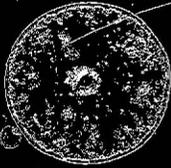


Blueprint for Development

The Strategic Plan of the Agency for International Development



UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

WORLDWIDE MESSAGE FROM THE ADMINISTRATOR

TO ALL AID EMPLOYEES WITH PROGRAM RESPONSIBILITIES
TO ALL AID MISSIONS

Attached is a copy of the Agency's Strategic Plan: "Blueprint for Development".

The Agency Strategic Plan is the Agency's primary statement of purpose, objectives and approach to foreign assistance. The new document builds on much that is sound in Agency practice. At the same time it provides new ways of conceptualizing the Agency mission, provides new tools for programming and offers new ways of achieving a unified approach to development while maintaining the diversity required by individual country situations.

The key elements of the Plan are:

1. AID's Approach to Development

The Plan reiterates AID's commitment to bringing about fundamental, systemic change. Our assistance and projects will, in every instance, seek to go beyond impacts on a small group of people directly affected by our efforts. The Plan identifies the major components of this approach as policy dialogue, institutional development, utilization of the private sector, and technology transfer and development. These are the strategic means by which we seek to achieve our goals. You have received previous messages on these assistance approaches and these elements are now firmly in place, and widely understood.

2. Program Focus

The Agency's focus is identified in terms of a set of key problems. The language of problems rather than sectors is deliberate and is intended to regularly draw our attention to what it is we are trying to accomplish within the overall context of broad economic growth. The Plan identifies five development problems which constitute the areas of Agency activity:

- A. Inadequate Income Growth
- B. Hunger
- C. Health Deficiencies, Especially Infant and Child Mortality
- D. Illiteracy and Lack of Education
- E. Unmanageable Population Pressures

Agency activity will be built upon an understanding of these problems in each country where they exist. Country level strategies will focus on those problems which are most serious and where opportunities for an important AID contribution exist.

3. Agency Goals

As a basis for orienting our program towards these problems, the Plan identifies an overall target for economic growth and quantitative basic needs standards of achievement; these standards represent country-wide levels of achievement that collectively constitute minimally adequate accomplishments for low and medium income countries in overcoming key problems. In the coming years, the Agency will work with host countries and other donors, to gain general acceptance of these standards as a basis for focusing development efforts. Within the AID program we will be utilizing these standards as a basis for program prioritization. It must be emphasized that AID is only one part of the effort that will be needed to achieve these levels. The growth target and standards are:

- A. Economic Growth: Attain an annual real rate of growth of per capita income of not less than 2 percent.
- B. Hunger:
 - (1) Achieve the FAO critical level of caloric intake (1.2 x BMR) for at least 90 percent of the population in each country, and
 - (2) Reduce the percentage of children under age five suffering from chronic and severe under-nourishment to less than 20 percent of the age group.
- C. Disease and Early Death:
 - (1) Reduce infant mortality to less than 75/1000,
 - (2) For children 1-4 reduce mortality to less than 10/1000, and
 - (3) For the population as a whole, achieve a level of life expectancy at birth of 60 years.
- D. Illiteracy and Lack of Education:
 - (1) Increase primary school enrollment to above 90 percent for both boys and girls, with 70 percent of the age group completing at least four years of schooling, and
 - (2) Achieve adult literacy of 50 percent for both men and women.

- E. Unmanageable Population Pressures: Enable access for at least 80 percent of couples to a wide range of acceptable voluntary family planning services.

AID assisted countries differ widely in the extent to which they have attained these levels of achievement. Some countries will be quite far from these standards in almost all areas, other countries are close to attaining these levels in some areas and may have even surpassed them in a few cases. Thus, we are establishing no universal target date by which we believe or predict that these levels will be attained. Our objective is to see such standards incorporated into development thinking and to move towards their attainment as rapidly as possible.

I recognize that in some areas our data base is inadequate. The Plan commits the Agency to a long term effort to improve the statistical and conceptual underpinnings of the standards of achievement approach. Of necessity, we must start from where we presently stand; over time we will have a better understanding of the situation in each country with respect to these problems.

4. Competition for Resources

In order to more effectively use our limited resources, the Agency intends to increasingly allocate resources on the basis of competition between proposals directed at the key problems of Agency focus. Through this effort we hope to stimulate new thinking and over time provide striking examples of what can be accomplished.

In the coming months, we will develop a set of operational guidelines for this competitive process and they will be transmitted to the field.

5. Specific Steps AID Will Take to Implement the Plan

The appendix of the Plan details specific steps AID will take to carry out the Plan.

With respect to certain of these steps (e.g., the completion of analyses of the hunger problem in host countries) separate guidance will be provided and AID/W will provide assistance.

In the coming program cycle, CDSS reviews will carefully attend to the compatibility of Mission strategies with the Agency strategy, and the worldwide CDSS guidance will provide for the structuring of country strategy documents in a manner that facilitates this compatibility. ABS and Action Plan reviews will monitor the extent to which Missions are proceeding to carry out the specific steps to which the Agency has committed itself.

One of our objectives is to use the new plan to communicate our vision of development and our conception of how AID can contribute to the development process. Thus, the plan is being widely distributed both within the donor community and among the general public. USAID Missions should share the Plan widely with appropriate host country officials and private individuals. Requests for additional copies should be made to PPC/PB.

June 1985.


M. Peter McPherson
Administrator

"BLUEPRINT FOR DEVELOPMENT"
THE STRATEGIC PLAN OF THE
AGENCY FOR INTERNATIONAL DEVELOPMENT

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AID Strategic Plan

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AID Strategic PlanGlossary

AID	Agency for International Development, a component of the International Development Cooperation Agency (IDCA), and the principal implementing agency for the U.S. foreign economic assistance program.
ASHA	American Schools and Hospitals Abroad, a program to assist U.S. sponsored schools and hospitals overseas.
BIFAD	Board for International Food and Agriculture Development, created by Congress in 1975 to bring together and match the needs identified by AID for its overseas programs in food and agriculture with resources and expertise of American universities.
BMR	Basal Metabolic Rate, the amount of energy required to maintain a person at rest.
CBI	Caribbean Basin Initiative, a special U.S. assistance program for this region.
CIP	Commodity Import Program.
DA	Development Assistance, one of the funding accounts in the foreign assistance budget.
ESF	Economic Support Fund, one of the funding accounts in the foreign assistance budget.
FAO	Food and Agricultural Organization.
HYV	High yield variety, used to describe food grains.
IBRD	International Bank for Reconstruction and Development, also known as the World Bank.
IDCA	International Development Cooperation Agency, responsible for bringing development considerations to bear on the process of U.S. government executive decision making on international development, finance, investment, trade, technology, and other policy areas affecting developing countries.
IMF	International Monetary Fund.

LDC	Less developed county, defined in economic terms.
ODA	Official development assistance, a definition used in measuring international aid flows.
OECD	Organization for Economic Cooperation and Development.
OFDA	Office of Foreign Disaster Assistance, the office within AID responsible for administering the U.S. foreign disaster assistance program.
ORT	Oral rehydration therapy, used in the treatment of diarrheal diseases.
OYB	Operational year budget, indicates fiscal year in progress.
PL 480	Public Law 480, the legislation governing the U.S. food aid program.
PVO	Private voluntary organization.
RAPID	Resources for Awareness of Population Impact on Development, a visual presentation on population growth.
SCI	A special AID program mandated by the Congress to stimulate innovative scientific research on problems that confront developing countries.
TDP	Trade Development Program, a component of IDCA, established in 1980 to provide a mechanism to simultaneously facilitate third world development and to increase United States exports.
UNDP	United Nations Development Programme.
UNICEF	United Nations Children's Fund.
USDA	United States Department of Agriculture.
WID	Women in Development.
World Bank	The International Bank for Reconstruction and Development (IBRD).

AID STRATEGIC PLANSummary

AID's ultimate goal is a world in which economic growth and development are self-sustaining and the extremes of poverty have been eliminated.

The long range foreign policy objectives of the United States are best served by a world of sustained economic development and general human well-being.

Our task is to help poor people help themselves through enhanced opportunity. Universally, individuals strive to better their lives within the limits of the resources available. In the long run, it is economic growth that will produce an era of plenty where basic needs are met.

Increasing the opportunities available to the poor by expanding the base of such opportunities is fundamental to overcoming and reversing cycles of hunger, disease, and lack of education.

Broad based economic growth with increased employment and higher agricultural production will provide income for better meeting basic human needs; such economic growth serves as the backdrop for sustained development.

AID is committed to helping developing countries in their efforts to meet basic human needs -- to overcome the problems of hunger, illiteracy, disease and early death. These problems are central to much of the human misery in the world today and are major obstacles to the release of the creative energies of individuals everywhere.

Our efforts must impact on the most basic problems and in countries, as well as regions, where the poor will benefit. "Growth" cannot be removed from efforts to overcome the specific problems of hunger, illiteracy and early death. Indeed, they must be inseparable components of development.

It must be recognized that not all countries will be equally prepared to move forward along the lines we have identified. Country and regional differences will be taken into account in designing AID assistance programs.

The Agency has identified five problems on which we will focus our efforts: inadequate income growth; hunger; health deficiencies, especially infant and child mortality; illiteracy and lack of education; and unmanageable population pressures.

This program focus is consistent with the best of past AID activities -- those which have produced long-term, positive results. The program continues to be concerned with basic human development needs.

What has been modified is the approach or means to solving these fundamental development problems. We are focusing on systemic changes that reach far beyond -- yet positively affect -- the beneficiaries of specific projects.

In devising a long-range development strategy, AID has reoriented its approach to emphasize four basic programmatic components:

1. Policy dialogue. When a country requests our help, we work with its leaders to design and implement policy reforms that will permit development to succeed.
2. Institutional development and training. We encourage and assist with the building of institutions that help the people directly concerned -- and in which they are active participants. These include everything from local credit unions and school boards to democratic selection of leadership.
3. Technology: research, development and transfer. Through both U.S. and host country institutions, we promote technology development directed at third world problems. Special attention will be given to the application of modern research tools, such as biotechnology, to removing major impediments to development.
4. Reliance on the private sector and market forces. We encourage governments to place greater reliance on free market forces and the indigenous private sector as the principal engines of sustainable development.

These policy approaches, when applied to the problems of AID's emphasis, promote self-sustaining development and progress toward goals shared by host countries.

In order to give greater clarity and focus to AID's efforts to deal with these problems and in order to provide a common framework for our development efforts, AID has identified an overall target for economic growth and quantitative basic needs levels of achievement. Reaching these levels of achievement can only be brought about through the collective efforts of the host country and all donors; AID is only one small part of the development process.

1. Economic Growth: Attain an annual real rate of growth of per capita income of not less than 2%.

Such growth is to be reflected in increases in employment, income, and agricultural production. The Agency views broad-based economic growth as essential if developing nations are to meet the basic needs of their people. Such economic growth must be of a type that is reflected in increased income to low income people; if not, then it will have failed to improve their capacity to satisfy their basic needs.

Economic growth which provides more jobs and higher incomes serves as an overall backdrop against which we will look to measure progress in assuring that development is sustained. This is a sine qua non if a country is to be successful in attacking the basic needs problems faced by those at the lower end of the economic spectrum.

2. Hunger: Achieve the UN Food and Agriculture Organization (FAO) critical level of caloric intake for at least 90% of the population in each assisted country. Reduce the percentage of children under age 5 who suffer from chronic and severe undernourishment to less than 20%.
3. Disease and early death: Reduce infant mortality to less than 75/1000 live births; for children 1-4, reduce mortality to less than 10/1000; for the population as a whole, achieve a level of life expectancy at birth of 60 years.
4. Illiteracy and lack of education: Increase primary school enrollment to 90% for boys and girls, with 70% of the age group completing at least four years of schooling; provide skills training compatible with development requirements; achieve adult literacy of 50% for both men and women.
5. Unmanageable population pressures: Enable access for at least 80% of couples to a wide range of acceptable voluntary family planning services, thus enabling them to make their own decisions. Abortion is not considered an acceptable method of family planning.

These are minimum standards -- challenging for some AID recipients, already attained by others. Although the intensity of basic problems varies by country and region, no recipient of development assistance has reached the point where these problems are no longer significant constraints on development. Many countries should be able to reach these standards by the year 2000.

Clearly, achieving even these levels leaves much to be accomplished, nor are they the only appropriate measures of success. Some of the problems are more acute in some countries than in others. These standards provide a focus for AID's programs and benchmarks against which progress can be measured. The statement of these standards provides a clearer vision of the direction in which this agency is, and should be, heading.

Collectively they constitute a basic needs threshold, and we will concentrate our efforts on helping host countries attain at least this threshold of achievement. We will encourage other donors and host countries to look at ultimate development concerns in the context of these or related standards.

It must be re-emphasized that AID is only one small part of the development process. Moreover, in relation to the scope of the development problems facing third world countries, overall donor resources are limited. AID and other donors can provide help, but the primary responsibility for overcoming development obstacles lies with the developing countries themselves.

This strategic plan does not assume a substantial increase in the level of U.S. assistance. Though we expect to see higher aid levels over the long-term, current limitations on the U.S. foreign assistance budget are well known. The plan charts the increasing concentration of U.S. economic aid on key development problems where U.S. assistance can make a difference and where the results will have a significant impact.

Under certain circumstances, U.S. foreign policy interests may dictate that assistance be provided outside the framework of specific goals outlined above. Assistance must be coordinated with other policy interests of the United States, and recent years have seen a working relationship consolidated between AID and the State Department which facilitates that coordination.

To enhance the impact of AID's assistance, we are:

1. Working towards closer collaboration with multilateral development institutions and other donors;
2. Encouraging recipient countries to take a more active role to assure coordination, as the ultimate responsibility lies with the host country itself;
3. More fully integrating the variety of AID resources including Development Assistance, Economic Support Fund, Food Aid (PL 480), American Schools and Hospitals Abroad, and Disaster Assistance (OFDA); and,
4. Seeking better coordination of these resources with other U.S. Government economic assistance instruments, for example: programs of the Overseas Private Investment Corporation, the Peace Corps, Export-Import Bank, Trade and Development, and others.

We have moved away from resource transfers in our Development Assistance (DA) program to a much greater emphasis on technical assistance and self help. Resource transfers will continue in the Economic Support Fund (ESF), but are being linked increasingly to policy reform, use of market forces, institutional development, and research, development and distribution of practical technology.

Also, consistent with the framework of U.S. foreign policy objectives, we will be seeking to increase the extent to which resources are allocated by competition among specific funding proposals, thus allowing us to more sharply focus resources on the most promising development efforts.

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I. Introduction

AID is a development agency formed to promote the long-range foreign policy objectives of the United States. The basic purpose of AID is the promotion of growth and development. This should be done in a manner such that the basic human needs of the people within less developed countries are met and overall economic progress occurs. In so doing AID contributes directly to the overall foreign policy of the United States. AID has diverse responsibilities that often extend beyond this basic purpose, and these diverse responsibilities must be undertaken faithfully and effectively.

This document is the Agency's first long-term strategic plan. It is designed to focus and guide Agency activity: it provides a framework for Agency activity; it identifies the key development problems to be focused on by the Agency; it establishes medium- and long-term objectives; and it describes the means the Agency will employ in pursuing these objectives.

