marketing. But for the private sector to take over these areas, governments must provide a positive enabling environment, including setting of 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 implementing the kinds of economic reform programs which lead to major changes in what governments do and how they do it. Late in the decade, many of these programs began to bear fruit as economies stabilized and economic growth rebounded. Just as A.I.D., along with other donors, must assume part of the responsibility for Africa's decline, it can also claim some measure of success for the turnaround that is now becoming evident. Already we are seeing the impacts of joint 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**

Although improved stability is generally beyond the influence of A.I.D. alone, it is of crucial importance for African countries and all donors who, together, have had 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 provides quick-disbursing, sector assistance and debt relief to support the stabilization and adjustment efforts of 24 poor, debt-distressed African countries. While the SPA includes the World Bank, African Development Bank and International Monetary Fund (IMF), most SPA resources are provided by bilateral donors. In the first SPA period (1988-90), A.I.D. was the fifth largest bilateral donor. In the second period (1991-93), our pledge makes us the second largest bilateral donor, after the Japanese. Also important, A.I.D. has provided substantial intellectual inputs, such as standardizing local currency use and accounting procedures among donors and helping to formulate a new initiative in public expenditure reviews to assist African governments to improve their budget planning and expenditures.

In FY 1991, A.I.D., under Section 572 of the 1989 Appropriations Act, forgave \$409.4 million in debt owed by 12 African countries to the United States for concessional economic assistance loans (Development Assistance and Economic Support Fund). This brings total debt forgiveness under Section 572 to \$787.5 million for 17 sub-Saharan African countries in the last two fiscal years. (These amounts include principal and interest). Also in FY 1991, eight African countries benefitted from \$416.2 million in forgiveness of food aid debt under Section 411(a) of the Agricultural Trade Development and Assistance Act of 1954. The largest beneficiaries of U.S. debt forgiveness have been Ghana, Kenya, Tanzania and Zambia. While total U.S. debt forgiveness of \$1.2 billion is less than 1% of sub-Saharan Africa's total debt stock of about \$176 billion, in a few countries forgiveness has been more significant, such as in Ghana where the United States forgave 6% of the total debt stock.

The impact of government policy reforms, supported by our assistance and that of other donors, has been significant. Particularly in A.I.D. focus countries, which are undertaking the greatest reforms, and where our resources have been concentrated, improvements in fiscal management, the balance of payments and investment have been encouraging:

Better fiscal management is indicated by average fiscal deficits, which are lower for focus countries than for other African countries. Excluding Cameroon, an oil exporter which has gone from a strong surplus during the oil boom to a steep recession-induced deficit, the focus countries have reduced their average fiscal deficit from 5.5% of GDP in 1983 to 5.0% in 1990. In the other countries, the average deficit grew as a percentage of GDP, from 6.7% in 1983 to 7.4% in 1989.

The balance of payments has improved in the focus countries, where the current account deficit fell from 9.3% of GDP in 1980 to 4.5% 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% of GDP in 1980-84 to just 5.7% in 1988-90.

In investment, also, the performance of A.I.D. focus countries was better than that of other countries in sub-Saharan Africa. While investment for the focus countries increased slightly as a proportion of total economic activity, rising from 19.0% of GDP in 1980-84 to 20.1% for 1988-90, it fell for the other countries, from 21.1% in 1980-84 to 18.9% in 1988-90. Since GDP growth rates were significantly higher in focus countries, it appears that their efficiency of investment was greater too.

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. Also, many investors are waiting to see how the political upheavals of transition to multi-party democracies will influence the investment climate. Investment is recovering slowly and the economic recovery of recent years, though real, is still fragile.

#### Improved Equity and Efficiency in Providing Public Services

A major concern about structural adjustment in Africa is that it might result in less government involvement in areas where the public sector should remain, such as health and education. As noted earlier, 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 generally, and health and education in particular, was as likely to rise as to decline after adjustment. Additional data from 1988-89 suggest that social sector spending is gaining in importance relative to other sectors.

