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Country Development Strategy Statement

FY 1986

Zaire

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I fully support the strategy proposed in USAID's revised FY-85 CDSS. Long-term institution building -- coupled with expanded food production in the near term -- is both sensible and doable in this environment. The strategy reflects USAID's careful assessment of their experience in planning and managing projects which flow from these two overlapping approaches.

The argument for increased aid levels over the planning period is particularly timely. Over the past year the Government of Zaire has met all of the performance criteria established by the IMF in anticipation of a standby agreement. This was accomplished despite low world market prices for copper and cobalt. In addition to a far ranging structural reform of the foreign exchange system, prices (including agricultural commodities) and most interest rates have been deregulated. These actions were not easy to take and will require both internal discipline and external support to sustain.

I believe the USG, a modest donor in terms of total resources, but major in terms of leadership (particularly within our sectors of focus) should demonstrate support of the Government's performance on stabilization with tangible increases in assistance. The strategy paper makes a strong case that such increases can be used wisely and effectively. I urge favorable Washington consideration of the proposed strategy and expanded aid levels.

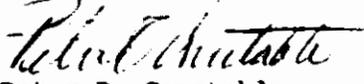

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Ambassador

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INTRODUCTION

For the donor whose overriding objective is a reversal of the deteriorating quality of life for Zaire's 31 million inhabitants, the obstacles are formidable. Some, such as the divisive effects of tribalism, have been centuries in the making. Others, ranging from the woefully weak public sector institutions to the sorry state of internal transport and communications, stem from the abrupt move to Independence 24 years ago. Some of these obstacles can be addressed by AID only indirectly or not at all.

On the other hand, a balanced assessment of the country's development prospects reveals strengths and opportunities -- places where carefully planned and managed interventions can have an impact. A catalogue of assets would have to include a pragmatic, nondoctrinaire government, willing to admit error (Zairianization) and to accept advice (from the IMP on macro-policy and from AID on food crop pricing policy, for example). Mineral wealth, generating almost a billion dollars a year in foreign exchange, certainly is a plus, as is Zaire's agricultural potential. Finally, the country is fortunate to have an extensive, long-standing network of private voluntary organizations that is probably unique on the Continent.

The USAID Strategy has evolved over the past several years in response to the strengths and weaknesses briefly noted above. There are three mutually reinforcing elements: (1) in the short and medium term, household and village based food crop production and health/population projects; (2) in the longer term, activities which strengthen key public and private sector institutions and expand the supply of trained manpower; and (3) finally the use of all AID instruments -- P.L. 480, DA and ESF -- to encourage growth oriented policies. We will continue to operate in the agriculture, health, population and

nutrition sectors where USAID is recognized as the major and most knowledgeable donor and where we have a good understanding of what will and will not work.

This strategy articulates what USAID has been doing in Zaire for the past several years. Rather than departing from the previous, Washington-approved strategy -- support of GOZ stabilization efforts -- our approach sustains the strategy and policy dialogue to the extent that our scarce resources permit.

We have chosen this strategy and these sectors because (1) our experience over the past two years confirms that this approach can be effective; (2) by concentrating on the agriculture and health sectors, the strategy enhances the impact of our limited (particularly on a per capita basis) resources; and (3) it provides the flexibility to readily absorb and use effectively additional resources should they become available.

USAID rejected the option which concentrates on short-term stabilization because the IMF is the lead donor in this area and because it is unlikely AID will be able to provide significant amounts of B/P assistance. Alternatively, USAID could earmark the bulk of its resources for training and manpower development. This approach is unacceptable because professionally trained staff require viable institutions if they are to contribute to Zaire's developmental goals. Again, USAID could have opted to work in primary/secondary education. Important as this sector is, USAID concluded that the problems are so intractable, except for the PVO run schools, that it could not play a meaningful role at the present time. Finally, USAID could ignore long-term considerations and concentrate on immediate targets of opportunity. This choice -- a last resort -- would make sense only if economic and political realities dictated a "presence" type AID effort where

longer term impact would be unlikely, at best. This was not the case before enactment of the stabilization measures and is certainly not the case at the present time.

We also have argued that given Zaire's size, importance and absorptive capacity, increasing aid levels from about \$20 million in FY-83 (split between DA and P.L. 480) is in the U.S. interest. We believe we have demonstrated that USAID-supported programs in Zaire can make a difference, e.g., increased corn production in Shaba, or private sector marketing of agriculture produce agreed to in Title I self-help provisions. At the same time, programs can be managed and controlled so that donor provided resources reach their intended recipients. We propose no radical departure for higher levels of DA -- it will be used to accelerate and expand geographically activities in which we are now or soon plan to be involved.