Within this general framework we have developed strategies for each of the geographic regions within which AID works, and for individual country programs. There are considerable differences among the regional and country strategies, but all are directed toward the solution of basic development problems.

AID is only one part of the development process, and while we can contribute to the achievement of the general objectives that have been established, in the final analysis it is the developing countries themselves that must be the prime actors. Other donors also play critical roles, among them the World Bank, UN organizations, and the OECD nations.

AID carries out development activities in Africa, Asia, the Near East and Latin America. There is a marked difference between the circumstances in one region and those in another. For instance, in most African countries less than a quarter of the adults can read and write, while in Latin America adult literacy rates are frequently above 70 percent. Even within the same region, there are enormous differences among countries. Life expectancy at birth in Sri Lanka is 66 years; in Bangladesh it is only 46 years. Moreover, even at similar income levels some countries have been strikingly more successful than others in eliminating the worst aspects of poverty. For example, the infant mortality rate in Jamaica is only 16/1000, well below that of other developing countries at similar income levels.

In most AID-assisted countries, the bulk of the population is rural, agriculture provides most of the employment, and the most serious poverty is in the countryside. However, in some countries there has been a vast increase in the urban population; in some cases a majority of the population now lives in urban areas. Thus, while we will continue to concentrate on agriculture and rural development, we also will be increasingly concerned with urban problems, especially in the areas of health, education and employment.

While carrying out different activities within each country, with different levels of assistance, and having somewhat different emphases on a regional basis, AID has established a single coherent framework for its activities. Coherence is provided by the fact that despite regional and country differences, the AID program is focused on a single set of fundamental problems: inadequate income growth; hunger; health deficiencies, especially infant and child mortality; illiteracy and lack of education; and unmanageable population pressures.

This is in a continuum with the past -- an emphasis on basic human development needs and a recognition that development is a long-term process.

With respect to these problems, AID has identified worldwide country-level standards of achievement which we believe can be accomplished in many countries by the year 2000, if there are concentrated efforts by the host countries and the donor community. These norms provide a unified approach. Within each region and each country, as resources are available, AID will concentrate on those problems that are most acutely below the norm levels. Not all countries will achieve all of the standards at an equal pace. Some countries already are above these norms in certain areas; even those have substantial room for improvement. The identified levels merely indicate development progress, not completion of the task.

In achieving progress with respect to these problems, it is necessary that there be sustained economic growth, increased productivity and employment.

While we recognize that in many areas quantitative measurement is quite weak and will have to be strengthened, the establishment of a set of standards for AID assisted countries for the year 2000 will help give greater unity to AID programming, will provide added impetus to our approach to development, and will establish benchmarks for assessing performance of individual countries.

In addition, as noted in section V.D, we will search for ways of programming that will increase the extent to which resources are directed to the most promising efforts to achieve these standards.

While the Agency continues its focus on basic needs, what has changed is our way of approaching these fundamental development problems. We are seeking to achieve systemic changes in recipient countries that reach far beyond the direct beneficiaries of specific projects. We are concerned with the fundamental structures within which development occurs. Our concern is with policies, institutions, technologies, free market forces and the involvement of the private sector. How a country treats these issues is the essential factor in stimulating or blocking development.

Over the past three years AID has stressed the importance and the coherence of four aspects of Agency policy and strategy: policy reform, institutional development, the private sector, and technology research, development and transfer.

The Agency has brought to the fore the notion that long-term development depends heavily on the nature of domestic economic policies followed by developing countries. We have broken with any assumption that government is in all areas the most effective agent of development change. We are stressing the contribution that human energies and initiatives through the private sector can make to solving development problems. Institutional development, which has been part of AID's approach since its beginnings, has been modified to include the idea that sometimes what is required is "building down" institutions rather than building them up, (e.g., decentralizing and eliminating or privatizing parastatals). Training is emphasized as a key element of institutional development. In the area of technology development and transfer we are seeking dramatic breakthroughs in such areas as biomedical research, agriculture, fuelwood, and family planning.

Our basic mode of assistance is the Development Assistance program, governed by the development framework contained in the Foreign Assistance Act. The Economic Support Fund (ESF) also constitutes an important portion of the resources administered by the Agency. ESF is assistance provided to meet economic, political and security objectives. ESF financing is a flexible means of assistance, covering diverse circumstances. ^{1/}

Most of the countries to which ESF assistance is extended face significant basic needs problems. The promotion of patterns of development that will overcome these problems is central to U.S. foreign policy objectives. Thus, as directed in the Foreign Assistance Act, to the "maximum extent feasible" AID seeks to apply this strategy framework to ESF.

In addition, the Agency administers the PL 480 food aid program, working closely with USDA, and is increasingly integrating that program with the objectives and approaches to assistance set forth in this strategy statement. Section 416 of PL 480 makes it possible to donate dairy products owned by the Commodity Credit Corporation (CCC) through U.S. public and private non-profit humanitarian organizations to assist needy people outside the United States. This authority, along with the CCC credit guarantee program, broadens the capacity of the United States to respond to food aid needs.

^{1/} In addition to consideration of development needs, country allocation decisions consider a variety of factors mandated by statute, including the recipient's general alignment on international issues (one test of which is the UN voting record), the recipient's commitment to drug enforcement activities, and, for ESF, strategic and political considerations.

Advanced developing countries require a different approach and relationship. While they may no longer require or qualify for concessional assistance, the United States retains a strong interest in their further development and in the maintenance of a strong development relationship with them. We seek linkages in the areas of trade, finance, technology, and cultural and political development. We will consider, as resources are available, the establishment of linkages between U.S. public, private and voluntary institutions in research and education and their counterparts in the advanced developing countries.

In carrying out its development efforts AID works closely with the authorization and appropriations committees of the Senate and House. We draw heavily on the insights and expertise of private voluntary organizations (PVOs), which have become an integral part of the Agency's development approach. ^{2/} We also rely heavily on the valuable guidance and assistance of the university community, and the Board for International Food and Agricultural Development (BIFAD).

Special emphasis will be given to enhancing the collaborative working relationship with the Peace Corps at both the policy and project levels. ^{3/} This cooperation has proven

^{2/} See AID Policy Paper on Private and Voluntary Organizations, September 1982; Policy Determination on AID U.S. Cooperative Organization Relationships, March 30, 1980; AID Discussion Paper No. 12, 1982, "Turning Private Voluntary Organizations Into Development Agencies;" and Policy Determination on Cooperative Development (to be published in 1985).

^{3/} See AID - Peace Corps Memorandum of Understanding, March 1981; separate Memoranda of Understanding have been issued covering sectoral programs.

valuable to both agencies and increases the impact of the U.S. in attacking development problems, particularly at the village community level in rural areas.

Under certain circumstances U.S. foreign policy interests may dictate that assistance be provided outside the framework of specific goals outlined herein, and the plan reserves the flexibility to be responsive to such special circumstances when they arise.

II. AID's Objectives

AID's ultimate objective is nothing less than a world in which extreme poverty, hunger, illiteracy and illness are essentially eliminated, a world in which free nations associate together on a basis of economic self-reliance.

With such economic conditions, AID believes, the world will more closely approach our political ideal: a world of a secure peace, a world in which democratic forces within each nation assure respect for human rights and political and economic freedoms.

But such an ultimate objective, or vision, is too broad to provide an organizing strategy for AID programs. In order to give greater clarity and focus to AID's efforts to deal with the key problems identified above, and in order to provide a common framework for our development efforts, AID has identified an overall target for economic growth and basic development needs levels of achievement as follows:

1. Economic Growth: Attain an annual real rate of growth of per capita income of not less than 2%.

Such growth is to be reflected in increases in employment, income, and agricultural production. The Agency views broad-based economic growth as essential if developing nations are to meet the basic needs of their people. Such economic growth must be of a type that is reflected in increased income to low income people; if not, then it will have failed to improve their capacity to satisfy their basic needs. We are not just speaking about growth of GNP, but growth in employment.

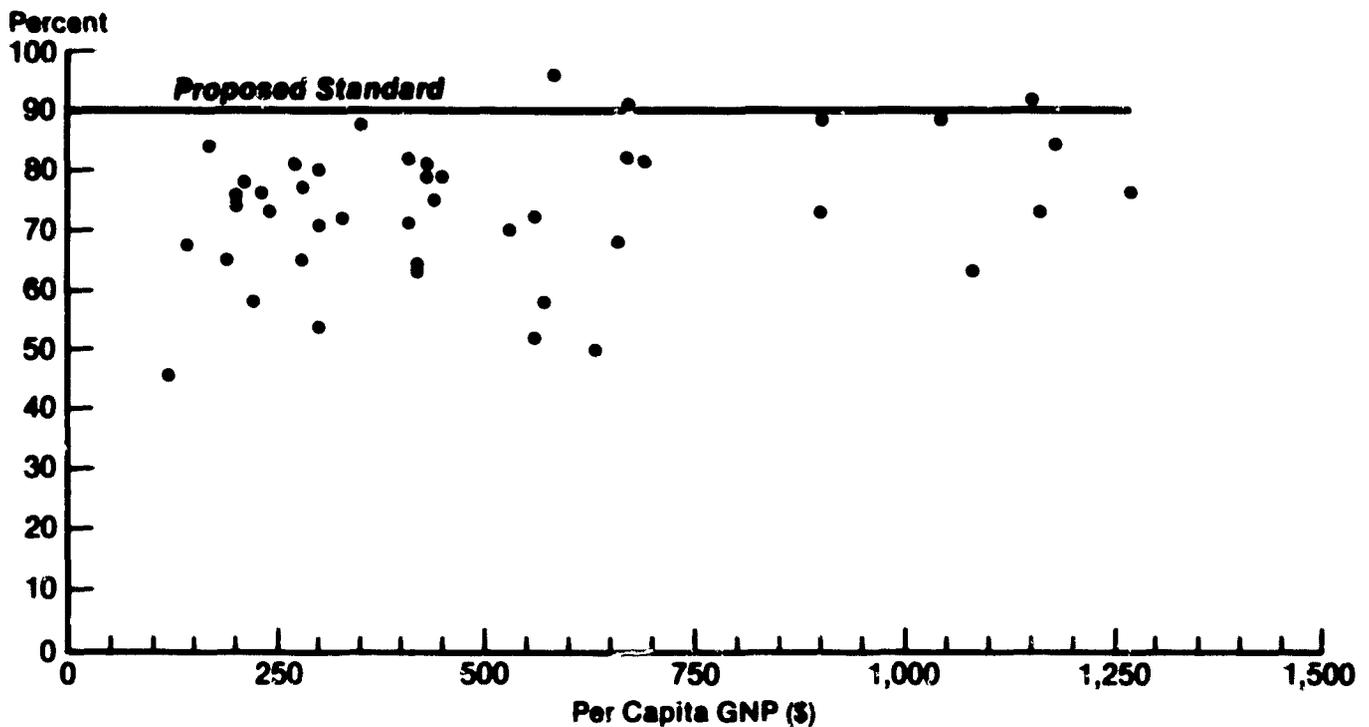
Economic growth which provides more jobs and higher incomes serves as an overall backdrop against which we will look to measure progress in assuring that development is sustained. This is a sine qua non if a country is to be successful in attacking the basic needs problems faced by those at the lower end of the economic spectrum.

2. Hunger: Achieve the FAO critical level of caloric intake (1.2 X BMR) for at least 90 percent of the population in each country. Reduce the percentage of children under age five suffering from chronic and severe undernourishment to less than 20% of the age group.

The following graph ^{5/} shows the percentage of the population that has at least the critical intake levels.

Estimated Share of Population Meeting Critical Level of Caloric Need

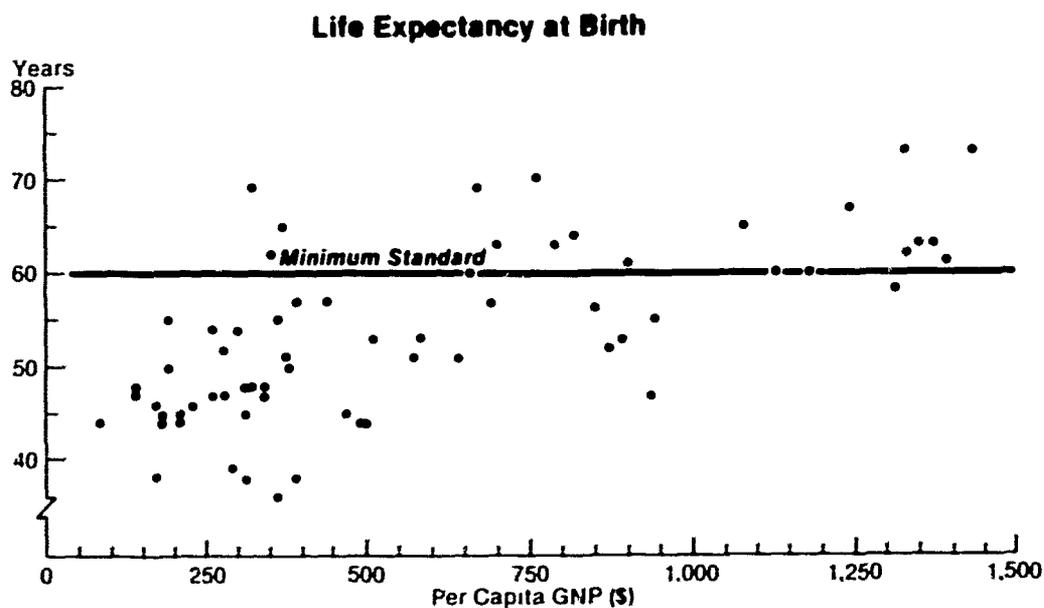
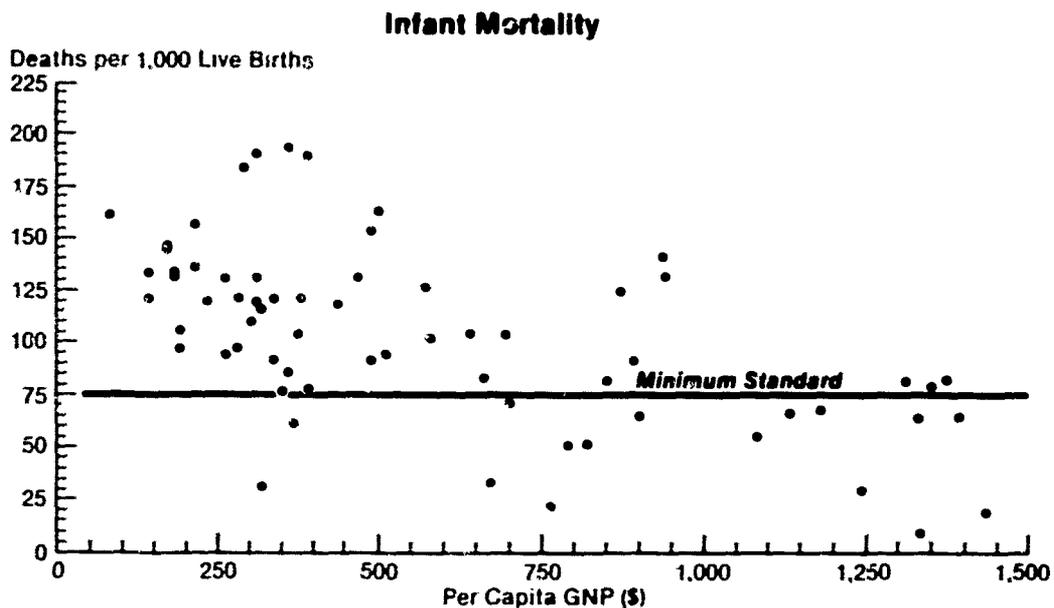
Selected A.I.D. Recipients



^{5/} Adequate data on the extent of world hunger are not presently available; AID is committed to a significant improvement of the conceptual and statistical underpinnings in this area.