#### *Improved Stability in Ghana*

*The case of Ghana illustrates that sustained commitment to policy reform, supported by donors, can lead to improved economic stability and growth. Economic growth in Ghana has turned around from a negative 4.6% in 1983 to an average of about 5% since economic reforms were started in 1984.*

*Following independence, inappropriate government policies gradually eroded Ghana's once comparatively high standard of living and well-developed economic and social infrastructure. The government's focus on costly, capital-intensive public sector investments, pervasive administrative controls, and maintenance of an overvalued exchange rate led to massive disequilibria in the economy. Fiscal and balance-of-payments deficits climbed, parallel markets proliferated, and inflation reached 142% in 1983. By then, the black market exchange rate was many times the official rate and real per capita income had fallen by 30% in the two and a half decades since independence. By the early 1980s Ghana had the most distorted economy in sub-Saharan Africa.*

*In 1983 the government of Ghana launched an Economic Recovery Program, and since then, with donor support, it has maintained a strong commitment to policy reform. Over the last eight years the government has restored fiscal and monetary discipline and reduced price distortions by: devaluing the cedi and liberalizing the foreign exchange market; introducing price reforms, including the elimination of price controls on 8,000 commodities; eliminating excess liquidity in the economy and reducing budget deficit financing by the domestic banking system. The results have been impressive: inflation fell to less than 20% by May 1991; the volume of exports expanded at an average rate of 10% annually from 1983 to 1990, and the ratio of debt service to exports fell from a high of 68% in 1988 to 38% in 1990.*

*While Ghana's economic turnaround has been notable, much remains to be done. Perhaps the best evidence for this is the tepid response of the private sector to date. Although private investment has grown from 2.9% of GDP in 1983 to 8.7% in 1990, much of this growth has been confined to gold mining, cocoa and timber. Much more work is necessary on the enabling environment, ranging from taxes to business registration procedures and consistency of the legal framework.*

### *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 programs are designed to rectify imbalances: rural versus urban, gender, and ethnic. These programs are new. Their impact to date is observed through changes in improved government practices: increased capacity to recognize inequity problems; willingness to address those problems; and strengthened effort and resolve to implement reforms. Ghana is an example of this pattern.*

*Ghana originally felt that equity in education was not a major problem. After reviewing data from A.I.D.'s education sector assessment which demonstrated pronounced educational imbalances (primarily for rural versus urban students), the education ministry designed an A.I.D.-supported pilot project to assess education quality, the retention of students in rural areas, the direct costs of education for the poor, and parental willingness to enroll rural children - especially girls - and keep them in school. Within a four-month period, the ministry selected six activity sites, held a workshop for involved district officers and teachers, and implemented activities in 44 schools in 28 districts, 50% of which were in the most rural areas of Ghana. Evaluations of the pilot activities have demonstrated the most effective approaches, which will be expanded to a nationwide incentive program to be implemented in 1994.*

*Another principle behind A.I.D.'s basic education programs in Africa is broad-based ownership of primary and secondary schooling. More than solely 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 that those directly involved in the education process. Community and PVO ownership makes the education system more responsive, accountable and sustainable.*

*A.I.D. is support ownership ideas through: grants that require broad stakeholder involvement in education reform; cooperation with the commercial private sector on curriculum development; support of media and training initiatives for community and PVO groups; and using matching funds to stimulate community and PVO education improvements.*

*Education studies in Mali showed that primary school enrollment was decreasing - 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 initiative 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. These grants complement community efforts to improve primary schools via classroom rehabilitation, well and latrine construction, learning materials and income-generating enterprises, such as carpentry ventures and gardens. A.I.D. funding increased in 1991 due to the success of these early efforts. Primary school enrollment is stabilizing, and even increasing, in parts of Mali where A.I.D. is working.*

While the level of expenditures for public services may not be a major concern overall in Africa, it is in certain countries, particularly where military expenditures are high. Even in countries where expenditure levels for social sectors overall 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. is already encouraging 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.

The problems affecting education systems in Africa have been among the most severe in the world. The supply of places for children in African primary schools is expanding considerably slower than the population. Low quality and poorly-managed education programs yield the world's highest repetition and drop-out rates and the world's lowest levels of literacy and numeracy acquisition. Africa suffers from profound gender, regional, ethnic and urban-rural disparities in access to schooling, in general, and to effective schooling, in particular.