Resumption of ESP, unrestricted, will permit importation of equipment and spare parts for agriculturally-based industries, including transportation, many of which have closed down or are operating far below capacity due to a need for foreign exchange. Equally important, increased assistance will strengthen the resolve of the GOZ to persevere with the politically difficult decisions stemming from stabilization.

THE CONSTRAINTS TO DEVELOPMENT

"The weakness or lack of effective public and private institutions in Africa have been cited as possibly the major constraints to sustained development." We believe this assessment, from the International Development Cooperation Agency FY 1985 Budget Request, is particularly applicable to Zaire. It is a conclusion highlighted in IBRD reports dating back to 1975.

In the following section, we have attempted to place Zaire's pervasive institutional weakness in context. The problem is discussed from four

different, but overlapping approaches: the Geophysical setting, the Social and Institutional Framework, the Political and, finally, the Economic environment.

A. The Geophysical Setting

One of the major obstacles to development is the sheer size (about the area of Western Europe minus the Iberian Peninsula) and topography of the country. Zaire, located in the center of Africa, is about 893,000 square miles in size. With a population of around 31,000,000, it would appear to have a low population density. However, areas of very sandy soils and the spread of the tropical rain forest limit population concentrations to about ten percent of the country. The distance between population clusters is vast. For example, Kinshasa, a city of 3,000,000 lies 1,400 miles by road/river to the southwest of the Kivu region, the country's potential breadbasket. Lubumbashi, the center of copper/cobalt mining, is 1,700 road/river/rail miles from Zaire's only ocean port.

Under these circumstances the non-subsistence portion of the economy is heavily dependent upon costly and irregular transportation services. Rehabilitation of the transport system is the number one immediate priority in increasing agriculture production.

B. The Social and Institutional Setting

Zaire's size and isolation have given rise to a country with some 250 ethnic groups, four primary, and dozens of minor languages, all tied together by a foreign "link" language, French. In the last few years the elements of a national social structure have been emerging in the persons of a young, professional elite (governmental and non-governmental).

Beyond one's ethnic group or professional association, Zairians have not yet developed a large sense of cooperation to achieve common goals. In

the absence of efficient and impartial government institutions, people turn first to the extended family for assistance and sustenance. The sentiment of being "Zairian," cultivated by "authenticity" campaigns since 1971, masks continued strong allegiances to clan and ethnic group. The pressure of the public official or private businessman to take care of "his own" is enormous and is one of the causes of corruption. The immense size of the country acts as a natural barrier to the development of inter-ethnic contacts. Suspicion between ethnic groups remains strong; few Zairians will trust a non-ethnic brother, particularly in political or financial activities. Even in urban areas like Kinshasa, despite considerable mixing in professional circles, the growth of urban ethnic associations attests to the continued strength of ethnic ties for political, social and economic purposes.

Zaire was one of the African countries least prepared for independence. In 1960 it had neither the trained manpower nor political institutions necessary for the successful transition to an independent state. While many of the institutions required to operate the economy were in place, they were entirely staffed with Belgians at the professional and managerial levels and oriented to serve the interests of the mother country.

Perhaps no more than 20 Zairian university graduates were in place (one in agricultural research) with only about 500 attending institutions of higher education. By 1979 this latter figure had climbed to 28,000.

Given the suddenness of independence and the chaos which followed, large numbers of Belgians left the country, creating a manpower vacuum that led to the collapse of institutions and an inability to maintain physical and organizational infrastructure. The deterioration of agricultural research and of the national transport system are illustrative.

In 1960 the Belgian Congo was recognized as having the finest Institution of Tropical Agricultural Research in Africa, exclusively staffed by 950 Belgian scientists and extension agents. After their departure, physical facilities decayed as the Zairians had neither the manpower, money nor understanding of the new role of agriculture research to carry on. There now appear to be a sufficient number of Zairian research scientists to revitalize and restructure the old system so that it is within the country's ability to manage.

Possibly even more critical to development, the Belgians also left behind a highly serviceable East-West road system tied into Zaire's large river and rail transport network. But this road system returned to the "bush" for the reasons noted above. It now takes 10 to 14 days to make the 1,000 mile truck trip from Kinshasa to Lubumbashi. Much work is going on in rehabilitating this road network (a key to increased agricultural production) and upgrading the National Highway Department, but a return to the level of 1960 -- in terms of institutional competence and budgetary resources -- is years away.