3. Disease and Early Death: Reduce infant mortality to less than 75 1000 live births. For children 1-4, reduce mortality to less than 10 1000. For the population as a whole, achieve a level of life expectancy at birth of 60 years.

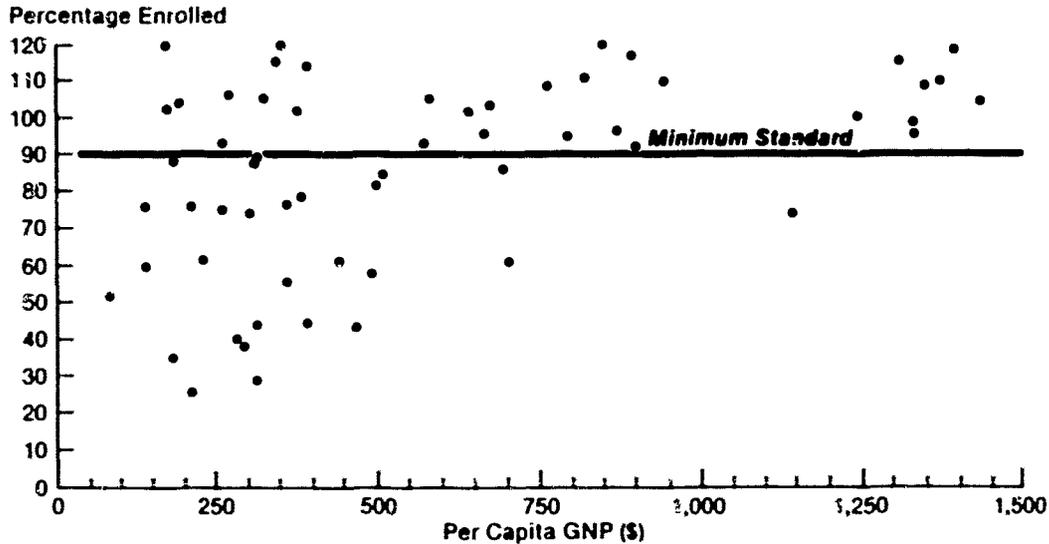
The following graphs show infant mortality levels and the level of life expectancy at birth in relation to the proposed standards. Note the differences among countries at similar income levels.



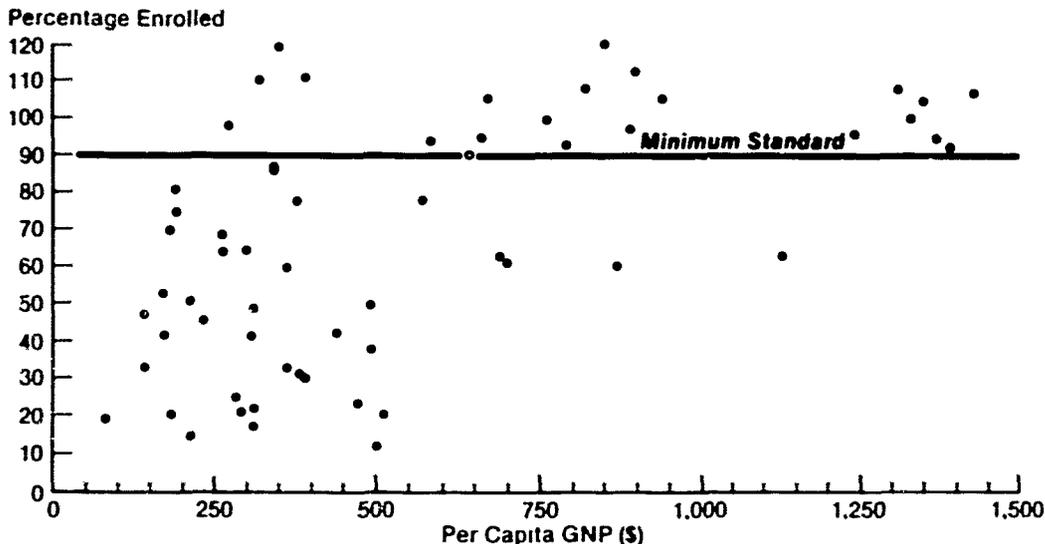
4. Illiteracy and Lack of Education: Increase primary school enrollment to above 90 percent for both boys and girls, with 70% of the age group completing at least four years of schooling. Provide skills training compatible with development requirements. Raise adult literacy above 50 percent for both men and women.

The following graphs show levels of enrollment in AID assisted countries in relation to the proposed standards. Note the differences among countries with low per capita income.

Male Primary School Enrollment

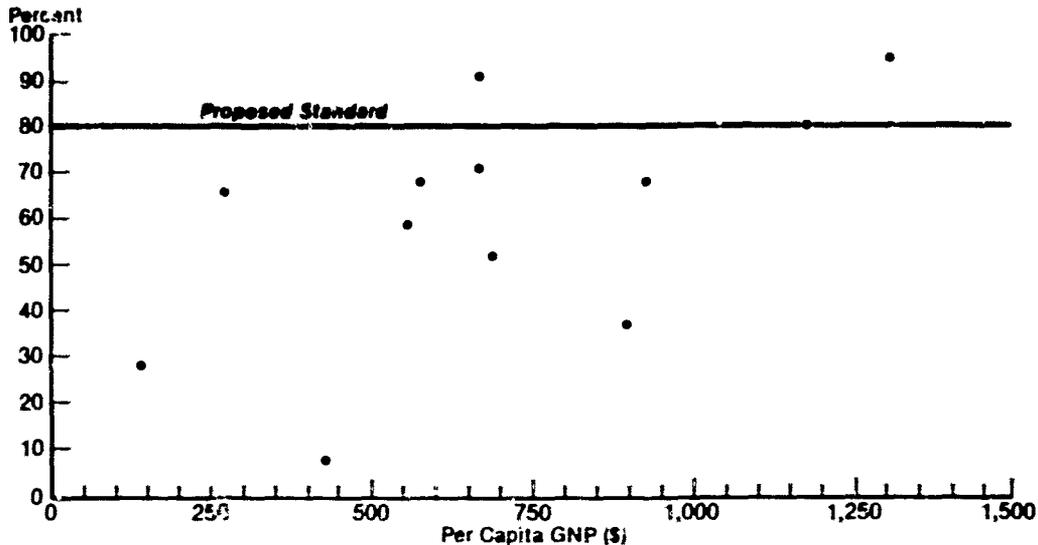


Female Primary School Enrollment



5. Unmanageable Population Pressures: Enable access for at least 80% of couples to a wide range of acceptable voluntary family planning services, thus enabling them to make their own decisions. Abortion is not considered an acceptable method of family planning.

**Couples With Access to Voluntary Family Planning Methods
Selected A.I.D. Recipients**



Collectively these standards provide an operational definition of minimally adequate levels of achievement for countries at low and moderate levels of income. They constitute a general threshold of achievement to be used in looking at areas of concern. AID will work with host countries and other donors to gain acceptance of these norms and to develop programs to achieve them. In allocating its budget resources, consistent with foreign policy objectives, AID will support comprehensive efforts to reach these levels of achievement.

While these levels of basic needs achievement are all attainable, and have been reached in part in some AID-assisted countries, they may not be attainable in the same timeframe, nor will all be attained simultaneously in each AID country. For example, it is likely that in many AID-assisted countries the hunger problem will remain acute well into the 21st century.

While we are not specifying any "target date" by which we believe these standards will be universally met, we have set the year 2000 as a reasonable timeframe within which to focus efforts to move towards these levels of achievement. We will work with countries in those areas of greatest need and where there are significant opportunities to achieve results. We are proposing that donor agencies and host countries alike conceptualize the development task in terms of efforts to reach these standards of achievement.

In focusing on these basic concerns, emphasis must be given to indirect approaches as well. For example, attention must be given to development of an indigenous private sector to broaden a country's resource base and fuel the engines of economic development. Attention must be given to the effect of development on the environment and on conservation and the appropriate use of natural resources. Opportunities for women must be given attention. Training programs are required in many countries to strengthen institutional capacities, increase productivity, raise incomes and expand the resources that can be devoted to education and health programs. When countries face short term balance of payments difficulties that could result in restrictions or setbacks to growth, financial aid, such as resource transfers under ESF, can be very important to provide a bridge and permit development to continue.

Either directly or indirectly, AID resources impact on the basic goals in this strategy; the goals provide a vision of the future and the framework for action.

AID's program is and will continue to be balanced among these five areas; within different regions and countries the emphasis will differ depending on the specific development circumstances of the countries involved.

III. AID's Approach to Development

The conditions of lack of income, hunger, illiteracy, disease and early death will be reduced by economic development, not by unending resource transfers or some form of welfare. While the less developed countries (LDCs) are nations that vary greatly in their natural and human resources, we believe nearly all have the inherent capability, through sound policies and their own efforts, stimulated by international assistance, trade, and investment to become self-reliant economically.

An emphasis on long-term development does not mean that AID does not recognize the need of many people for immediate humanitarian assistance, especially for food. Human misery exists and we cannot stand by. Moreover, from a development perspective hunger depletes energy levels, increases premature death and sets back development. Conversely, a well-fed infant and child population has the capability of growing, learning and leading its country's economic growth. Consequently, carefully targeted food aid, including an emphasis on maternal and child nutrition as well as providing traditional U.S. humanitarian assistance in disaster situations, remains a part of AID's development program.

However, it must be clear that we are concerned with development, not dependency. Within each country there needs to be a fundamental evolution of social and economic life that will make it possible for the country to meet the needs of its own people, on a sustained basis, ultimately out of its own material and human resources. To this end, there must be an expansion of productivity, income, and employment. In many of our programs the key element will be a focus on productivity.

As a development ideal, concern with fundamental needs does not stand in contrast to growth: rather, meeting these needs will result in the most rapid elimination of the worst aspects of poverty. Our focus is on structural changes in economies that will continue to bring improvement in these basic areas of need. It implies a concern for economic stability and for increased productivity, income, and employment, and a concern for policies that will lead to strong and growing economies.

AID seeks to help bring about fundamental, systemic change. The purpose of our assistance and projects will in every instance seek to go beyond impacts on a small group of people directly affected by our efforts. The major components of this approach are: policy dialogue, institutional development, utilization of the private sector, and technology research, development and transfer.

A. Policy Dialogue ^{6/}

The Agency is convinced that long-term, equitable development depends heavily on the nature of the policies followed by developing countries. It is our observation that bad economic policies hurt poor people and reduce development prospects. This is as true for macro-economic policies as it is for policies in specific sectors.

For instance, in many Third World countries, as a result of governmental price setting, farmgate prices are too low to stimulate needed food production. Without adequate prices for

^{6/} AID Policy Paper on Approaches to the Policy Dialogue, December 1982 outlines in detail the characteristics of the Agency's approach to policy dialogue, and clarifies terms and limits to policy discussion.

farm products, efforts to increase output will be undermined; measures for expansion of production, such as fertilizer use, improved seeds, and capital investment will be absent; investment in research, extension, or agricultural infrastructure will be wasted; and farm families will be condemned to continued poverty. Furthermore, taxes, especially taxes on income and production, are often so high that they discourage growth. 7/

Likewise, artificially low exchange rates distort economic decisions. The usual result is a shortage of foreign exchange, requiring rationing by the central bank, allocations based on political favoritism, and hidden subsidies. Such economic policies, whatever their intent, discriminate against poor people.

There is a whole range of policy issues, both economic and non-economic in health, family planning and education which are of interest to AID. In addition, in view of the linkages between energy use, economic development and satisfaction of basic needs, special attention is also given to the development of sound energy policies, covering production, consumption and conservation. 8/

Because of its field mission structure, AID is in a unique position to enter into policy dialogue with host country governments. Given our commitment to overcoming the worst as-

7/ See AID Policy Paper on Pricing, Subsidies, and Related Policies in Food and Agriculture, November 1982 for a detailed discussion of the Agency's policy in this area.

8/ See AID Policy Paper on Energy, January 1984.

pects of poverty and our approach to development we bring a distinct perspective to policy discussions. The point of such dialogue is to achieve agreement on the nature of key policy constraints to basic development and on practical changes the host country can make with support from AID and other donors. The adequacy of the policy framework will be an important consideration in Agency funding decisions on program and project proposals.

AID missions, as a regular part of their program, are to make such policy dialogue a central part of their development strategy. Policy issues are to be integrated with AID efforts at the project level. Each mission is now required to include an annual policy dialogue plan in its planning documents.

B. Institutional Development ^{9/}

AID has a long tradition of helping to create and improve the institutional capacities of the people of the developing countries. ^{10/} This occurs in a wide variety of contexts, such as extension services, research institutions, population planning, health care, and education systems. Training to help build an indigenous analytical capacity to conceive, plan, and implement development strategies and programs is a very important component of institution building. The principal objective of these efforts is to develop human resources and use them effectively in sustainable institutions. U.S. educational

^{9/} See AID Policy Paper on Institutional Development, March 1983, for a full discussion of Agency policy in this area.

^{10/} See AID Discussion Paper No. 11, 1982, "Effective Institution Building: A Guide for Project Designers and Project Managers Based on Lessons Learned from the AID portfolio."

institutions constitute a major asset in providing this training, and we will be expanding this aspect of our program.

Our approach to institutional development is pragmatic: we are looking for structural frameworks that produce results. This may require simpler institutions -- building down rather than building up, decentralizing and encouraging greater reliance on private and voluntary efforts rather than on public institutions. It also will require reducing unit costs in delivering social services and increasing cost recovery through user charges, to stretch scarce public resources.

The development experience of the past two decades indicates that the impact and sustainability of public sector investments can be significantly improved if local citizens assume a role in needs assessment, project design, and implementation. Too often governmental organizations and programs are out of touch with the reality of development needs, and the problems and perspectives of low income groups. Local participation (in both urban and rural areas) is essential in adapting development priorities, designs, and implementation strategies to particular contexts, and in communicating to planners local needs, constraints, and priorities. Participation of this sort helps ensure that public policies and programs are consonant with and supportive of private production and investment.

Local involvement in the development process also enables communities to provide a range of private resources (labor, materials, money, leadership) that can facilitate and guide both government financed and private sector programs. Equally important, community level involvement may contribute to the management and maintenance of new programs, which can help defray recurrent costs.