When A.I.D. designed education projects in the 1970s and 1980s, they reflected a narrowly focused and technical input-oriented project approach to solving these problems. Evaluations of these projects showed that the systemic and interrelated nature of African education sector problems required a broader and more holistic solution. A.I.D.'s new sector assistance programs attack these problems by supporting 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 pedagogic materials and support. Other measures that current sector programs are introducing include: 1) expanding community and local participation in education; 2) increasing the financial and managerial authority of local education authorities; 3) introducing policies to directly raise the efficiency of the system, including multi-grade and double-shift teaching; 4) introducing educational assessment programs; 5) developing a rational and appropriate curriculum; and 6) implementing incentives (or dismantling regulations) to encourage increased private sector provision of educational services.

## **B. STRATEGIC OBJECTIVE 2: STRENGTHENING COMPETITIVE MARKETS**

The changing global environment, particularly the collapse of the Soviet Union, has drastically changed the nature of debate on African economic development. In the dialogue with African countries, there is no 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:

1. Promoting an enabling environment for private enterprise;
2. Strengthening market incentives for private production; and
3. Reducing physical barriers to business and trade.

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

### **Promoting an Enabling Environment**

As a first step, market development requires that governments allow the private sector to at least compete on equal terms with parastatals. In Uganda, A.I.D. worked with the government to analyze the coffee sector and to rescind 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% 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.

The private sector also has demonstrated that it can successfully compete to handle sensitive imports such as fertilizer. Cameroon, Madagascar, Tanzania, Niger, Ghana and Kenya have all successfully deregulated imports and distribution and eliminated subsidies without negatively affecting farmers. In Cameroon, the private sector now delivers fertilizer at \$50 per ton compared to the parastatal price of \$280.

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, 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% of the total number of business starts in 1990.

### **Strengthening Market Incentives**

Improved regulatory environments have proved most successful when governments have also

eliminated centrally administered price controls and allowed markets to intermediate between 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 -- and impact is being registered in improved child nutrition. From 1989 to 1990 -- a period of relatively constant food aid levels and consistent weather -- growth faltering in 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 marketing margins and allowed a 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% decrease in production from 1990-1991.

Rationalization of 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 which offers better returns to exporters. The new foreign exchange regime encouraged a private Ugandan firm to secure a contract with McCormick's, the U.S. spice company. The firm paid farmers about six times the price they had received for vanilla in 1989, and tripled the producers on line. 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 marketing costs can hinder competition among traders to buy domestic 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 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 the private firms which 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%. 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 -- a factory to produce oral rehydration salts (ORS). State-of-the-art mixing and packaging equipment was purchased from U.S. suppliers. The factory is now fully operational, meets World Health Organization (WHO) and U.S. standards, and was on target to produce 1.65 million ORS packets by the end of 1991. The bulk of 1991's 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 the country.

#### 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 if the aggregate number of unemployed is not to increase. 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 tolerance of informal trade has sparked major peri-urban economic growth. A recent study in Mozambique demonstrates that Maputo's informal sector 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 micro loans 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 made profitable. The key issue, discussed below, will be the strategies we employ to maintain such potential increases in productivity from Africa's natural resources and from its people.

### C. STRATEGIC OBJECTIVE THREE: DEVELOPING THE POTENTIAL FOR LONG-TERM INCREASES IN PRODUCTIVITY

African economies are largely agricultural, and, at least until the end of the 20th century, the continent's comparative advantage will continue to be in developing its agricultural sector. However, the interest in short-term productivity gains in agriculture must be balanced against the fragility of the African natural resource base. Technological and institutional solutions for today must include stewardship of these resources for the next generation.

Similarly, investments in human capacity development must look toward the future. Sustainable economic productivity rests on a healthy, well-trained work force, capable of adapting to new economic opportunities as they arise. Currently, two rising health threats, the HIV/AIDS pandemic and malaria, are substantially reducing the gains that were realized in the late 1980s in lowering infant and child morbidity and mortality. With continued high population growth rates, coverage of health and education services is problematic, even with the efficiency gains noted under Strategic Objective 1 (Improving Economic Management). Thus, in addition to improving health status and providing more people with the basic skills to enter the labor force, balancing growth in the economy and growth of the population is critical to sustainable improvements in the lives of Africans.

A.I.D. programs that contribute to developing the potential for long-term increases in productivity yield results slowly, as they require profound changes in human behavior. Some of the investments made over a decade ago in higher-yielding agricultural technologies are now being widely adopted and are raising incomes, while many investments in natural resources management to stabilize these higher yields are at early stages. Similarly, in a number of countries in which A.I.D. has nurtured family planning programs for a decade or more, substantial declines in total fertility rates are now evident.