Thus, Zaire experienced a severe disruption in institutional capacity after independence from which it is only now recovering. The speed of this recovery is tied to the rate of manpower development and the changing of social attitudes.

The modest, but growing, professional and managerial manpower base is inexperienced, largely untested, and only recently has begun to take on development role. Expatriates continue to play an important role in the upper levels of the economy and in supporting institutions.

While a start has been made in redressing this situation, a wide range of competent, modern institutions fully staffed by Zairians is at least

a generation away. This must be the minimum time frame for any successful development program.

C. The Political Setting

The highly centralized administrative system left behind by the Belgians could not be managed. In 1960, there was no central unifying force (no Senghor, Houphouet-Boigny) nor natural physical or cultural unity. In fact, in the villages, independence was taken to mean freedom from obeying the law imposed from outside by the authorities - compulsory plantings, forced labor on roads - a legacy the current extension service has not been able to overcome. In these circumstances, it is no surprise that politics was ethnic based and the concept of the nation/state did not exist.

It was only after several years of chaos and civil war that political stability began to emerge, largely attributable to the achievement of one man, President Mobutu Sese Seko. He is unrivaled in his understanding of the Zairian people and in his ability to draw all actual and potential national institutions into a partnership with his government. Zaire today has certain institutions (the Presidency, the security services, certain units of the military) which are relatively effective and are designed to assure the security and continuity of the current government. Others (the ministries, parastatals, the Bank of Zaire) are functional and serve the day-to-day needs of the government at large, but they fall short of operating as modern bureaucracies in the Western sense of the term.

The concept of "civil service" is, of course, a new one. Quality personnel tend to find employment in the Presidency, as counselors in Ministries, and in parastatals where regular salaries commonly are augmented by premium pay and fringe benefits. Most GOZ personnel are poorly motivated because of low pay and poor training. Political pressure (including tribal

quotas) to hire regardless of budget or requirements is a general problem. Constant shuffling of upper-level personnel in Ministries works against the development of expertise. However, the recent initiation of civil service reform measures may, in time, lead to rectification of some of these problems. In particular, the recent creation of career Secretaries General of Ministries gives some degree of stability and continuity at a high level in government departments.

From a developmental standpoint, one of the government's biggest assets is its pragmatism. Zaire was able to quickly back away from its failed efforts at massive state ownership of production and commercial facilities (except for mining) in the early 70's. Today private enterprise is stressed and given freedom to operate. As will be seen below, Agricultural Marketing is largely in the hands of the private sector, and a wide range of private voluntary organizations are active in the education, health, population and transport sector.

D. The Economic/Financial Setting

Prior to independence, Belgian investment was concentrated in two sectors -- mining and plantation agriculture. Supporting infrastructure was designed to link the productive areas of the country with European markets. The external oriented transport and communications system which resulted has had a detrimental influence on post independence political and economic development.

Zaire shares the common developing country characteristic of a dual economy structure, with the majority of the population engaged in subsistence agriculture and modern commercialized sector concentrated in mining, trade, and light industry. Zaire depends almost exclusively on the export of a handful of primary products for its foreign exchange earnings, with copper

alone accounting for about half of all exports. Zaire has an ample supply of non-agricultural resources concentrated in the far southern copper belt (where cobalt, manganese, zinc, tin and silver are also mined); in the south-central diamond belt; and near the coast (bauxite). Zaire possesses some 70 percent of the world's industrial diamond reserves, as well as vast timber land and hydroelectric potential.

It is the development of these resources including transport from remote interior sites that has dominated Zaire's economic history and pattern of infrastructure investment.

The World Bank has divided Zairian economic history into three basic periods: (1) the 1960-67 era marked by political instability and economic disruption; (2) the 1968-74 "commodity boom" period when copper prices were high and the economy grew at an impressive rate; and finally, (3) the 1975-82 period of declining terms of trade, GDP decline, balance of payments deficits and a mounting debt burden. Since the beginning of 1983 the GOZ has successfully implemented a stabilization program suggested by the IMF and, in September 1983, signed the Letter of Intent required for a new standby arrangement with the Fund. Approval of the standby and a Paris Club debt rescheduling are anticipated by the end of the year.