Finally, and perhaps most importantly, beneficiaries themselves must invest their own time and resources in development efforts to begin the process of indigenous investment and reinvestment which marks the beginning of a successful development initiative and makes possible the termination of donor support. For this process to be effective, policies and programs are needed to encourage the mobilization of local savings, and a measure of control at the local level.

Although we have learned from previous experience, there is room for substantial improvement in the effectiveness of institutional development efforts. AID is committed to social science research to further enhance our understanding of the key factors that determine institutional performance.

C. The Private Sector ^{11/}

AID believes there are many things that government cannot do, or cannot do well. We reject the idea that government is the sole instrument for delivering the goods and services vital to the development effort. ^{12/} We seek the fuller participation of the private sector as an engine of growth. Private institutions can become self-sustaining without requiring continued infusions of public funds.

^{11/} See AID Policy Papers on Bureau for Private Enterprise, March 1982, and Private Enterprise Development, May 1982.

^{12/} For further discussion on how the private sector has been used to deliver goods and services, see AID Discussion Paper No. 14, 1982, "Private Sector: Ideas and Opportunities;" and AID Discussion Paper No. 16, 1983, "The Private Sector, The Public Sector, and Donor Assistance in Economic Development."

As recommended by the President's Task Force on International Private Enterprise, we are seeking to increase the ways in which we channel assistance to and through non-governmental organizations, including non-profit and for-profit entities. In particular, we are increasing efforts to expand private sector involvement in areas where government has often not been successful, such as distribution of agricultural inputs and extension services. We will be testing the capabilities of the indigenous private sector to manufacture and market inputs for health and population programs (e.g. oral rehydration salts and contraceptives).

The scope is large. In almost all Third World nations, the vast bulk of income and employment is generated by the activities of private producers. This is true in the agriculture sector as well as in manufacturing and services. Moreover, most employment and self-employment occur within small productive units, whether farms or machine shops.

A healthy private sector, one which will most effectively contribute to rapid and sustainable development and the overcoming of poverty, requires the free play of market forces. Too often government intervention limits incentives to increase production, as occurs regularly in agriculture, or leads to unemployment, as occurs when artificially low interest rates or high tariff barriers contribute to capital intensive modes of production. AID is seeking the fuller use of market forces to promote basic needs objectives.

D. Technology Research, Development and Transfer

"New technology" frequently connotes complex, expensive efforts to solve esoteric problems. But "new technology" also may be used to develop inexpensive methods of solving age-old

problems, solutions that can be disseminated to people everywhere. The development of high yield variety (HYV) grains that led to the Green Revolution is one example. Another is the breakthrough in oral rehydration therapy (ORT), a new but simple health technology that is capable of bringing about dramatic reductions in infant and child mortality.

AID intends to be a leader in supporting the development and dissemination of new technologies. For example, priority research attention by AID is being given to the testing of a malaria vaccine, and to the development of high yielding grains in Africa. Our focus is on the creation and application of technology appropriate to circumstances of the LDCs.

Sustained development requires an indigenous capacity to adapt, create, and apply a continuing stream of appropriate technologies to the problems of health, population growth, hunger, illiteracy, unemployment, and labor productivity. Moreover, their dissemination and actual utilization requires that they be economically and financially sound, capable of withstanding the test of the market.

But the decisions on which technologies to develop, and for whom they should be adopted, are not purely technical decisions. They are fundamental policy choices that nations make in the development process. We have found that too often, for the poor, there are no technological packages to extend, and that research has not been focused on their problems.

Research thus takes on added importance and AID intends to give greater emphasis to research as a fulcrum of technology in development. We have identified five critical research areas that will receive major AID attention in the coming years:

- Agriculture: Improved techniques of water management; identification and development of new and hardier plant species, especially those that can be cultivated in arid and semi-arid areas; crop and animal protection; research on agricultural policies.
- Health: Biomedical research to improve preventive measures such as vaccines as well as to develop more efficient diagnostic techniques.
- Family Planning: Biomedical research on improved natural family planning methods and other contraceptive methods and techniques.
- Fuelwood Production and Related Energy Conversion Technologies: Multi-purpose fuelwood species, soil-site relationships; biotechnology of fuelwood species; biomass production systems; commercial bioenergy systems, charcoal combustion systems, low-cost cooking and heating systems and techniques; and small and mid-sized wood gasifiers.
- Social science research: Research on key factors that make for effective institutional performance, including incentives, accountability and institutional reform.

Increasing attention will be given to commercialization of technology. Technology that can meet the test of commercialization, whether it is a method of disease control or a new food crop, will spread much more rapidly than technology dependent on public budgets, whether those of donor countries or of LDCs.

As a means of enhancing the efficiency of AID-supported research and certain other program interventions, the Agency has developed a programming concept that identifies "common themes" among countries and regions facing similar problems. Linkages are established among institutions in the developing countries and the United States to work on common problems with greater efficiency.

IV. The AID Program

A. Problem Focus

Development problems are extremely complex and most are interrelated. It is, therefore, necessary to carefully select the strategies to employ to address these problems.

For instance, the elimination of hunger involves not only food production, but factors such as household income, food consumption patterns, and the cost of energy to poor households. The extent of hunger also depends importantly on the rate of population growth, distribution patterns, overall demand for labor, and general economic stability. Further, the exact contours of the problem differ from country to country.

Preventing early death involves improved nutrition, access to primary health services with a relative emphasis on preventive aspects, adequate shelter, potable water and sewage systems, and related approaches.

Overcoming illiteracy and the lack of adequate education requires expanded access for boys and girls, from both rural and urban areas, to basic education; and it requires increasing the number of trained teachers, technicians, analysts, and managers and administrators needed to sustain development.

With these factors in mind, AID has chosen five key problems as the focus of its assistance efforts: inadequate income growth; hunger; health deficiencies, especially infant and child mortality; illiteracy and lack of education; and unmanageable population growth. The choice of these problems reflects several factors: our ultimate concerns, our understanding of the dynamics of the development process, and our assessment of where AID can have the greatest impact.

1. Inadequate income growth

Progress in dealing with the problems of hunger, early death and disease cannot be effectively sustained in a context of economic stagnation or disarray. We estimate that an annual rate of growth of real per capita income of not less than 2% will be required to effectively support development efforts.

We are concerned to promote such economic growth as will be reflected in a reduction in both unemployment and underemployment and in increased income for low income people. Such economic growth will not be possible if Third World countries face chronic financial crises. AID efforts in this area will focus on two sub-problems: unemployment and underemployment; and financial instability.

a) Unemployment and Underemployment ^{13/}

Unemployment and underemployment with resulting lack of income impacts across the spectrum of basic needs. Neither human dignity, a sense of individual purpose and worth, nor

^{13/} AID Policy Paper on Employment is now in preparation and is expected to be published in 1985.

material well being are within the reach of the chronically unemployed and underemployed. Low productivity of workers is a fundamental cause of low earnings. Poor policies and mis-directed investments are major causes of low employment growth. Without increased employment and income, prospects for improved quality of life are dim and the burden of paying for solutions to hunger, health and education problems rests on over-pressed governments.

Self-sustaining answers to the problems of poverty require a productive and self-reliant population. Economically viable jobs appropriate to the levels of education and skills training of the poor enable them to generate the income necessary for meeting basic needs.

In many Third World countries the level of unemployment is already high. In other countries the problem may be disguised by high rates of underemployment. LDC labor force growth is expected to be rapid, and there is a high likelihood that unemployment and underemployment levels will rise. Lack of productive jobs in rural areas is expected to increase internal migration to the cities, particularly of younger men, and to a lesser extent younger women. Urban unemployment is expected to grow; in some regions the bulk of the increase in the labor force will occur in urban areas. Limited demand for labor will retard integration of women into the development process, and there is a danger of new technologies displacing female workers.

AID is committed to efforts to increase rural non-agricultural employment through technical assistance, training and rural credit programs directed at the promotion of rural enterprise in market towns and regional centers. In addition, expanded agricultural development will have direct and indirect employment impacts which should help retard migration to urban areas.

Education, both at the level of basic literacy and job-related skills training, assists in the expansion of employment opportunities. As skill levels improve, employers will have available a population of prospective employees in skilled and semi-skilled vocations.

Ultimately, and of most importance, employment opportunities are limited by prevailing economic policies -- policies which serve as a barrier to private investment and job creation. Most less developed countries have a comparative surplus of labor resources. Yet substantial barriers exist to capital flows, internal and external, inhibiting investments that can create employment. Other policies have the effect of encouraging capital intensive technologies and industries that fail to use the labor resources of the developing countries.

Most existing economic policies were established to provide some perceived benefit to a country's economy. We can now see, however, that when policies are too broad or not well designed, unintended side effects have often caused harm far outweighing the benefits sought, e.g. through excessive levels of protection and intersectoral biases that distort and hamper economic growth. Economic policies that we will urge be reconsidered include:

- Import tariffs. By providing "protection" to domestic capital intensive industry, tariffs discourage domestic investment in labor intensive industries.
- Capital investment. Limitation on capital investment, whether by prohibiting foreign ownership, or preventing repatriation of profits, deters investors who would otherwise establish light-assembly or other factories in LDCs.

- Interest rates. Artificially low interest rates discourage saving and thus reduce domestic resources for investments. Low interest rates encourage a shift at the margin from labor intensive to capital intensive investments, and paradoxically result in "loan shark" rates for the small investor.

- Non-economic business barriers. Every unnecessary regulation that impedes entry to the market also impedes job creation. Ironically, many regulations adopted to protect against business abuses now prevent new small business creation, thus allowing existing business to operate with less competition.

b) Financial Instability and Structural Weakness

Many Third World countries are facing severe balance of payment and debt problems. Addressing these problems will require both economic stabilization measures aimed at immediate financial problems as well as the implementation of fundamental policy changes which address underlying structural problems. For most countries these actions will be difficult both politically and economically, but they are necessary to establish economic health. Failure to take these actions is likely to result in a continuing financial and debt servicing crisis.

The current serious financial situation facing the developing nations emerges from many causes. Foreign debt per se is not the problem. Given the low level of income of the developing countries the ability of these countries to mobilize domestic savings for investment is limited. In order to accelerate the development process, most developing countries need to rely on the inflow of foreign capital. During its own development, the United States relied heavily on foreign

capital sources. In the simplest terms, the problem is that export earnings of these developing countries have not kept pace with imports and with the rising costs of servicing existing debt.

In part the problem emerged from a worldwide recession which sharply reduced demand for LDC exports, from significant increases in interest rates, and from a sharp rise in the cost of basic imports, particularly oil. But the problem also involves deeper structural weaknesses which have given rise to rapid growth of imports without at the same time fostering the growth of export earnings. Ambitious government spending programs not tied to adequate revenue bases, have given rise to excessive demand. Overvalued exchange rates have made imports artificially cheap and exports uncompetitive. Interest rate controls have discouraged private savings and have distorted investment patterns. Too much taxation and the wrong type of taxes have discouraged production. Controlled prices paid to farmers have retarded agricultural production and increased the need for food imports.

The U.S. strategy for dealing with the LDCs balance of payments problems has been adopted in concert with other major countries and international institutions. It was recognized that the strategy would take time and require fundamental changes in LDC governmental policies. The approach is to develop a broad strategy involving LDC governments, the industrialized countries, commercial banks, the International Monetary Fund and the World Bank, to simultaneously (a) address immediate problems, and (b) work toward the fundamental conditions required to achieve a lasting solution.

When imports are cut back in response to balance of payment problems there may be a harsh impact upon poor people, upon the private sector, and upon precisely the type of development that

is central to AID's strategy. Often among the first imports to be cut back when foreign exchange is lacking are those needed by vulnerable groups in the private sector, (e.g., raw materials, machinery and spare parts, and agricultural inputs). The government must bear its share of austerity. AID's balance of payments support plays a critical developmental role by mitigating this effect. AID will seek to tie such support to an assurance that developmentally critical imports will be given priority for foreign exchange or in commodity import programs (CIPs). Similarly we seek to insure that austerity targets are met in ways that minimize the impact on the poor. The bulk of U.S. balance of payments support is provided through the ESF account. However, other forms of aid also constitute, in part, balance of payments assistance, and must be viewed as part of a macroeconomic support structure, e.g., imported project commodities and technical assistance, and PL 480 programs.

AID funds -- in particular ESF and PL 480 resources -- play an important role in promoting structural reform. AID works closely with the IMF and the World Bank to encourage the adoption of needed policy changes. AID brings to this process its experience and concern with poverty and long-term development issues. We encourage a policy reform process responsive to the needs of the poor, and consistent with progress on critical development problems.

Among the more important policy dialogue issues we are taking up with host governments are those surrounding the question of internal mobilization of financial resources. One of the more common problems concerns interest rate ceilings that often discourage savings and result in a misallocation of scarce credit. Also, when artificially low interest rates create excess demand that must be administratively rationed,

small borrowers or those lacking political power may be unable to obtain credit.

Privatization of parastatals will be promoted to foster private initiative and competition, to improve efficiency, and to reduce demands on public resources. We will work closely with other donors so that the leverage of their resources can be coordinated as closely as possible with AID objectives.

AID will encourage tax structures which promote growth, not hinder it. We are particularly concerned with encouraging the elimination of policies which restrict agricultural production and foster unnecessary dependence upon food imports. Often prices paid to farmers are artificially low, thus depriving them of incentives for expanding output and compounding the problems of rural poverty.

Similarly, energy pricing policies ought to reflect the need to curb demand and stimulate supply. Instead there has often been a reluctance to allow energy prices to reflect world prices. The result has been rapid growth of energy use, increased import dependence, and rising subsidy costs resulting in large budget deficits. Moreover, analyses of the beneficiary impacts of governmental subsidies reveals that they are frequently inefficient, with a relatively small percentage of the benefits going to the poor.

2. Hunger

Hunger is one of AID's primary concerns. Throughout the Third World the quality and quantity of food consumed by most of the poor are inadequate. For those who depend primarily on what they themselves grow, this is largely the result of

limited resources and low productivity. For those who purchase the bulk of their food, the problem emerges primarily from household income levels that are too low relative to the price of food staples. Rising energy costs (e.g. for fuelwood, a common energy source for cooking and heating in many third world countries) put major pressures on the budgets of low income households. And nutrient intake may be inadequate because of disease, inequitable distribution of food within the household, and food consumption patterns that do not maximize nutritional value. ^{14/}

The hunger problem differs from country to country. Our approach will be based on the unique nature of the problem in each country.

(a) Agricultural Development ^{15/}

An end to hunger implies an increase in per capita food production and availability. Human and natural resources, technology, supporting institutions, and domestic policies, if inadequate or misdirected, are the main constraints to increased agricultural development. ^{16/} The solution requires a coordinated approach. Advancing the technology of food production will do little if it is not synchronized with development of human resources and sensible land utilization and conservation plans; moreover, dividends will not be forth-

^{14/} See AID Policy Paper on Nutrition, May 1982.

^{15/} See AID Policy Paper on Food and Agricultural Development, May 1982.

^{16/} See AID Discussion Paper No. 13, 1982, "AID Experience in Agricultural Research: A Review of Project Evaluations;" and AID Program Evaluation Report No. 10, 1983, "Strengthening the Agricultural Research Capacity of the Less Developed Countries: Lessons from AID Experience."

coming where prevailing policies create disincentives to investment of time, energy, and available financial resources into production, or if the poor do not benefit from technological change.