#### **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 is establishing conditions that will encourage changes in actions by individual farmers, pastoralists and others, followed by the behavioral change, which, in turn, leads to more efficient use of their resources and to continued growth in income and improved welfare.

No farmer on the margin of existence in Africa 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 the incentives for a farmer to consider adopting technologies that have both short- and long-term payoff is often to change the policy framework. The farmer needs certain conditions of land tenure to benefit from any fixed investment, price policy reform to make such investments more affordable and an appropriate regulatory and fiscal policy framework, so that individual decisionmaking is not usurped nor profits taxed away. In its policy dialogue and sector adjustment programs, A.I.D. often takes the lead role in setting the preconditions for long-term resource management.

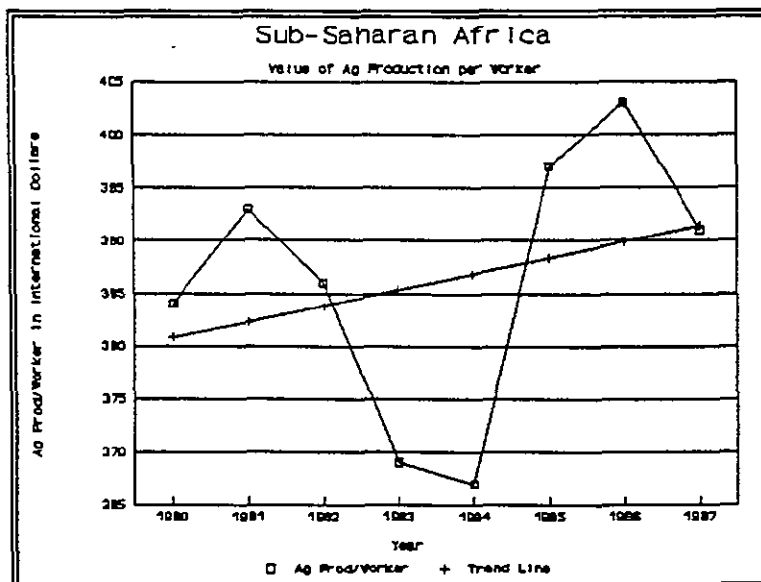
In Lesotho, where wool provides a substantial share of farm income, the government, with A.I.D. support, has encouraged the establishment of local range management areas (RMAs). Within the RMA, local people set limits on resource use, both in terms of the number of animals permitted and the schedule of use of the land. The oldest of the RMAs was established in 1983 as an A.I.D.-supported experiment in local management. Results reported in 1990 and 1991 show significant checking and reversal of deterioration of the range on the one hand, and a substantial increase in the quality and value of the animals on the managed range. Moreover, stocking rates are down due to active culling and marketing of animals. This is the ultimate indicator of a change in behavior and in values among participating farmers, whose reasons for keeping large numbers of animals include prestige as well as economic value. Given these results, the formation of other RMAs is now being encouraged by the Government of Lesotho.

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. For example, meat from wild animals is the most important source of protein in much of central Africa. The potential value of many other natural species to humans 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.

#### ENVIRONMENTAL QUALITY

*Environmental quality includes protection of the African elephant, conservation of biodiversity, tropical forest protection, and mitigation of global climate change. A.I.D. has supported the African Elephant Conservation Consultative Group and national ministries in the 1991 publication of elephant conservation plans for individual countries in west, central, and east Africa. Recent surveys funded by A.I.D. in Cameroon suggest that both commercial and subsistence hunting of small forest antelopes can be permitted without adversely affecting natural populations of this species. Meanwhile, Uganda, with A.I.D. support, is addressing the issue of sustainable use by developing a permit system to ensure that local villages will have a continued supply of mountain bamboo within the new Bwindi National Park.*

*In respect to tropical forests and global climate change, the Central Africa Global Climate Change project begun during FY 1991 addresses the triple role of the great forests of the basin of the Zaire River in the sequestration of carbon from the atmosphere, the maintenance of biodiversity, and the provision of ecosystem services to local people. In Rwanda, the Mountain Gorilla project and the Nyungwe Forest project have reduced poaching of endangered primates and also provided direct employment and income from tourism to adjacent communities.*



#### Accelerated Agricultural Technology Development and Transfer

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

While African agricultural productivity (measured as value of agricultural output per agricultural worker) fell significantly in the 1970s due to drought and external shocks to the African agricultural economies, these trends were reversed for



the period 1980-87 (see Figure 2). The data indicate that, while food production did not quite keep pace with population growth, the agricultural sector did increase its productivity due to a significant increase in receipts from non-food commodities. Although the data on the agricultural labor force are incomplete for 1988-90, a review of agricultural output suggests continued growth due primarily to almost 5% average annual growth for non-food commodities in A.I.D.'s focus countries.