Terms of Trade. One of the major factors contributing to the stagnation of the Zairian economy since the mid-seventies was a dramatic decrease in the country's international terms of trade. The average prices of Zaire's primary product exports increased by 80 percent from 1970 to 1981 while import prices were up almost 500 percent. This reduced the real purchasing power of the same unit volume of exports in 1981 to about a third of its 1970 value. As the physical volume of major exports has either stagnated or declined, the real value of total export receipts has declined

precipitously, thus constraining the ability of the country to import necessary inputs for development (see Table I).

TABLE ONE

Terms of Trade, 1973-81
(1970 = 100) 1/

	<u>Index of Export Prices</u>			<u>Index of Import Prices 3/</u>	<u>Terms of Trade</u>
	<u>Mineral Products</u>	<u>Agricultural Products</u>	<u>Total Index 2/</u>		
1973	103.0	109.7	104.0	156.3	66.5
1974	135.0	172.5	140.6	204.4	68.8
1975	83.2	121.6	88.9	214.	41.4
1976	102.4	196.5	116.4	252.0	46.2
1977	102.6	288.2	130.1	286.1	45.5
1978	113.7	225.0	130.2	321.5	40.5
1979	171.7	226.0	182.1	383.1	47.5
1980	187.2	223.9	191.3	443.4	43.1
1981	165.4	243.5	179.8	496.6	36.2

1/ Original data expressed in SDRs.

2/ Weighted according to the importance of each export item.

3/ Weighted according to the importance of each importing country.

Sources: Bank of Zaire and IMF.

Balance of Payments. This decline in world commodity prices has also had a negative effect on the balance of payments. The current account balance has been highly negative in all but two of the past nine years and has been financed largely by an increase in Zairian arrears to creditors and periodically by debt reschedulings by the Paris Club (official creditors) and the London Club (private creditors).

The following table (Table Two) provides balance of payments data for the 1979 - 1982 period. In addition, it appears that current account and basic balance figures, when available, will be significantly in deficit for 1983.

TABLE TWO

SUMMARY BALANCE OF PAYMENTS 1980-1982
(MILLIONS US\$)

	1980	1981	1982(p)
<u>TRADE BALANCE</u>	<u>566.2</u>	<u>231.7</u>	<u>383.9</u>
Exports, fob	2,038.2	1,655.5	1,714.1
Imports, fob	-1,472.0	-1,423.8	-1,330.2
Petroleum	(-209.5)	(-274.6)	(-220.0)
Others	(-1,262.5)	(-1,149.2)	(-1,110.2)
<u>Services Balance</u>	<u>-904.5</u>	<u>-969.6</u>	<u>-1,029.5</u>
Receipts	147.1	145.8	98.9
Expenditures	-1,051.6	-1,115.4	-1,128.4
Freight & Insurance	(-257.7)	(-312.3)	(-292.8)
Other Transports	(-67.7)	(-88.5)	(-40.4)
Travel	(-33.8)	(-37.7)	(-20.8)
FMI Charges	(-14.3)	(-13.0)	(-31.2)
Interest on Public Debt	(-283.7)	(-350.1)	(-370.9)
Other Investment Revenue	(-98.9)	(-76.8)	(-58.6)
Government	(-91.1)	(-98.9)	(-71.6)
Other Services	(-204.4)	(-138.0)	(-242.1)
<u>Current Transfers</u>	<u>187.4</u>	<u>269.4</u>	<u>203.0</u>
Private	-79.4	-3.9	-18.2
Public	266.8	273.3	221.2
<u>Current Account Balance</u>	<u>-150.9</u>	<u>-468.5</u>	<u>-442.6</u>
<u>Public Capital Account</u>	<u>-22.1</u>	<u>-188.7</u>	<u>-184.8</u>
Disbursements	380.0	277.2	249.9
Amortization	-402.1	-465.9	-434.7
<u>Private Capital Account & Errors of Omis.</u>	<u>-82.0</u>	<u>-160.1</u>	<u>-151.0</u>
<u>SDR Allocations</u>	<u>20.8</u>	<u>20.8</u>	-
<u>Overall Deficit</u>	<u>-234.2</u>	<u>-796.5</u>	<u>-778.4</u>
<u>Financing</u>	<u>234.2</u>	<u>796.5</u>	<u>778.4</u>
Arrears	-1,347.1	143.1	449.0
of which : payments	(-65.1)	(-45.5)	(-28.6)
Debt Resched. of other financing	1,612.5	410.0	177.0
Net Credit from IMF	16.9	118.4	110.7
Purchases	(101.5)	(253.8)	(139.3)
Repurchases	(-84.6)	(-135.4)	(-28.6)
Other Reserves Movement (increased)	-48.1	125.0	41.7
Balance to be Financed	-	-	-