Thus, we are increasingly addressing the policy framework within which AID's agricultural interventions occur. Consumer food subsidies, in the form of price limitations on agricultural produce, represent a transfer of wealth from the usually poorer rural community to urban dwellers. Not only do such policies keep the farmers poor and add to rural flight, but in doing so they remove both incentives and the means for self-sustaining growth of the agricultural sector. Farmers held to a subsistence level of living are unable to set aside a portion of their income for fertilizers, new improved seeds or animal stock, or capital investment in the form of improved tools. The cycle of agricultural poverty is continued and reinforced.

Government agricultural trading monopolies or monopsonies tend to create disincentives to production. On the other hand, private trade can encourage competition and provide better market opportunities for producers of agricultural commodities. Private traders tend to reach out farther into rural areas and to bring subsistence farms into the market economy. Further, experience has shown that private traders stimulate development of a credit system serving the needs of small farmers and enhancing their productivity. As a major component of the Fund for Economic Policy Reform in Africa, AID will be providing assistance to interested governments in managing the transition from parastatals to the private sector. With a vigorous private sector, markets should broaden and food availability improve.

Competition may also lead to greater market security for farmers where food processors have the ability to enter into contract guarantees with farmers, insuring them against market fluctuations. Private food processors can then develop into effective extension agents, as they have in the United States, with a direct interest in increasing the quality and quantity of produce of their suppliers.

Our policy dialogue efforts also will address the allocations of resources to farmers. Farm credit is in part a reflection of the state of the financial institutions of a country and in part a reflection of specific policies. Low interest ceilings for agricultural loans, intended to benefit the poor, have the inevitable effect of reducing the availability of credit.

Permitting interest rates to reflect the real value of capital, not only provides for an economically sound allocation of resources among competing demands, but makes more resources available for investment in farm crops. Just as a lid on the price of produce deters production, so a lid on the price of money deters both saving and lending. An improvement in interest rate structures should be a major reform to mobilize resources to expand agricultural production, especially if accompanied by the building of institutions responsive to the needs of farmers (such as farm credit cooperatives).

AID also will continue to emphasize the importance of agricultural technology and its relationship to the broader ecological setting. Concern for increasing agricultural production as an element of self-sustaining economic development requires concern for the basic raw material of farmers -- the land itself. Environmental degradation, aggravated by overuse

of marginal lands, deforestation, salinization and erosion, can overtake progress and leave a nation poorer in resources than when development began. AID is concerned about assuring that development occurs in a way that respects the long-term importance of land resources. ^{17/}

In regard to forestry resources, we seek the long-term, sustained production of forest products through forest land reclamation and wise use of forests for food, forage, and wood products while maintaining a sound environment and preserving biological diversity. In the case of humid tropical forests, there is a special need to recognize that the most valuable products of these forests may not as yet be fully identified. Such products may be unique to humid tropical ecosystems and essential to the survival of other ecosystems. Moreover, their value may not be accurately reflected in the market. Thus, with respect to all development activities which affect or cause the full or partial conversion of these forests, conservation and sustainable management of unique resources is a priority.

The great agricultural productivity of the United States emerged from a century of research and development in seed strains, crop development, pesticides, treatment of crop diseases and techniques of production. Contributors include the Land Grant Colleges; fertilizer, seed, and chemical companies; and large food producers.

^{17/} See AID Policy Determination on Environmental and Natural Resources Aspects of Development Assistance dated April 1983.

Also, AID is taking the lead in conjunction with the Departments of State, Interior and other government agencies to prepare a U.S. Strategy for Biological Diversity for developing countries, as a means of assuring environmentally sustainable development.

In the LDCs, crop improvement and related research have already proven effective, but comparatively it still is at the threshold. For example, in Sudan a recently developed sorghum hybrid has the potential to increase yields by 50%. Control of the tsetse fly could open up fertile areas in Africa now closed to effective production; control of the cassava mealy bug can substantially reduce plant damage and increase production of a staple crop. Better techniques of crop management can increase productivity in dry lands and wet lands. Such techniques must include recognition of the total environmental setting in which agricultural production takes place. Regionally-based collaborative research networks involving LDC researchers will be a primary means for pursuing these research objectives. These and other matters will continue to have AID's interest.

We are also gaining a new perspective on the mechanisms of technological development and technology transfer. We will draw on the great agricultural institutions of the United States, where we have a strong comparative advantage. We will continue to support the international agricultural research centers, and we will seek to develop an institutional capacity among LDCs for in-country research, human resource development, and technology development and transfer that can become self-sustaining on a national or regional level.

We believe that the development of agricultural university systems and networks capable of addressing complex problems and translating the results into practical production methods and inputs for use at the farm level is one of the more important institution building activities the Agency can undertake. Such institutions make a significant contribution to the development of human and economic resources.

We seek to involve the private sector in technology transfer in LDCs as it has been in this country. Seed and fertilizer companies are important extension agents in the United States. A vigorous and developing indigenous private sector serving farmers can produce a similar result in the LDCs. Another method of private sector involvement is assistance directed at the commercialization of new technologies and new crops. For example, a private sector loan to develop a new aquaculture for shrimp in the Eastern Caribbean, if successful under private sector conditions, could demonstrate a means of production easily replicated throughout the region.

We have referred to human resource inadequacies as a constraint on agriculture. Illiterate farmers cannot read agricultural publications and their ability to take advantage of new methods of production, cultivation and fertilization is restricted. In addition to literacy our education efforts will address methods of "adult education," including extension programs by radio, to spread new technologies. We also will continue to increase the attention given both in our own projects and in host country policies, to the major role of women as farm producers. Female access to and control over key productive resources must be planned for in projects. And our strategy for improving health will also improve productivity of human resources.

AID recognizes that national self-sufficiency in food production is not an appropriate goal for all countries. Moreover, national food self-sufficiency does not assure adequate distribution throughout the country. The poor may still not have enough food. Where a comparative advantage lies in another area, economic resources can more efficiently be allocated to earning foreign exchange to purchase food

imports. That also creates an export market for food producers in other LDCs and can provide a further incentive for agricultural development in those countries with appropriate resources.

(b) Food Assistance

Development activities will solve the world's hunger problems over time. But today's hunger is a humanitarian concern as well as a constraint on productivity that cannot be endured. It calls for an immediate response. The U.S. has long been a leader in international food aid and will continue to be. Without detracting from assistance to people in need, we intend to maximize the developmental effect of PL 480 food assistance.

Food aid under Title I is made available on an annual basis to countries with food deficits. We must, and do, take care to prevent our food assistance from becoming a disincentive to agricultural development; moreover, we recognize that our food aid can play a positive and important part in a nation's development. ^{18/} Our goal is to move to multi-year agreements with recipients when possible, thus providing them with the stability and assured resources that will permit them to address policy reform and structural changes. Policy reform discussions will be central in the negotiation of multi-year contracts.

^{18/} For further discussion on the development implications of food aid, see AID Discussion Paper No. 15, 1982, "Food Aid and Development: The Impact and Effectiveness of Bilateral PL 480 Title I Type Assistance;" and AID Discussion Paper No. 19, 1983, "A Comparative Analysis of PL 480 Title I Impact."

Title II programs, while their principal focus is humanitarian, also can have development uses. Food for Work projects, in addition to feeding people, become a resource that can be used to support development work and provide productive employment. Maternal and child health (MCH) projects can be integrated with health services and nutritional education projects to strengthen their development effectiveness. School feeding projects have the potential to influence enrollment and attendance as well as contribute to nutritional well being.

Also, under certain circumstances Title II commodities can be sold to generate local currency required to implement development projects. These "monetization" programs have proved to be beneficial in supporting local development of secure and stable institutions such as cooperatives, and in some cases have led to greater mobilization of private sector resources.

And PL 480 local currency proceeds from Title I, long an available resource, will be increasingly programmed for development projects as part of an overall AID strategy for development in the host country. 19/

Emergency food aid provides help for the world's hungry against the effects of drought or other short-term food emergencies. AID will continue to respond rapidly with available resources as emergencies occur. 20/

19/ See AID Policy Determination on Programming of PL 480 Local Currency Generations, February 1983.

20/ See AID Policy Determination on Emergency Food Aid, May 1984.

3. Health Deficiencies: Especially Infant and Child Mortality ^{21/}

Infant and child death is the most tragic aspect of poverty. In addition to the human loss, these deaths and the related stunted growth of those who survive, deprive nations of productive human resources. The greatest tragedy is that much of this death and retardation is preventable using known and readily available technologies. AID's efforts to overcome disease and early death will give special attention to infants and children under five years.

We believe that we are in the midst of the early stages of a "Health Revolution". Within the space of a few decades, using relatively low cost and simple technologies, it should be possible to transform the health status of entire countries. The most dramatic area is that of infant mortality. From time immemorial it has been part of the human condition that out of every 1,000 children born, 200 or more died during the first year. The economically advanced countries have succeeded in radically transforming the experience of having children; today fewer than 2% of the infants born in the industrialized countries die during their first year. This accomplishment, which is one of the great achievements of human history, can be achieved in low income countries.

AID is committed to the promotion of this "Health Revolution." AID's efforts to overcome disease and early death will give special attention to infants and children under five years. As a benchmark, AID has set a reduction of infant

^{21/} See AID Policy Paper on Health Assistance, December 1982.

mortality to 75/1000 live births and reduction of child death rates (years 1-4) to below 10/1000. An inevitable consequence of progress toward these goals will be the effect on those children who survive: they will be healthier, stronger, and more mentally alert, in short, better prepared to grow and mature and to lead productive lives. Moreover, improved child survival tends to slow population growth.

These statistical figures are benchmarks of achievement. They are not predictions and do not imply that host country efforts should stop when they are achieved. Nor are we necessarily assuming that they are achievable by the year 2000. In some countries more time will be required to reach these levels, let alone to reduce the infant mortality rate to 50/1000 live births or to the 20-30/1000 common in the developed world. But these benchmarks provide a focus for much of our program; and where a single development, ORT, has demonstrated an ability to cut infant deaths by a third, it is realistic to expect substantial progress.

We also will seek to improve the general level of health care through improvement of primary health care systems, involving both private and public components, and improved health education, including the benefits of birth spacing, breastfeeding, and other child and mother health techniques. For the population as a whole, we seek to achieve a level of life expectancy at birth of at least 60 years.

Recent medical technology has given the promise of major improvements in the health of poor people. Low-cost technologies place treatment within the reach of individuals and avoid dependence upon high cost (to individuals or governments) health facilities.

One of the most dramatic recent technical breakthroughs has been oral rehydration therapy, a technique for dealing with infant and childhood diarrhea that has proven its potential for cutting diarrhea related child deaths in half. The keys to successful ORT programs are education and access.

AID sponsored a major international conference on ORT in 1983 and is engaging in further activities to communicate ORT techniques to LDC health professionals. Training programs for professionals will further assist in dissemination of knowledge about this technology as will public awareness campaigns. ORT techniques can be disseminated in a cost effective way through the use of village and community level systems as well as voluntary associations (parents' organizations, religious organizations).

In February 1984, AID and the Peace Corps signed an agreement to develop a collaborative program to further promote the use of ORT at the community level, using Peace Corps volunteers to undertake local surveys and to plan and carry out demonstration projects and other education activities.

Through commercial manufacturing and marketing, we intend to supplement official channels for distribution of ORT packets. Our experience with the marketing of contraceptives has demonstrated that the market system is extremely effective at distributing materials to remote areas.

AID supported health service programs will continue to pay special attention to immunization against common childhood diseases such as whooping cough, measles, diphtheria, polio, tuberculosis, and tetanus. AID also will continue to support research and development of health technology, including development of an effective malaria vaccine and methods for dealing with other tropical diseases.

In public health projects we are placing emphasis on budgets, user fees, and primary health care networks. If a health delivery system is to serve remote areas of a country, where the poorest people frequently live, budget constraints and the problem of recurrent costs must be addressed. We have started dialogues with recipients about the value of user fees in health care. Even where fees cover only a portion of the cost of health care, they are an important multiplier device which allows the provider to expand coverage with a given level of financial commitment. 22/

AID currently supports maternal and child nutritional programs using PL 480 Title II. These will be continued and AID will attempt to increase coordination of these nutrition programs with maternal education and training in ORT, breast-feeding, growth monitoring, proper weaning practices, and other aspects of maternal and child health. UNICEF has taken an international leadership role to improve maternal and child health practices, and AID will continue to support and reinforce these UNICEF initiatives.

In most countries the private sector has traditionally provided the bulk of personal health services -- by self-medication with over-the-counter drugs, with folk remedies and other means. AID seeks to build upon this background through

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For example, AID's recent case study of Sine Saloum in Senegal demonstrated that it was the incorporation of appropriately structured user fees (coupled with training of the community in the management of the fees collected) that allowed the village health programs to become viable. (See AID Evaluation Special Study No. 20 "Prospects for Primary Health Care in Africa: Another Look at the Sine Saloum Rural Health Project in Senegal," January 1984).

the training of midwives, pharmacists and traditional birth attendants as providers of primary health services. In addition, private production and distribution of health care supplies, such as oral rehydration packets, may prove a preferred alternative to public channels.

Water supply has a positive and direct impact on a population's health status, and this will be an important element in much of our health planning and programs. ^{23/}

4. Illiteracy and Lack of Education ^{24/}

Basic literacy and related skills training are among the fundamental requirements for sustained economic and social development in all sectors. An educated citizenry and a skilled workforce is essential to the efficient functioning of the economy and to the many technical and personal choices leading to changes in productivity, health, nutrition, and other indicators of development.

In the wage economy, education and skills training increase and diversify people's options for remunerative employment. With educated and trained workers, a wider range of investments becomes attractive and feasible. Where young adults do not have a basic education, there is reduced efficiency, increased supervision or increased on-the-job training costs.

^{23/} See AID Policy paper on Domestic Water and Sanitation, May 1982.

^{24/} See AID Policy Paper on Basic Education and Technical Training, December 1982, AID Policy Determination on Participant Training, July 1983. and AID Program Evaluation No. 12, 1984, "AID and Education: A Sector Report on Lessons Learned."

For the self-employed, particularly in agriculture, productivity improves as individuals acquire literacy and technical skills. Technical information is obtained more easily from extension systems; new technologies and marketing practices are adopted more readily; and inputs are used more efficiently.

With respect to individual and family basic needs, health, sanitation, and nutrition practices improve as education levels rise. In addition, infant mortality declines and birth rates tend to fall. Moreover, the widespread development of human capital is a basic underpinning of broad-based growth.

In parts of the Third World illiteracy rates are high, particularly for the poor, for women, and for those in rural areas. Access to education is disproportionate, the school dropout rate is typically high, and educational resources often are not efficiently used. A critical problem facing vocational education and training programs is how to relate these programs effectively and efficiently to the rapidly changing skill needs of LDC labor markets. One way is to involve private sector employers in sponsorship of training which is relevant to their needs.