A key contributor to increasing agricultural labor productivity is the adoption of technologies that intensify yields. A.I.D. has recognized the importance of technology development and transfer since the 1960s. The approach taken in the late 1980s and early 1990s, however, is much different from our initial efforts. While the work of the 1960s-70s generated some very useful products such as Kitale maize in Kenya, the continued evolution of these technologies was not sustainable on the basis of Africans' resources alone. Not only did the host country research institutions require substantial development and overhaul, many of the research programs were not geared to meet the demands of their farm and agribusiness clientele, nor were they sufficiently linked with their counterpart researchers in other countries. These findings led A.I.D. to shift the focus from the narrow objective of technology generation and release to a broader approach addressing research management and linkages with the host country private sector. We also have moved to strengthen demand-driven research linkages between African countries and the International Agricultural Research Centers and among the research systems of neighboring countries.

These efforts, which took place in the 1980s, raise prospects that as markets are adjusted and resources reallocated, the future impact of agricultural technology development and transfer will be even greater.

### 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. An untrained work force leads to inefficiencies in the economy. Most importantly, high population growth rates threaten the sustainability of any economic productivity gains.

### Toward a Healthier Work Force

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 A.I.D. child survival emphasis countries.

#### *Farmers Are Adopting New Technologies*

*A recent evaluation of African agricultural research reveals significant levels of impact from previous and ongoing U.S. investments. In Kenya, as in most other African countries, the A.I.D. effort in agricultural research has focused on food crops, which are a source of income as well as sustenance for most producers. The development of a hybrid maize technology appropriate for Kenyan agro-ecological conditions has allowed the country to keep up with one of the most rapid population growth rates in the world with less recourse to imports than would have been the case had farmers continued using old technologies. It is estimated that, each year, the increase in production is saving an estimated \$40-\$50 million of foreign exchange which is being reinvested in the local economy—largely for the importation of manufacturing inputs. Equally significant is the finding that while the total land area devoted to maize has increased, the share of land planted to maize has diminished relative to other, higher-profit crops. During the late 1950s and early 1960s, maize accounted for 49% of value and 35% of cropland. Twenty years later, maize accounted for only 26% of the planted area and 18% of value. Farmers, assured of a cheap staple food, have felt free to transfer scarce land resources to more valuable crops such as tea, coffee or pyrethrum, which yield a higher economic return and increase rural families' consumption and savings.*

*Agricultural intensification is not confined to Kenya alone.*

- *Lesotho is reporting an enormous (nearly eight-fold) increase in the sale of improved pinto bean seeds in 1991 over 1990;*
- *Malawi is reporting a 40% increase in the sale of improved variety maize seed; and*
- *Rwanda is showing a 233% increase in the number of households using improved bean varieties since 1987.*

*Taken together, these increases support the expectation that during the next decade, with average rainfall, a liberalized policy environment, and political stability, we can expect to see accelerated increases in agricultural productivity both per labor and land unit.*

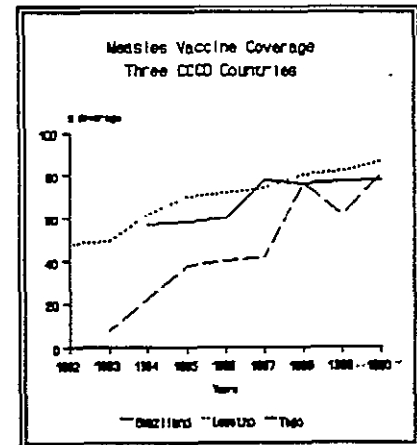
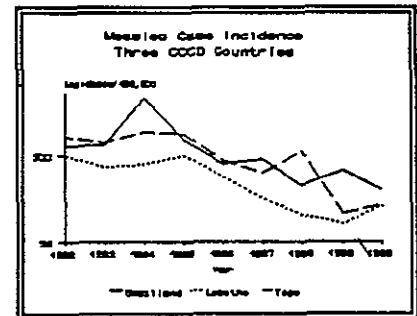
in Africa, infant and child mortality rates decreased 15% and 17.5%, respectively, since 1981. The spread of low-cost primary care interventions, immunization and oral rehydration therapy (ORT), which has constituted the core of A.I.D.'s and other donors' child survival strategy, has been an important contribution to this success.