Source: IMF

Original data in SDR were converted into \$ at the rate of \$1 = SDR 1.30153

Gross Domestic Product. Not surprisingly, domestic output (GDP) followed a similar pattern to that of the other macroeconomic aggregates described above and largely for the same reasons -- declining world commodity prices and weak fiscal and economic management. In addition, Zairianization/nationalization measures begun in 1973, under which many foreigners lost their businesses and left Zaire, severely disrupted productive activities during the seventies. Even though these measures were reversed after a relatively brief period, the exodus of skilled businessmen and technicians could not be reversed quickly.

TABLE THREE

GDP IN 1970 PRICES
(Millions of Zaires)

1972	995.4
1973	1,076.4
1974	1,110.1
1975	1,054.8
1976	998.8
1977	1,006.4
1978	952.6
1979	955.1
1980	978.5
1981	1,001.9
1982	992.0

This stagnant GDP, given a population growth rate approaching three percent per year, has resulted in steadily declining living standards. Data for 1982 are not yet available but appear likely to prove somewhat less encouraging than 1981 figures.

External Debt. Zaire borrowed heavily during the 1972-75 period (approximately \$2.5 billion) to finance a number of ambitious capital-intensive projects. Subsequently, the GOZ faced balance of payments problems and was unable to meet the relatively hard repayment terms of its existing debt. Arrearages mounted steadily - bringing total medium and long term debt to over \$5 billion by the end of 1982. Since that time arrearages have continued to mount.

Public and private creditors have rescheduled Zaire's debt four times since the mid-seventies. Each time, arrearages soon reappeared. The Paris Club (public creditors) appear willing to consider a fifth rescheduling for Zaire in late 1983, once a new standby agreement with the IMF is finalized. Without a significant rescheduling it seems virtually impossible for Zaire to meet its debt obligations in the foreseeable future, which amount to about \$700 million per year for the next three years - in addition to accumulated arrearages of over half a billion dollars.

PROSPECTS FOR STABILIZATION

Zaire has a mixed performance record in implementing stabilization programs. The 1975, 1977 and 1981 programs failed when the GOZ was unable to meet performance targets established by the IMF, leading to withdrawal of access to fund resources. In each case, the inability to control government expenditures was the proximate cause of failure. By contrast the 1980 program was successfully implemented and Zaire has been able to meet all of the performance criteria established by the IMF for a "shadow program" in 1983.

Predicting the prospects for success of the 1984 stabilization program involves primarily a judgment of the ability of the GOZ to maintain the political will and management efficiency required for sustained structural reform of the economic and financial system. There are a number of encouraging signs which point to a better chance of success than with previous programs. Zaire's 1983 performance, though not totally unprecedented, has met all IMF performance criteria despite relatively low world market prices for copper and cobalt. More importantly, during 1983 the GOZ has implemented a degree of structural reform which goes far beyond that involved in previous programs. Rather than simply agreeing to value the zaire at a more market-oriented parity, the GOZ has established, for the first time, an interbank foreign exchange market based on supply and demand, which is henceforth to determine the value of the zaire. Similarly, interest rates and prices (with only a few exceptions) have been deregulated. Price liberalization includes the agricultural sector, in line with policy changes recommended by USAID. These again, are fundamental changes in the policy of government regulation rather than the previous promises to regulate with a lighter hand. These measures have increased the role of the market in allocating foreign exchange, credit and goods in the economy and should reduce many of the inefficiencies involved in previous regulatory practices.

In cooperation with the IBRD and with the approval of the IMF, Zaire also implemented reforms in the critical mineral sector. Elements of reform included new management of state mining enterprises, new auditing techniques, new controls over marketing and the beginning of plans to rehabilitate facilities. As a result of such reforms, the World Bank and the European Economic Community have made additional assistance available to the State

copper mining enterprise - GECAMINES. In the gold and diamond sectors, the government authorized the establishment of private purchasing organizations which have increased the revenues to Zaire from the export of these products.

Looming in the background of any evaluation of stabilization prospects is the history of the government overspending and its disastrous impact on previous stabilization efforts. In addition, many of the previous regulations spawned parallel mechanisms for obtaining foreign exchange and scarce inputs. Once established, such mechanisms may prove difficult to eliminate even with structural reform measures. New measures themselves, while theoretically appropriate to stabilize the economic and financial situation, are radical departures from past policies and have no record of "field testing" in Zaire. As with any abrupt change, results cannot be predicted perfectly.