AID seeks to promote increased access to basic education, particularly for girls, the poor and rural children. At the same time we seek an increase in the percentage of children completing the primary grades. We believe that most assisted countries, can by the year 2000 or shortly thereafter, achieve 90% enrollment rates in primary education for boys and for girls, with 70% of the age group completing at least four years of schooling.

The highest marginal returns on education investments in the short term are likely to result from improvements in the

quality and efficiency of the existing system rather than from merely expanding the system. Hence, AID will give priority to efforts to make existing systems more effective and efficient, rather than to increase initial enrollment figures.

In countries with serious illiteracy problems, or that lack adequate numbers of teachers, trained technicians, managers and other skill groups needed to sustain development, AID will enter into a policy dialogue aimed at generating long-term comprehensive plans for correcting these problems. Where initial efforts are promising, this dialogue will include multilateral lending institutions.

In countries where primary school enrollment of girls is significantly less than that of boys, AID will enter into dialogue with host governments on their approach to female education, and AID missions and Washington bureaus will enter into discussions with multilateral donors seeking to insure that investments in education help to increase female training. To the extent school feeding programs are shown to have a particularly beneficial impact on female enrollment, they will be highlighted.

While almost all countries have a basic educational structure in place, we foresee a selective involvement in further institution building and strengthening. This will involve technical assistance at the policy and planning levels of national education systems, and working with local primary education systems. In fact, education is a major area where the concept of "building down" or decentralization can be applied. Local financing and control can create educational systems which are increasingly responsive to the needs and desires of the community and which are able to mobilize local, even voluntary, resources for expansion of basic education.

Technology transfer will be an important component of our strategy, particularly in the areas of instructional methodology, skills training and management training. We will look at possibilities for modern communication systems such as instructional radio and TV for both formal and non-formal education programs.

We are expanding participant training programs to increase the total pool of trained manpower available in recipient countries. Participant training in all sectors is an essential part of AID's development strategy, to provide the technicians, scientists, administrators, and managers needed for development programs. Specific attention will increasingly be given to training for the technical and managerial skills required for private sector development.

While the major emphasis will be on technical and skills training, support also will be given for higher education and advanced degree training where circumstances warrant. This investment is directed toward the implementation needs of AID projects and long term institution building, by providing training and research capacity to support self-sustaining growth.

We see a clear role for the private sector in the education area, in identifying requirements for technical and vocational training in skills-shortage fields, and in collaborating with government ministries to plan and provide the necessary training to meet these requirements.

AID will work closely with other donors, particularly multi-lateral institutions that may be investing in the education sector. In our discussions with host governments we will encourage the development of comprehensive plans for achieving long-term objectives. Dialogue will focus on more equitable

access, on improved quality of educational effort, on reducing the drop-out rate, on more efficient utilization of resources and technologies such as radio and TV, and on widening the role of private sector organizations as suppliers of education inputs for public systems. The role of school nutrition programs in increasing the effectiveness of primary education also will be examined in these discussions.

In select situations AID will be prepared to consider entering into long-term, multi-donor assistance agreements which will provide a framework for donor and host nation programs to reach the standards of achievement identified earlier. Such agreements will cover educational policy, host country education budgets, donor assistance levels, training requirements, and institution building.

5. Unmanageable Population Pressures ^{25/}

In many third world countries population size is expanding at rapid rates. Current rapid rates of population growth are, in large part, testimony to the success of policies of donors and developing countries in reducing infant mortality and lengthening life spans. In the economic history of many nations, population growth has been an essential element of economic progress. However, where rapid population increases outstrip economic growth they will place enormous burdens on governments' ability to provide basic services in areas such as health and education. When that occurs, such increases will probably compound the problems of hunger, natural resource degradation, illiteracy, disease and early death. Employment problems will likely be exacerbated. Resources are deflected from needed investment and the costs and difficulties of economic development are increased. On the individual level,

^{25/} See AID Policy Paper on Population Assistance, September 1982.

especially in poor areas, the health and nutrition of women and children are linked to the ability to determine, safely and effectively, the timing of pregnancy.

Economic policies of developing countries are a critical, often the critical, factor in bringing about economic growth. However, the availability of family planning services may be an important complement to such economic policies. In other words, family planning and wise economic policies are often mutually supporting in promoting growth.

Over the last decade LDC governments have become increasingly aware of the impact that population trends (changes in size, rural-urban distribution, and age structure) have on development efforts. At the same time, grassroots attitudes toward family planning have changed. The two trends have resulted in a mushrooming of demand for population planning assistance. Twenty-five years ago only a handful of developing countries were concerned about ~~population~~ growth rates. Now over 60 developing countries, representing three quarters of the population of the developing world, have population policies.

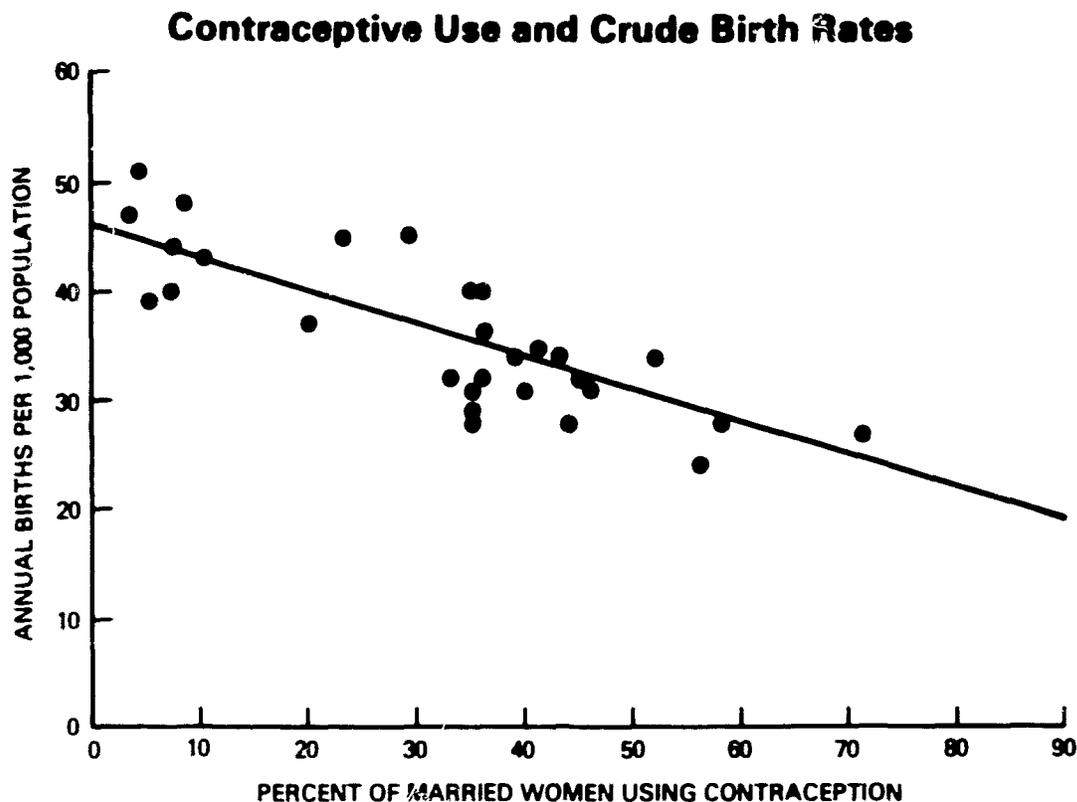
AID recognizes that responsible parenting is a personal decision, a decision that is affected by a couple's cultural setting, by religious beliefs, and by economic and lifestyle choices. It is AID's goal to assure that informed decisions can be made, that knowledge of options including natural family planning is widespread, and that individuals have access to a full range of safe and effective family planning supplies and services.

The assurance of a full range of safe and effective family planning supplies and services requires continuing attention to technology creation. For that reason, one of the Agency

research priorities is biomedical research on improved natural family planning methods and other contraceptive methods and techniques.

AID's objective is to respond to the desires of couples to have the knowledge and ability to make informed decisions about the timing and spacing of their children. Not only do these decisions affect many aspects of family welfare, not the least of which is the health of mother and children, but these choices collectively may place great demands on existing economic resources. In the developing world where 70% of couples desire no more children but only 40% state that they have access to sources of family planning assistance, serving the desires of families automatically operates to moderate population pressures on society at large.

The following graph illustrates the relationship between birth rates and contraceptive use:



We seek increased access to safe, effective and inexpensive means of voluntary family planning in all countries and the initiation of family planning programs in countries presently lacking them. Our goal is to increase the number of families that have access to acceptable family planning methods to 80%, thus cutting by two-thirds the number of couples not able to obtain family planning information or materials.

The United Nations Declaration of the Rights of the Child (1959) calls for legal protection for children before birth as well as after birth. In keeping with this obligation, the United States does not consider abortion an acceptable element of family planning programs. Accordingly, AID has developed explicit policies to assure that it is not supporting abortion or coercion. AID supported voluntary family assistance programs can provide a humane alternative to abortion for couples who wish to regulate the size of their families.

In addition, when efforts to lower population growth are deemed advisable, AID policy considers it imperative that such efforts respect the religious beliefs and culture of the individual in each society, and the right of couples to determine the size of their families. Accordingly, AID will not provide family planning funds to any government which engages in a pattern of coercion to achieve population growth objectives.

AID has developed a number of methods of analyzing trends and problems associated with patterns of population growth. One example is RAPID, a computer-based video presentation that can demonstrate visually the challenges posed by high levels of population growth through its impact on natural resource availabilities, social services such as health and education, employment and income, and similar factors. AID will continue

to present population analyses to leaders in recipient countries, to assist in developing awareness and understanding of voluntary family planning.

AID recognizes the appropriate role of governments in making family planning services available and in establishing a positive climate for action, and the fact that many public sector approaches have been quite successful. The positive involvement of political leaders has been a major prerequisite for success in population programs.

We also believe that voluntary organizations and the private sector offer a vital dimension and the most effective means of delivery, and AID will be increasing its reliance on the private and voluntary sectors in carrying out population activities. Non-governmental providers contribute to the building of a broader institutional base within the host country, and a network of private providers is more likely to advance an understanding of the many options open to couples. Moreover, programs conducted by indigenous, popular-based organizations are most likely to respond to the specific needs of the country involved.

Some of AID's most successful recent innovations in family planning have been with the private sector. Successful programs in distributing contraceptives through private market channels have expanded the availability of supplies, particularly in remote areas, and have provided an important alternative to government channels. And market distribution involves the clearest of all voluntary decisions. As these programs have demonstrated their market appeal, we are now moving toward testing the extent to which subsidies can be reduced while at

the same time assuring and making possible the spread of benefits. We are examining the possibility of private manufacture of contraceptives in the Third World, with U.S.-sponsored technical assistance for quality assurance, as a further means of expanding indigenous private enterprise and employment while also creating further indigenous support for family planning.

AID recently has begun working with employer-sponsored health plans to assist in integrating family planning counseling with preventive health programs. The great advantage of these efforts is that they can be financially self-sustaining so that available resources can be redirected to other locales.

There are intrinsic connections between health and population issues. When mortality decreases and parents know their children will survive, parents seek to have fewer pregnancies. Child spacing has been demonstrated to reduce child mortality as well as to increase the health of the mother. Breastfeeding promotes both child health and improved birth spacing. Techniques of child growth monitoring, as promoted by UNICEF, can be integrated into many family planning programs, and have an impact on infant mortality.

Because unmanageable population pressures exacerbate every other problem and because of the impact that can be achieved with limited resources, AID's efforts in this area are, and will continue to be, a top priority in our assistance effort.

B. Special Initiatives

While the problem areas and standards of achievement set out above will guide Agency efforts overall, there are a number

of special cases where because of chronic problems, the existence of crisis situations or other special circumstances, a special approach is required. Following is a discussion of special initiatives we will be undertaking and of select areas of special concern; this list will be modified as circumstances warrant.

1. Central America Plan

In response to the recommendations of the National Bipartisan Commission on Central America, AID requested special legislation to authorize a major program of economic assistance aimed at the fundamental social and economic problems facing the countries of Central America. The request sought authorization of \$8.3 billion in economic assistance and guarantees over the six year period FY 84 - FY 89. Funding for FY 84 and FY 85 has been enacted.

While the level of effort in Central America will be more intense than in other regions, the problems to be focused on will be along the lines identified in this strategy paper. They include stabilization, unemployment and underemployment, low agricultural production, illiteracy and lack of training, unmanageable population pressures, and health and nutrition problems as well as those in housing, water and sewerage. By 1989 we expect to have achieved significant gains in all of these areas.

In tackling these problems the Agency will employ its four key approaches: policy reform; institution building; technology research, development and transfer; and utilization of the private sector. We will be working closely with host governments to assure that appropriate steps are taken, both in the economic sphere and with respect to political and human rights.

2. African Economic Policy Reform Program

Africa is the world's least developed continent. Measured by almost any indicator of development, be it income, infant mortality, literacy, population pressures, malnutrition or life span, the situation in Africa is more serious than elsewhere.

During the past decade the economic performance of the region has been particularly poor. Fifteen countries recorded negative rates of growth. In the agriculture sector, which provides income and employment for about 70 percent of the population, the situation is especially bad. Sub-Saharan Africa is the only region in the world where per capita food production has declined over the last two decades. During the 1970's agricultural production increased on the average of 1.5 percent while population grew at 2.7 percent.

Almost all African countries have given low priority to agriculture. The sector has suffered particularly from harsh taxation policies and government price-setting for agricultural commodities. Other examples of government preference to urban areas include concentration of investments for schools, hospitals and other social infrastructure in the principal cities. Trade and exchange rate policies have overly protected industry and held back agriculture, and insufficient attention has been paid to administrative restraints.

In response to the severity of the situation, AID has established a special fund for economic policy reform in Africa. This initiative is in addition to AID's on-going program for Africa. The initiative is a multi-year effort and focuses on:

- strengthening donor/recipient policy dialogue and donor coordination, and
- increasing levels of U.S. assistance focused predominately on food production, and tied to major policy reform measures.

3. Urbanization and the Urban Poor

Traditionally AID has focused on the rural sector. There are many reasons for this emphasis: the hunger problem; the predominance of a rural, impoverished population in the LDCs; our expertise in the field of agriculture; and the importance of the PL 480 program.

In the future it is expected that AID will continue this rural/agricultural emphasis; urban problems cannot be solved without a viable rural economy. However, it is increasingly clear that a major transformation is taking place in Third World countries that necessitates increased attention to urban areas.

In almost all Third World countries urban populations have grown rapidly. In some countries, particularly those in the Near East and Latin America, the urban population now constitutes a majority. In many other countries this will occur by the turn of the century. We are now seeing urban centers containing five and even ten million people. By the end of the century the largest cities in the world, some with over fifteen million people, will be in Third World countries.

In carrying out its development efforts with respect to the five development problems discussed above, AID will increasingly give attention to urban areas. Health, population and education programs affect the urban poor as well as the rural poor.

Unemployment is, perhaps, an even more serious problem in urban settings. We look primarily towards the rapid development of labor intensive industry as the vehicle that will provide the new jobs and income for the growing urban population. The total capital requirements will be massive, and primarily will be financed out of savings internal to the developing countries. AID's primary focus will be on employment generation policies and the strengthening of host country institutional capability.