National childhood immunization coverage rates in the 14 emphasis countries reached an average of 60%, doubling from about 30% in the mid-1980s. Five of these countries, Burundi, the Central African Republic, Lesotho, Malawi and Swaziland, attained coverage rates of 75% 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 25% during the mid-1980s to over 40% by the late 1980s. Beyond increasing coverage, some African countries have documented sustained decreases in the incidence of vaccine-preventable diseases, such as measles (see box) and polio. Immunization efforts throughout Africa have benefitted from strong collaboration among ministries of health, A.I.D., UNICEF, WHO, Rotary and other partner agencies.

#### Child Survival and Measles

*Substantial reductions in the number of measles cases reported over the last few years have been documented in Togo, Swaziland and Lesotho. Togo and Swaziland reached historically low levels of measles incidence during 1990. As depicted in the lower graph, the three countries also report significant increases in vaccine coverage during this period.*

*Togo, Swaziland and Lesotho are assisted by the regional A.I.D.-funded Africa-Child Survival Initiative-Combating Childhood Communicable Diseases (ACSI-CCCD) project. Through this project, several African countries have made tremendous strides in program monitoring and the development of health information systems. These countries are now able to track progress and respond promptly to population and program trends and developments.*



Measles Vaccine Coverage

Significant progress has also been made in the promotion of oral rehydration therapy (ORT) to prevent death from diarrhea-related dehydration. In the 14 child survival emphasis countries, mothers' use of ORT for their children with diarrhea has increased from an average of under 10% in 1985 to an average of 40% during the late 1980s. Within the same time frame, community access to oral rehydration solution has increased threefold from an average of about 20% to nearly 60%. One hospital in Lesotho reported that the case fatality rate for dehydration due to diarrhea has been cut by about one-half since the opening of the ORT treatment unit.

#### Threats to Progress in Better Health

Despite success in the implementation of these child survival interventions, sustainability and continued progress are not assured. African economic realities and emerging issues, such as HIV/AIDS and resurgent malaria, threaten to slow or reverse progress made to date in reducing child mortality.

Over 6 million persons are infected with HIV in sub-Saharan Africa. This translates into about one in every 40 African adults, and represents almost two-thirds of the estimated global total of infected persons. This includes roughly 2.5 million women, or about 80% of the global total of infected women, and an equal number of infected men, accounting for more than 40% of the global total of infected men. Most of the women infected are of child-bearing age, and HIV transmission from the mother to fetus or infant is a widespread and increasing problem. As of 1990, approximately 500,000 African infants had been born infected with HIV. By the end of the 1990s, an additional 10 million or

more infants may be stricken.

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 elements: monitoring the HIV/AIDS problem; 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.

#### **Reducing HIV/AIDS Transmission Rates**

*\*Notwithstanding the bleak picture painted by the still-growing 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 transmission rates can be lowered. This has required significant innovation and flexibility, but new directions are beginning to emerge.*

- *With A.I.D. support, several private voluntary and non-governmental organizations have developed the capacity to enter the field of HIV/AIDS prevention and make an impact on the problem. In turn, they have had an impact on country programs funded by other donors. A condom social marketing program in Zaire (implemented by Population Services International) has demonstrated convincingly the effectiveness with which private sector resources can be employed to provide HIV/AIDS education and promote HIV prevention. The Zaire social marketing 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% 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.*
- *The Zaire AIDS mass media project, also implemented by Population Services International, complemented the social marketing activity by educating the population through radio, television and print media as well as popular music and live theater. Collaboration with Zaire's National AIDS Committee was instrumental in assuring culturally appropriate message development (broadcast and print in all five national languages), obtaining official approval of all messages, and assuring free airtime. A project-associated research activity has documented behavioral change by Zairiens.*
- *An early impact of the regional HIV/AIDS Prevention in Africa (HAPA) project was the evaluation of newly-developed rapid tests for HIV. This multicenter trial, conducted in Ghena, 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 (ELISA and Western Blot) 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 findings will be very helpful to health program planners in many countries.*

As noted earlier in this report, sub-Saharan Africa is experiencing a growth in infection and death rates due to malaria. The factors - 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 observed in the late 1980s.