On balance, this bold initiative by the GOZ seems to be proceeding well so far and giving rise to the hope that the elusive goal of sustained fiscal discipline can finally be achieved.

STRATEGY FOR U.S. ASSISTANCE

A. U.S. Interests and Objectives

U.S. interests in Zaire flow from the country's Central Africa location, its strategic mineral resources, potential wealth, large population, and finally, its historical friendliness with the U.S. and support in international fora. Thus the USG is concerned with a broad range of political, strategic, commercial and developmental issues. The overriding objective is economic and political stability. Within the framework of broad U.S. interests, the overriding goal of USAID assistance is an improved quality of life for Zaire's poor majority.

B. USAID Strategy

The FY-83 CDSS proposed a stabilization strategy which was never implemented due to lack of resources. With a foreign exchange gap of hundreds of millions of dollars, AID's role would necessarily have been minor relative to that of the IMF, IBRD and the Paris Club. In any event, a stabilization strategy is being effectively implemented by the GOZ in cooperation with these organizations. The AID strategy reinforces this stabilization effort by earmarking available DA and Title I resources to expand food production and income, to improve health, in the short- and medium-term, and to strengthen institutions and expand the manpower base in the longer term. It cannot be stated too emphatically that our strategy (laid out below in more detail) does not represent a shift in the use of AID resources. It is a continuation of what the USAID has been doing with refinements and improvements based on our recent experience.

The FY-85 Agency Budget Submission to OMB states that, in Africa, "DA will be used to fund projects that will increase food production, strengthen institutions involved in agricultural research and extension, manpower training, establish a skilled human resource base, promote family planning and improve basic health services." This accurately describes current and projected USAID assistance to Zaire.

Specifically, over the planning period, USAID will help develop institutions, manpower capability, physical infrastructure and financing mechanisms that are essential to major programs in food production, health, nutrition and population. These institutions will be tied to development programs at the village level. In pursuit of the goal, AID will assist Zaire to: (1) demonstrate through increased production of domestic staple food

crops that a measurable decrease in malnutrition in the general population is attainable; (2) demonstrate the strong positive linkage between volumes of food crop marketings and improvements in the incomes of small agricultural producers; (3) achieve the objective of "health for all by the year 2000;" (4) meet unmet demand for family planning services; and (5) expand the key role of the private sector in achieving development objectives.

USAID will concentrate upon a limited number of institutions that have a nationwide impact within our areas of priority. The USAID will work with these institutions to better define their concepts and priorities; to upgrade their competence by staff development through technical assistance and formal training, by provision of equipment and limited short-term budget support.

We will also identify a range of local private and non-governmental organizations which can make important contributions to the country's growth, bring them into the program, and improve their capacities to undertake developmental tasks.

On the manpower development side, the USAID places emphasis upon a critical mass strategy for training within priority areas of development. The USAID believes that such an approach can establish the base for a significantly increased absorptive capacity in a given sector within five to ten years. In this regard, the USAID is emphasizing in-country training rather than off-shore participant training as the only cost-effective, language- and culture-relevant means of achieving our manpower goals. This approach is especially appropriate for Zaire. Note that this does not curtail off-shore participant training, but rather, the magnitude is increased markedly for in-country training.

Aware of the vital need for management and organizational skills as crucial tools for all institutional and human resources development programs, the USAID is integrating management into all its technical training programs. Participant trainees at the masters' and Ph.D levels will receive management training regardless of the technical fields in which they are studying. Another implementation tool will be the continuous dialogue within our mandate on policy and program issues with the GOZ, other donors, PVOs and the private sector (discussed below).

We concur with the statement that "any country's development program must be a blend of direct action and institutional development" (Africa Bureau's Strategic Plan). In this environment, institution building can only be effective when the institutions are tied to action programs. Thus we define institution building in this broader sense of the institutions themselves and associated action programs. USAID assistance will help develop the institutions, manpower, physical infrastructure, financing mechanisms, and production programs essential to nationwide activities in selected development sectors. This is to be accomplished on a two track approach: the first develops institutions and technology and trains the necessary manpower; the second undertakes village level development projects supported and managed by the institutions receiving USAID assistance. These activities are designed to increase the well-being of the "poor majority" and to demonstrate the positive economic and political impacts of growth. To a large extent, these programs can be insulated from the macroeconomic situation and from traditional government problems by establishing the projects as semiautonomous sections of the ministries, by utilizing PVOs and the private sector to the maximum, and by encouraging local participation.