As urbanization continues, the need for potable water and adequate sewage systems will become increasingly important. Dense populations give added importance to the health aspects of an efficient water and sanitation framework. AID does not expect to provide very much of this type of infrastructure. In this area AID will be particularly concerned with appropriate pricing policies, water conservation, and the development of sector institutions and analytic capability.

4. Women in Development ^{26/}

Women in Development is a priority subject for the Agency's planners and policy makers. Women constitute a major and frequently under-utilized human resource. The initial focus on women, in response to the Percy Amendment, stressed projects that focused uniquely on the "woman's role." In order to more fully bring women into the economic mainstream, the Agency is now advocating fewer separate, women-specific projects in favor of integrating women in development issues into AID's total

^{26/} See AID Policy Paper on Women in Development, October 1982, AID Discussion Paper No. 8, 1980, "Assessing the Impact of Development Projects on Women."

portfolio. This means emphasizing the role of women within Agency strategies, projects, and overall development objectives.

A series of specific efforts are underway to institutionalize within the Agency the ability of its personnel to address women's needs and talents throughout the entire project process from project design through the evaluation of project effectiveness. These include a variety of targeted training programs, as well as the provision of technical assistance to overseas missions.

Women in Development will continue to be viewed as an economic issue -- one which is critical to the success of any Agency development effort. As noted in the text above, the women in development effort applies to all sectors; women's roles are being considered in all of AID's strategies and programs. The innovative efforts of past years will be continued and expanded so that the Agency's efficient use of scarce resources will benefit the whole of society.

5. Human Rights and Democracy

Human rights are at the core of the American experience, going back to the very beginning of this country. A central aim of U.S. foreign policy is to promote American ideals and respect for human rights throughout the world.

"Human Rights" is most commonly addressed in political terms, as a phrase incorporating involvement in the political process and free elections, freedom of expression, and due process of law and a functioning system of justice. These are all appropriate concerns for a nation founded in freedom, a nation whose essential creed states that the citizen, not the state, is master.

Human rights also have an economic and developmental aspect and it is appropriate for a developmental agency to incorporate attention to human rights within its development strategy: there is a clear connection between the legal, political, and social structures of a society and its capacity for economic growth and development.

- Freedom of expression is essential to the free flow of ideas, without which new ideas cannot take root.
- An effective legal system permits predictability in enforcement of contracts and allows private economic relationships to grow.
- Respect for the rights of ownership of private property provides the framework within which economic incentives can work.
- A functioning political system means that the interests of all elements of society are considered in the allocation of public resources: too often farmers and other rural poor cannot make their voices heard through political representatives who can advance their constituents' needs for rural roads, schools and other developmentally essential public activities. Effective participation in decision making is a critical factor in promoting equitable development.

It is no accident that there is a close correlation between societies with a high degree of respect for individual freedom and societies with strong economic development.

Human rights, participation and democracy are emphasized as an integral part of AID programming Agency-wide. In addition, specific projects are sponsored to stimulate an awareness of the principles of civil and political rights in developing countries, encourage adherence to the rule of law, and to support development of democratic principles and institutions that promote human rights.

6. Trade Policies and Development 27/

International trade plays a major role in the development prospects for the Third World. Trade is the major source of foreign exchange and provides the resources to finance imports required for the development process, and to service external debt. Economic growth in LDC's will increasingly depend on expanding trade because of their limited internal markets, debt service obligations and limited levels of foreign assistance. Thus, trade is an important area of concern for AID. 28/

The economic policies of the LDCs have a major impact on their trade performance. Overvalued exchange rates, trade and currency restrictions, domestic credit distortions and other impediments place LDC exporters at a significant disadvantage and bias production toward the protected domestic market.

27/ AID has recently circulated proposed guidelines for comment and will be publishing them soon. Among the components of the trade development policy will be: export-oriented development strategies that assist developing countries in entering the international trading system; and institutional development to help the indigenous private sector develop a supportive institutional framework to foster trade.

28/ See AID Discussion Paper No. 18, 1983, "Free Zones in Developing Countries: Expanding Opportunities for the Private Sector."

AID will use the policy dialogue process to bring perceived trade problems to the attention of recipient countries. We will use programs and projects to encourage the removal or modification of policies and practices that inhibit trade and retard the development process. Trade policies of industrialized countries often have a critical impact on trade performance in the LDCs, and this also will be considered in our analysis. It is understood, however, that AID does not have extensive expertise or line executive branch responsibility in trade policies of industrialized nations. Macroeconomic policies that affect a developing country's trade performance often are the subject of IMF and World Bank programs and policy prescriptions, and AID will continue to coordinate closely with these and other appropriate organizations to reinforce shared policy concerns.

The use of mixed credits and other concessional export financing practices by some donors presents a growing problem for effective development assistance and orderly trade development. These practices distort development, as well as place U.S. exporters at a serious competitive disadvantage. Until such time as an effective agreement is reached with other donors on restrictions on the use of mixed credits for export financing, AID will use mixed credits for defensive purposes on a very selective basis to match the concessional credit terms offered by other countries.

V. Making Better Use of Resources

A. Donor Coordination

Over the past two decades, while U.S. development assistance has declined substantially in real terms, most of the

other western industrialized nations have become active participants in development programs. As a result, total real Official Development Assistance (ODA) flows have increased. These assistance funds are an important measure of the shared interest of the industrialized nations in furthering development. The U.S. continues to be the largest donor of development assistance, and its program influences the programs of other donors, both multilateral and bilateral.

In the coming years we look forward to a further expansion of the number of aid donors as the advanced developing countries are increasingly able to share their resources and experiences with others.

The expansion of donor agencies is not without its cost. The systemic effect of assistance on the recipient nation can be destructive of orderly development when the recipient must devote scarce management resources to the implementation and coordination of multiple programs. Given the multiplicity of donors, countries often have scores of projects underway, many inadequately funded and managed. While each project may be beneficial in itself, in the absence of effective coordination there are problems of duplication, inconsistent directions, and failure to assign priorities to projects. Likewise there is a need for complementarity between bilateral and multilateral aid. While this strategy will concentrate AID's resources in certain sectors, it is hoped other donors will specialize in other areas as needed to attain the standards of achievement.

AID has taken the lead in a dialogue among donor countries addressing the need for greater efforts at coordination, with special emphasis on in-country coordination at the sectoral and sub-sectoral levels. In November 1983 the Development Assistance Committee of the OECD approved for public distribution a

set of guidelines on donor coordination.

AID will take a leading role in moving the discussion and implementation of the guidelines forward. We will encourage greater use of the existing IBRD-led consultative group and UNDP-led round table processes for discussing overall priorities and policy concerns. We will continue to exchange views and work toward consensus on policies and priorities with other donors. AID missions will work with host country ministries to establish in-country assistance coordinating mechanisms with other donors at the sectoral and subsectoral level.

More generally, we will be in dialogue with other donors to promote the approach to development outlined in this strategy, and the adoption of common worldwide basic needs achievement standards.

B. Integration of Resources

AID administers a wide variety of resources which include: Development Assistance, the Economic Support Fund (ESF), PL 480, American Schools and Hospitals Abroad (ASHA), the Science and Technology program, and Disaster Assistance (OFDA). These different kinds of assistance represent unique modalities, focus on somewhat different recipients, are guided by distinct criteria for allocation, serve somewhat different purposes and are governed by different legislative mandates. All this is being carried out within an integrated budget more directly related to foreign policy objectives, coordinated closely with the Under Secretary for Security Assistance, Science and Technology, and other elements of the State Department and the foreign affairs community. We are articulating more fully than previously the relationship of development and humanitarian goals to basic foreign policy interests of the United States.

The Economic Support Fund supports political and economic stability; PL 480 food shipments serve a variety of objectives -- economic development, humanitarian concerns and U.S. market development; ASHA funds support U.S. sponsored schools and hospitals abroad. The Science and Technology program is a special program mandated by the Congress to stimulate innovative research on problems that confront developing countries; the Disaster Assistance program of the Office of Foreign Disaster Assistance is the vehicle for providing emergency aid in the wake of disasters; efforts also are carried out by OFDA to develop host country disaster preparedness capability.

Because of these differences, it is not possible or desirable to fully unify these diverse programs. On the other hand, they have substantial overlap. Their common ground is the promotion of the U.S. foreign policy interest in development. In the coming years, AID will endeavor to maximize the extent to which these programs can reinforce each other and jointly contribute to our development efforts. This will include close coordination with the Trade and Development Program, which, because of its development focus, is a valuable instrument of U.S. foreign economic policy.

ESF is a major component of the resources available to AID, and we will seek increasingly to use ESF in support of development efforts. In particular, using the budget support and commodity import aspects of ESF programs can provide considerable leverage and support for fundamental policy reform efforts to enhance development programs.

PL 480 is a multi-faceted tool, and in addition to its humanitarian aspects and donations permitted under Section 416, it can be used to support policy reform efforts and to promote self-help measures that further development assistance efforts. AID works closely with USDA in using this resource.

The ASHA program is used to assist private, U.S. sponsored non-profit schools and hospitals overseas that serve citizens of other countries. This assistance increases the ability of these institutions to transfer capabilities that can promote economic and social development, adapt American education and medical techniques to foreign cultures, and provide modern training to key personnel. Within the ASHA program, which functions on the basis of a competition among proposals submitted for funding, we will increase emphasis on development criteria in deciding which proposals to fund.

C. Development Information and Evaluation

Resources for development are limited, both those of donors and the developing countries. There is thus particular importance to improving the efficiency of development programs. We will intensify our work to improve the quality of AID and developing country programs by strengthening:

- Our capacity to acquire, accumulate and transform information on development experience for use by those planning and implementing programs;
- Our application of lessons learned in program planning and management and in policy formation;
- Our staff and developing country awareness and use of development information resources and evaluations.

AID has given and will continue to give strong emphasis to the evaluation of assistance efforts. The development information and evaluation activities are planned to reinforce AID's programs in the major areas of this strategy.

D. Promoting the Strategy Through Competition for Resources

Throughout this strategy statement we have been emphasizing a focus on a limited number of key development problems, and we have stressed the importance of systemic change in dealing with these problems. We have identified a set of achievement standards that provide a backdrop of quantitative definitions of development progress, and we have given particular attention to the importance of policy and institutional factors in achieving substantial progress towards these goals.

We also have noted that AID is just one of a variety of donors, and that ultimately the major responsibility for achieving development lies with the host country itself. We do not expect that all countries will be equally prepared to move along the lines we have identified. Nor do we expect that a country that is prepared to embark on a comprehensive attack on one problem will be prepared or able to do so with respect to all of the other problems.

In order to more effectively use our limited resources, the Agency intends to increasingly allocate resources on the basis of competition among proposals directed at the key problems identified in this paper. In doing this we will be expanding on a process we initiated last year in search of exceptional proposals in the area of infant mortality.

Through this process we hope to stimulate thinking, and over time provide striking examples of what can be accomplished. We believe U.S. leadership can be an important force to focus attention and mobilize resources of other donors and recipient countries on key development problems.

Appendix I

Specific Steps AID Will Take To Address Key Problems

Ultimately the major responsibility for achieving development lies with the developing countries themselves. Thus, assistance is most effective when there is close collaboration with recipient countries in the definition of problems and the establishment of programs to address them.

In the pages that follow specific concrete actions for each of the key problems of Agency focus are identified. While treated separately for ease of presentation, in terms of policy, program planning, and project implementation many of these actions will be interrelated and mutually reinforcing. Collectively, these actions constitute a unified approach to Agency programming, while allowing for the wide differences that exist among regions and countries.

It should be realized, however, that all AID programs are governed by the rule of practicability, and thus specific case-by-case exceptions will be made where justified. Also, smaller AID missions will have narrower programs; even the larger AID missions will be unable to address all of a country's development problems simultaneously, or at the same level of effort. Establishing priorities thus will be very important. All missions are required to structure their programs within this framework, as dictated by local circumstances.

The standards of achievement identified in the text with respect to the problems of inadequate income growth, hunger, illiteracy, disease and early death, and unmanageable population growth will serve as agency-wide reference points for programming. Where conditions are more acute than represented by these levels, AID missions will give special consideration to the possibility of mounting an effective assistance effort.

These steps are not predicated on a substantial increase in assistance or staff levels. Increasing the concentration of U.S. aid on key development problems will have a significant impact on achieving our goals.

The five problems of program focus are:

1. Inadequate Income Growth

a) Unemployment and underemployment

In AID countries in which unemployment or underemployment is a problem of primary development focus, over the next two years we will:

- Examine the problem of off-farm employment in rural

areas, including the government's broad pricing and investment policies that may be resulting in a significant net flow of resources out of rural areas;

- Develop long-term employment analyses identifying expected labor force growth, magnitude of potential problems, identification of key policy changes and other recommendations for dealing with unemployment problems in both urban and rural areas;
- Enter into a dialogue with host countries with respect to these recommendations;
- Expand efforts to provide technical assistance directed at institutional strengthening where host countries lack the capacity to adequately engage in policy analysis and formulation with respect to unemployment problems;
- Expand efforts to increase rural off-farm employment, as well as pilot projects in urban areas;
- Complete analyses of the barriers to women's participation in formal employment; these will be utilized in policy dialogue with host governments;
- Seek to provide models of employment generation that rely on healthy and unsubsidized private sectors, and upon the growth of labor intensive production.

b) Financial Instability

In countries in which balance of payments or inflation problems are a major focus of the AID program, within the next year we will:

- Complete analyses of the relationship between policy measures designed to resolve payments problems and long-term development and basic needs objectives;
- Formulate recommendations with respect to specific policy approaches that will minimize conflict between stabilization/reform objectives and efforts to attain the standards of achievement laid out in the Plan;
- Enter into dialogue with IMF, World Bank, and host countries with respect to these recommendations. Once IMF programs are in place, our resources serve to minimize the needed austerity, allowing countries to maintain living standards above those that would otherwise be required by the circumstances.

Over the next five years we will assist AID countries with

balance of payments problems to adopt policy and structural changes that will promote financial stability and development. In select cases we will provide foreign exchange for the promotion of employment expanding activities in the private sector and encouraging trade patterns based on comparative advantage.

We will emphasize the importance of removing energy subsidies and of using market prices to move away from energy intensive technologies. We also will be providing technical assistance and training in energy planning, policy analysis and conservation and efficiency analysis. We will emphasize tax reforms which encourage growth.

In some regions the AID portfolio will shift towards greater use of non-project assistance modes to support policy changes, with additional support for those countries that make progress in pursuing effective development policies and programs.

2. Hunger

Over the next two years in countries in which hunger is a serious problem and there is a potential for a significant role for AID, we will:

- Complete initial analyses of the extent and nature of the food and hunger problem; many of these already have been completed;

These analyses will identify production and distribution problems, nutritional deficits, key population groups, staple foods consumed by the poor, linkages to energy availability and uses, and dynamics of low income household budgets;

- Complete analyses of the extent and nature of research on food crops and of the relevance of such research to adequate food production and distribution;
- Enter into dialogues with host countries with respect to their hunger problems and the focus of agricultural production in all of its aspects, especially the need to remove disincentives;
- Rely on more comprehensive market structures and achieve other policy reforms;
- Complete environmental profiles as appropriate and expand policy dialogue on natural resource degradation issues.