A.I.D., along with other donors, has renewed its attention to the malaria threat. Using the findings of two recent comprehensive studies, lessons from practical experience, and other ongoing analyses, A.I.D. is developing a malaria control strategy for field missions to use in increasing 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 interventions, and establishing innovative, cross-sectoral approaches to expand malaria control beyond the health sector.

#### **Slowing the Population Growth Rate**

Support for family planning programs remains 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 value-added

in agriculture, enhanced child survival and increased school enrollment levels. Nineteen of the 22 DFA focus countries have family planning as a major component of their A.I.D. development assistance programs.

Fertility in sub-Saharan Africa remains the highest in the world by a considerable margin. In general, a high value is placed on fecundity in African societies. It is only in the past few years that A.I.D. has been able to demonstrate a decline in the total fertility rate - an estimate of average births per woman - in any sub-Saharan countries where we support 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 increase in contraceptive prevalence has been documented. From 1984 to 1988/89, use of modern methods among married women in Kenya increased from 10% to 18%, while in Botswana it increased from 18% to 32% and in Zimbabwe from 27% to 36%. Other countries are also showing promising results. In Rwanda, the most densely populated nation in Africa, contraceptive prevalence shot up from less than 4% in 1988 to the present level of nearly 11%, 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% in 1986 to 10.4% in 1991.

The results of A.I.D.'s commitment to family planning in Kenya are well documented. Since 1977, use of modern contraceptives has more than tripled, while the proportion of married women wanting no more children has nearly tripled as well--from 17% to 49%; an additional 26% of married women want to space future births. Since the late seventies, the average size of the ideal family has plummeted from 7.2 to 5.8 in 1984 and to 4.4 in 1989. Moreover, a recent assessment concluded that A.I.D. support has been a major reason for the overall impact and success of Kenya's family planning program.

Taking advantage of private sector distribution systems is becoming an increasingly popular and effective means of expanding contraceptive distribution and sales. Such contraceptive retail-sales programs, with A.I.D. support, have been mushrooming throughout the continent. In Zaire, sales of vaginal foaming tablets increased eightfold in 1988 to nearly 2 million in 1991. Other A.I.D.-supported programs, in Cameroon and Zimbabwe, for example, also are showing promising results.

#### D. STRATEGIC OBJECTIVE 4: IMPROVING FOOD SECURITY

Food security can be defined as having been met when all people at all times have access to sufficient food to meet their dietary needs for a productive and healthy life. We believe there are three important components to the concept of food security: availability, access, and utilization. The data suggest that domestically produced food availability is beginning to increase, most markedly in the DFA focus countries. At the same time, we are finding that improved access and utilization are longer-term changes which will result from successful overall economic development, including increased purchasing power among lower income groups.

In Africa, A.I.D. has used an effective combination of DFA and P.L. 480 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 donor food imports.

##### **Food Availability**

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. In more than 70% of the DFA focus countries, A.I.D. is contributing to food availability through development programs and projects aimed at improving agricultural production and productivity. Several of these country programs and projects are comprehensive enough to contribute significantly to food security. In Mali, for example, our support for cereal market reform has contributed to increases in investment and productivity of the rice subsector.

The performance of DFA focus countries during the 1988-1990 period is encouraging; per capita foodgrain availability from all sources 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 box]

In contrast, among the non-focus DFA countries total foodgrain availability per capita fell, led primarily by a sharp decline in commercial imports as foreign exchange reserves virtually vanished. Availability 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-focus countries fell to some 15% below that of the DFA focus 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 is less than 5%. One partial explanation is an increasing shift away from cereals to roots, tubers and other high caloric and lower price food commodities.

U.S. food aid commodities have augmented domestic food availability in African countries, and has contributed to a reduction in the year-to-year instability of food supplies. U.S. food aid resources in the form of the new Title III Food for Development program authorized under the 1990 Farm Bill (P.L. 480), 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 supported liberalization of agricultural markets in Mali, Guinea, Kenya, Mozambique, and Ghana.