The strategy is capable of responding to major shifts in the policy environment. It explicitly recognizes that short-term interventions may or may not succeed in achieving immediate objectives but are ultimately pointless unless sustainable. Therefore, activities will be programmed with a long-term perspective upon which sustained expansion can be built. At the same time our program will make a contribution to Zaire's stabilization efforts. Both Title I and ESF funds, plus our food production activities, will serve as balance of payment support.

Since the funding ceiling placed upon the Zaire program is low in relation to the size of the country, its population, economy and absorptive capacity, we have chosen to concentrate our resources on food production and marketing (including transportation system), rural health, nutrition and population. All such programs include strong institution building and manpower development components.

These are the sectors where we are now the leading donor, our influence is large, the opportunities for success promising, and where we are already having an impact on the rural economy, incomes, and quality of life.

The strategy is targeted at the poor majority who are identified as small town and subsistence agriculturalists plus the malnourished urban poor. Very little analysis has been done to describe the poor majority. Impediments to household survey research are only now being looked into and addressed. However, one outstanding characteristic of the poor majority is exceptionally poor health status. It is estimated that the infant mortality rate is 160 - 200 per 1,000 live births. Major causes of childhood death in rural areas are malaria, measles, diarrhea, whooping cough, anemia and tetanus. Important causes of adult deaths are malaria, tuberculosis, pneumonia, and accidents.

Most people harbor intestinal parasites. Polio is still fairly common as are eye problems and goiter in certain regions. In the countryside, about one-half of the children under age five are chronically malnourished (stunted or shorter than standard for their age) and about six to ten percent of these are acutely malnourished (thin and wasted).

1. AID Instruments

The strategy is implemented through several means including Development Assistance Grants, Economic Support Fund, P.L. 480 commodity and nutrition programs, grants to voluntary organizations, local currency grants and loans to voluntary, quasi-governmental and private institutions and through budget support to specific public sector institutions.

Development assistance is concentrated on institutional/manpower development in planning and research, transportation and marketing, and in village level programs in the agricultural sector: institutional development, training and rural delivery systems in the health sector; training and delivery of services in the population sector; and institutional/manpower development and outreach in the nutrition sector.

Economic Support Funds can help ease the impact of the austerity measures included in the IMF stabilization program. They serve as an incentive to the GOZ and a demonstration of USG support. This support can be used most effectively in the development program where it will also have a stabilization impact. Thus, the dollar grants will be utilized for carefully targeted commodity programs to provide essential imports which support the USAID strategy. It is currently envisaged that this will include vehicles and spare parts directed to agricultural traders to enhance the marketing function, and agricultural inputs (fertilizers, pesticides, implements,

sacking, etc.) to make these items available to farmers. Commodities imported under the ESF program will be sold and the local currency proceeds will be placed in a counterpart account to be used to defray the local costs of projects within the USAID strategy, especially those which receive their dollar funding from the DA account. With continuing restraints on the GOZ budget, counterpart funds are increasingly important in providing money for local costs which cannot be covered in the short run under the reduced GOZ budget. Thus, ESF serves three purposes: a demonstration of U.S. support for GOZ stabilization policies; financing for essential imports in key development sectors; and generation of local currency to defray the local costs of development projects.

The P.L. 480 program also plays an important role in the development process and complements the remainder of the USAID program. Title I provides a key mechanism for additional policy dialogue in the priority sectors; for example, on issues of prices for food grains, road maintenance and nutrition policy. The self-help provisions allow the USAID to have more direct input into the planning process for the agricultural sector. The wheat provided under this program has a high visibility within the highest levels of the GOZ and, therefore, is an important demonstration of USG understanding of Zaire's needs. The food itself (wheat for bread) is important nutritionally and politically in the Kinshasa area. The Title I program also provides support to stabilization by giving direct balance of payments assistance. Finally, the counterpart funds generated by the sale of Title I provide local currency for funding portions of the local costs of USAID development and other projects.