For the medium term, our objective over the next five years is to see these countries move towards:

- Expanded agricultural research and extension efforts, especially on dryland crops and other foods grown in less favored areas or consumed by groups facing hunger problems;
- Attainment of appropriate farmgate prices that provide an incentive for increased production;
- Expanded supplies of fuelwood or alternative energy resources and increased efficiency in their use;
- Increased efficiency in the use of agricultural inputs; getting governments to re-allocate budget resources towards the agricultural sector and production of food staples where appropriate;
- More effective extension work, including a special effort on use of the private sector;
- Greater utilization of private sector mechanisms in the agricultural sector;
- Increasingly efficient nutrition programs directed at those most in need.

In addition, we will further develop standards of achievement with respect to hunger and malnutrition problems, for inclusion in this plan and as a basis for country programming.

3. Health deficiencies

Within the next two years, in countries in which health conditions are seriously deficient and the infant or child mortality conditions are worse than the standards of achievement previously articulated, and where there is a potential for a significant AID role, we will:

- Conduct studies of the extent and nature of the problem and formulate strategies of assistance;
- Engage in policy dialogue with key national leaders to build support for necessary budgetary and policy measures, and where possible work with host countries to develop comprehensive, long-term plans of action to reach the achievement standards;
- Take steps to insure maximum use of ORT in existing health projects and other projects where education programs and delivery systems can be readily added;
- Focus PL 480 on child feeding and nutrition programs, with a built-in standard for improvement rather than being mere welfare activities;

- For missions where additional project activity is needed, start design activities for new/expanded projects in these areas.

At the Agency headquarters level we will expand coordination with other donors and international organizations to help dramatize the effort to reach goal levels by the year 2000. Continued priority will be given to basic and applied research on tropical diseases. The Agency will support basic research on the development of vaccines of critical importance to health improvements in the developing world.

By 1988 ORT treatment will have been fully integrated into all AID primary health care programs; and with select countries that are prepared to pursue comprehensive efforts to achieve major reductions in infant and child mortality, we will have entered into long-term agreements to provide assistance.

4. Illiteracy and Lack of Education

In countries with serious illiteracy problems or in which there are shortages of trained technicians, teachers, managers or other skill groups necessary to sustain development, missions will enter into dialogues aimed at the generation of long-term comprehensive plans for correcting these problems. Where initial efforts are promising, such dialogue will include as fully as possible multilateral lending institutions.

In a few select situations AID will enter into long-term multidonor assistance agreements that will provide a framework for donor and host nation steps to achieve the target levels. Such agreements will cover policy steps, host country education budgets, donor assistance levels, training requirements, and institution building steps. Research aimed at improving the efficiency and effectiveness of formal schooling systems, including basic education and the development and transfer of appropriate educational technology will also be supported. The effectiveness of education systems in Sub-Saharan Africa will receive special attention.

For countries where primary school enrollment for girls is significantly less than for boys:

- Analyses of female education problems will be completed;
- Missions will enter into dialogue with host countries on their approach to female education;
- Missions and regional buzeaus will enter into discussions with multilateral donors to insure that investments in education move towards increasing female literacy.

AID will expand its participant training program to provide more skilled local personnel in science, engineering, economics, management and administration required to successfully develop and implement programs and projects, and to build and strengthen indigenous institutional capacity necessary for sustained development. Training will include both short-term and long-term components, as appropriate in individual circumstances, and will be focused on the key development problems identified in this strategy.

AID will expand its U.S.-based training and more heavily focus on private sector participation and needs. AID will place special emphasis on training that supports the development of marketing skills, entrepreneurship, and managerial, vocational, and technical skills.

Within the next two years, the Agency will develop cost-effective ways to deliver vocational and skills training to reduce unemployment caused by lack of job skills. Primary focus will be on Latin America and the Caribbean region.

On a global basis, over the next five years AID's goal is to substantially increase the participant training program, from the present 10,000 to 18,000 participants. This goal is predicated on achieving more private sector support for the program, both to assist in administering it and to share the increased costs.

5. Unmanageable Population Pressures

In countries with very weak or nonexistent family planning programs where progress appears possible and needed, within the next two years we will:

- Develop and present information about the country's demographic situation, such as our successful RAPID presentation;
- Strengthen existing family planning information and service delivery facilities to enhance informed choice;
- Provide training opportunities to ensure that essential program-related skills are available when a policy decision is made to expand local services;
- Assist governments to develop comprehensive strategies for the building or strengthening of country programs;
- Where possible, enter into long-term agreements for the provision of technical assistance for building family planning programs.

In countries in which there are ongoing family planning

programs, over the next two years we will, where needed:

- Develop comprehensive assessments of the weaknesses and needs of the country program and policies, including needed levels of investment.
- Develop analyses showing the relationship between population growth and the achievement of the country development objectives.
- Assist governments to broaden and improve public understanding and knowledge concerning availability and use of voluntary family planning methods;
- Assist governments to strengthen family planning efforts by broadening contraceptive choices;
- Encourage and assist the institutionalization of broad public commitment to voluntary family planning programs;
- Evaluate the potential for a contraceptive retail marketing program;
- Support the development of effective family planning information and service delivery infrastructure in both public and private sectors, with successful implementation normally measured by an increased prevalence of contraceptive use.

Headquarters offices will:

- Continue priority research efforts in family planning methods;
- Evaluate and experiment in delivery systems for natural family planning programs;
- Continue the Agency's effective use of PVO intermediaries.

Within the next five years in countries in which population is a major AID program emphasis or problem area we expect to see:

- The beginning of programs in countries presently lacking them;
- Expanded contraceptive prevalence rates in countries with existing programs, resulting from improved education and public awareness, and expanded access to family planning information and commodities in all countries.

Appendix II:

AID's Commitment to Research

The Agency Plan identifies five key problems of agency focus, and four approaches that the Agency employs in its efforts to impact on those problems. One of the four is "technology research, development and transfer." In this annex we address more fully AID's commitment to research.

The standard of living that has been achieved in the industrialized countries was the result of a complex process of economic, scientific and technological development which took place over a period of several centuries. Third World countries do not have to retrace the same development path taken by the industrialized nations. It is not only possible for them to have rates of economic growth which significantly exceed the long term historic growth rates we experienced; it is also possible for them to more intensively utilize general economic expansion to achieve more rapid progress against basic problems.

Research is one of the factors that makes this accelerated progress possible. While it is clear that research alone is insufficient to solve major problems, properly focused, it opens the door to a pace of change so rapid that it can be thought of as revolutionary.

Today we are in the early stages of a "Health Revolution" -- particularly in the area of child survival. And we believe that with enough work and dedication, the "green revolution" can be extended from irrigated areas to dryland conditions, thus making possible in Africa the expansion of food production that has occurred in Asia and Latin America.

When we speak of a "revolution" it must be understood that we are not talking about something that occurs almost instantaneously or even over a few years. The problems that we are concerned with are the great problems of human history: hunger, disease, and early death. Even "revolutionary progress" is a matter of decades. And research breakthroughs do not appear overnight. They are the result of years of effort.

Our research effort is marked by three concepts: focus, commitment and selectivity. By "focus" we mean a problem focus, the general terms of which are provided by the overall problem focus of the strategic plan, especially the problems of health and hunger.

By "commitment" we mean a willingness to stay the course both in terms of time and resources. It means a commitment to the generation of the research results that will be necessary if the problem is to be overcome.

And by "selectivity" we mean a recognition that we cannot, with commitment, undertake all things. We must choose wisely, based on the centrality of the research to the problem area, and the likelihood of achieving a major breakthrough.

AID has established five areas of research priority: food and agriculture, fuelwood production and utilization, biomedical research on major tropical diseases, family planning methods, and social science research on institutional performance. We have convened panels of scientists from outside and inside AID to recommend topics in each of these areas.

Based on their recommendations we have begun implementing research in collaboration with AID recipient countries on selected priority topics such as:

- research on complex soil and water management problems found in unirrigated, so called "rain-fed" areas of the Third World, including humid lowlands, dryland savannahs and steep slopes;
- the application of biotechnology techniques to protect crops and animals from drought, diseases and pests and other stresses;
- development of rapid diagnostic techniques on major tropical diseases for low-cost village use;
- development of new, effective low-cost vaccines and pharmaceuticals against major tropical diseases;
- research on multi-purpose fast-growing tree species including tree selection and improvement, soils management, seed collection and storage, tree nursery establishment, and application of biotechnology methods;
- improved methods of natural family planning and other contraceptive methods and techniques.

We are putting a major emphasis on biotechnology, because these new techniques promise to make possible major breakthroughs in agriculture, health, and energy.

In agriculture, AID initiated a central program in biotechnology in FY 1983, encompassing research using plant tissue culture to produce stress-tolerant crops and to develop greater pest resistance; to improve the ability of crops to use nitrogen from the air through improved Azolla legumes and other nitrogen-fixing systems; and to develop monoclonal antibodies, DNA probes and other molecular techniques for use in diagnostic or preventive medicine for plant and animal diseases.

The promise of genetic engineering depends on having needed genetic material to manipulate. Fundamental to all genetic improvement is maintaining a rich stock of biological resources. As natural ecosystems are disturbed or destroyed through human intervention, the need to take positive measures to preserve the world's biological diversity becomes increasingly urgent. AID is supporting conservation of genetic resources, through international, multidonor gene banks such as those maintained by the International Board for Plant Genetic Resources, as well as through projects to protect and preserve species in situ.

Our efforts to use research to make possible a "green revolution" in Africa have achieved some breakthroughs. Farmers in Sudan and Mali are growing new drought-proof sorghums that yield 50% to 100% more than traditional varieties. The production of new high-yielding hybrid corn varieties has spread rapidly in Kenya and Zimbabwe. New varieties of cowpeas in West Africa are resistant to insects and diseases, and produce high yields despite drought conditions.

In health, genetic engineering technology has put AID on the threshold of developing a prototype vaccine against malaria, a disease to which 59% of the world's population is exposed and which afflicts 225 million people per year. AID sponsored research has demonstrated the capability to produce a vaccine against plasmodium falciparum, the most virulent form of malaria in human beings. This is the first human vaccine to be developed through genetic engineering techniques.

Malaria is only one part of AID's program to develop new vaccines. The Agency recently signed an agreement with the U.S. Public Health Service to develop a variety of new and improved vaccines directed against major Third World health problems, and suitable for Third World conditions. The first two vaccines to be tested under this program are for measles and rotavirus diarrhea, the single most common cause of serious diarrhea in infants in most parts of the world. The development of heat-stable vaccines would obviate the need for refrigeration in field immunization programs; such a technology breakthrough would dramatically expand primary health care delivery.

One example of the revolutionary potential of research is the discovery of Oral Rehydration Therapy (ORT) as a treatment for diarrheal disease, the leading cause of death among children under five in the LDCs. This simple technology which replaces the loss of bodily fluids and salts caused by diarrhea, is one product of the research on diarrheal disease which AID and other donors have supported since 1961. In various countries it has now been demonstrated that ORT can cut child deaths from diarrhea by 50% or more.

In population, AID support of biomedical research has already led to safer and more effective sterilization procedures, and

the use of the low-dose oral contraceptive, vaginal contraceptives and the new and improved IUDs. Funding is being increased to accelerate the development of contraceptive technologies which are believed to be almost ready for use. These technologies include advanced IUDs, subdermal implants and other long-acting contraceptives, progestin-only oral contraceptives and several barrier methods, along with better information on natural family planning. The biomedical research program also supports clinical testing to assess the acceptability, safety and effectiveness of contraceptive technology in developing country settings and the transfer of new and improved fertility technologies to the LDCs. Studies on the use of natural family planning methods and forms of contraception address important questions about the conditions under which various family planning methods may be most appropriate and effective. A number of large-scale epidemiological studies have been initiated. These will measure and analyze, among other things, the mortality and morbidity of contraceptive users and non-users.

We believe the results of these research efforts could begin to have profound impacts by the year 2000.

The International Agricultural Research Centers (IARCs) are among the most important vehicles for carrying out needed research. The United States contributes roughly 25 percent of the total donor support for the centers.

Sponsored by the Consultative Group on International Agricultural Research, the centers include the International Rice Research Institute, the International Center for the Improvement of Maize and Wheat, the International Center for Tropical Agriculture, the International Food Policy Research Institute and other bodies.

The IARCs' missions are diverse. They develop new technologies; they train LDC scientists, extension agents and administrators; they breed new crop varieties; they undertake research on agricultural policy.

The greatest IARC success has been on wheat and rice production, the staples of many LDCs. In South and Southeast Asia about 40 percent of the rice area is now planted with modern varieties developed through the work of the IARCs. With respect to wheat, we estimate that in 1983 eighty-four million acres were planted with improved varieties developed by IARCs.

To carry out this research program AID has taken steps to work more closely with the U.S. scientific community. This vast pool of expertise will greatly strengthen the technical resources that the U.S. can bring to development problems.

The mechanisms that we utilize to increase the participation of U.S. universities are diverse. The Memorandum of Understanding

is a long-term agreement between AID and one or more universities to cooperate in critical areas. In return for a commitment by AID to provide resources, the university guarantees to make available for long-term assignments a specified number of faculty in certain fields. Present focus is on food production in Africa, drawing on U.S. expertise in areas of irrigation, dryland farming and water management.

For conducting actual research with U.S. universities, AID awards direct research contracts and also provides funding under the Collaborative Research Support Program (CRSP). Both types of arrangement involve developing country institutions as participants in the research.

Research networks offer a way to accelerate research while strengthening LDC institutional capacity. The more economically advanced countries cannot supply all the needed technological solutions. The developing countries rightly want to build up their own capacity to generate technologies and to adapt borrowed technologies to their own needs.

An increasing proportion of AID's research activities will be carried out through international collaborative research networks. In this approach, a number of institutions in LDCs, and in one or more developed countries, make a long term commitment to pursue coordinated research on a common problem. Such networks are being developed for forestry and fuelwood in Asia and Central America, and for dryland agriculture in the Near East.

AID/Washington and field staff work together with LDC scientists and ministries to define specific research questions appropriate to the needs and institutional resources of each participating country. The parties then design and organize a collaborative research program drawing on the facilities and expertise of LDC, U.S., and international institutions. The design includes provision for periodic review and evaluation of progress, so that the specific activities at each site can be adjusted to reflect new knowledge and the changing capacities of the participants.

The network utilizes and enhances the comparative advantage of individual institutions, while enabling them to draw on other resources to compensate for their particular limitations. While building institutions in each participating LDC, collaborative research projects strengthen transnational research linkages among LDCs and between LDCs and developed countries. The multiplicity of cooperating institutions facilitates and accelerates site-specific adaptive research. Interaction with partner institutions facilitates not only the development and adaptation of the improved technologies, but also a transfer of the methodological framework in which the research is accomplished. Finally, and perhaps the most crucial factor, the long term commitment of the participants assures sustained financial and scientific support where a longer-term effort is needed.