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 in FY 1991 -- provides a food safety net for vulnerable groups and dampens annual instabilities in food supply and prices (see box).

#### Access to Food

Increased food availability at the national level does not automatically result in adequate access to food by the household. Access to food is thought of in terms of the distribution of income and endowments, i.e., purchasing power. Weak purchasing power limits the capacity of low-income households to produce or procure sufficient food. Increases in effective purchasing power are brought about in two ways: 1) by increasing disposable income or 2) by lowering the cost of food commodities.

Much of the increase in disposable income in the late 1980s has occurred in the rural informal sector

#### *Policy Reform and Access to Food*

*Before economic policy reform measures were undertaken in many African countries, a large proportion of consumers were paying artificially high prices for food. This was true even though official prices were often set below market-clearing levels. In such cases, shortages in official markets contributed to the emergence of parallel markets where food commodities were purchased at prices that reflected true market costs and risk premiums, driven higher by the inefficiencies imposed by inappropriate policies.*

*In the Cornell University multi-country study of the impacts of policy reform on the poor, the evidence suggests that access to food by poor households has improved in the wake of reform.*

*Food prices have declined in Ghana. The consumer price of maize declined at 1.6% per year following adjustment. An appreciable decline was found for rice as well as for sorghum, millet, gari and yam. Only cassava prices did not show a downward trend.*

*In pre-reform Guinea, officially-priced rice was available in Conakry at prices subsidized by as much as 70%. 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. 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. Finally, in Somalia, despite a more than 100% real exchange rate devaluation in the mid-1980s, maize prices actually fell, and rice prices remained relatively unchanged.*

### *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, major emphasis has been placed on improving famine preparedness and early warning systems within Africa. A.I.D.'s Famine and Early Warning System (FEWS) project is succeeding in providing the U.S. Government with timely information while simultaneously 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. The system, which relies on satellite imagery combined with field verification, has been consistently upgraded and its technology refined since inception. Famine was once again a major problem in the Horn in 1991, and FEWS successfully predicted the food crisis. U.S. food assistance, totaling nearly \$420 million, was delivered on time to avert widespread starvation. In 1992, 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 timely 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.*

*Ultimately, however, technology cannot win the battle against man-made disasters. Recent trends indicate that the major causes of food emergencies in Africa during the 1990s will not only be drought, but also political conflict and civil strife. Early warning systems can help, but their effectiveness is limited in situations such as Somalia, Zaire, Mozambique, Liberia and Sudan. The long-term answer in these cases are responsible governments acting to implement sound policies to avert human suffering.*

in sub-Saharan Africa. The income earned from off-farm, agriculturally related employment complements on-farm earnings to increase net family income and, hence, the ability to improve household food security. Income earned in urban areas contributes to the food security not only of the urban household but, often, of the extended rural family through remittances.

As commodity markets are liberalized in sub-Saharan Africa, short-term gains in access are being realized via a decline in the cost of food commodities. During the past few years, the focus of A.I.D.'s efforts has been concentrated on this approach to improving access. The reform measures must then be complemented by investments in market infrastructure and in programs that will strengthen the capacity of private sector market participants.

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

#### **IV. Africa: Sound Foundations for Human Development**

The foundations for African economic development are solidifying. 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. They must sustain 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 poor \$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% of public investment and 60% of recurrent expenditures.

The African people are clearly demanding from their governments radical change in the policies that

### Malnutrition

In order to increase the effective utilization of resources at the household level to improve individual food security, 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.

A recent World Bank review of nutrition interventions in Africa identified several A.I.D.-supported PVO projects as effective models for improving child nutrition. These include the AFRICARE Child Survival project in Imo State, Nigeria and Catholic Relief Services' Maternal and Child Health (MCH) program in Togo. A 1991 evaluation of the AFRICARE project 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 AFRICARE to replicate their program in other areas.

To support the promotion of optimal infant-feeding practices, WELLSTART has trained over 60 African health workers in eight countries in lactational management. A.I.D.'s Nutrition Communication project is working in Burkina Faso, Mali, Swaziland and Niger to assist the 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 issued a declaration that 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 Togo in FY 1992 to integrate infant-feeding practices into ongoing child survival programs.

entrenched them in poverty and dependency. Governments are responding. In many countries, political freedom may be at its highest point since independence. The trend is upward, and it is infectious. Greater liberty in one country affects the aspirations of neighboring citizens.

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