2. Dialogue with the Government of Zaire

As noted above, dialogue with the Government of Zaire is an important element in the USAID strategy. It should be noted, however, the U.S. policy clearly is to encourage the IMF and IBRD to take the lead in stabilization issues which have a fundamental impact on the entire economy. The U.S. solidly supports IMF reforms but in a low key, non-confrontational mode. High level USG officials ranging from Assistant Secretaries through Agency Heads, up to the Vice President, are regular visitors and conduct dialogue at the highest levels of the government. President Mobutu and ministerial delegations travel to the U.S. to meet with President Reagan and senior officials. The discussions that take place on these issues in Kinshasa are at the level of the Ambassador or through the Embassy Economic Office. USAID's contribution to this dialogue is largely focused on GOZ sectoral policies and programs. We have concentrated on agriculture (data analyses and planning, food crop prices and production incentives, private sector marketing and research), basic rural health (community financing of services) and policies related to family planning, nutrition and non-formal education. AID's acknowledged expertise in these areas, combined with the provision of resources, have resulted in an impact -- on both the GOZ and on other donors -- far broader than the level of these resources would indicate.

In summary, we are following Africa Bureau guidance in our policy dialogue. As the Bureau's Strategic Plan states: "We do not expect every principal AID officer to engage directly in discussions on macro-policies. We do expect such principal AID officers to promote a policy dialogue through such bilateral or multilateral channels as may be appropriate for each country and to take such discussions and policy issues into consideration in planning, designing and negotiating U.S. bilateral projects."

3. Private Voluntary Organizations

Private voluntary organizations provide an added dimension to AID in Zaire because they are extensive, well organized and often represent the only effective institutional base outside of Kinshasa. Not surprisingly, it is a basic tenet of USAID strategy to use PVOs and the private sector to the maximum extent possible.

Many of the Protestant networks have American affiliations. All of the religious and secular institutions have overseas affiliations which provide foreign exchange, commodities, and/or technical assistance. Taken together, these groups possess a unique and valuable combination of in-country experience, resources and personnel. They also possess in-place institutional and physical infrastructure. Their survival during difficult periods of Zaire's evolution has earned them credit as reliable, dedicated and stable organizations.

The Protestant Mission system has a network of 67 hospitals, 500 dispensaries, and some 2,000 employees, in addition to effectively managing some 3,000 primary and secondary schools for the GOZ. While many of the Mission systems are independent in their funding and programming, they have joined together in a countrywide organization for better communication, coordination, and representation with the GOZ. This organization is known as the Eglise du Christ au Zaire (ECZ). It is the legal representative of all Protestant Church activities.

Thus, PVOs provide a structure around which development planning and activities can coalesce. USAID works with established indigenous PVOs by channeling development assistance through their ongoing programs and

facilities. Support is provided when PVOs offer a superior means of program implementation, and when they serve such objectives as long term institution-building and technology transfer.

The GOZ officially sanctions voluntary groups and, either directly or through PVO intermediaries, certifies the exempt status of imports by voluntary organizations. Missions in rural areas perform quasi-governmental functions, particularly in health and education. PVOs have their own supply and communications networks and are highly respected.

Zaire has a mixed economy with most mining and transportation enterprises owned by the State. In other sectors, private enterprise is the rule, with the State often holding a minority equity position in large firms. Individuals pursue private business interests in almost all sectors of the economy.

The USAID strategy vis-a-vis private enterprise is to seek out common interests and to demonstrate to the GOZ the advantages, in terms of sustainability, of increased reliance on private and local enterprise.

For example, USAID has obtained GOZ approval to turn over farm-to-market road maintenance in the North Shaba project to a private sector agro-business. In the future, funding for these roads will come from local sources, not just the GOZ budget. In a related area, the parastatal handling food marketing has been abolished, with the private sector now responsible for such activities. In general, the private sector role is expanding as the GOZ pulls back from economic operations, a pull back that USAID is encouraging.

4. Constraints Not Directly Addressed by USAID Strategy

The USAID strategy cannot address all of the obstacles to economic development identified in Section I. The improvement of rail,

maritime and air transport is largely beyond the scope and ability of AID assistance. The effects of a weak primary and secondary education system are far reaching, but, again, USAID does not anticipate having the financial or staff resources to take on the Education Sector in the near term.

Perhaps the most intractable of constraints are very low salaries, uncertain budget releases, inadequate current budgets and negligible capital budgets, corruption in fiscal procedures and uncertain decision making, all of which affect all AID activities.

There are, finally, a number of broad constraints indirectly affected by the USAID strategy. The divisive legacy of tribalism, for example, will, in the long run, be minimized by USAID's emphasis on manpower training. Problems connected with rapid to uncontrolled urbanization may be modified by successful implementation of regional food crop production activities. These same programs should help to redress weaknesses in local revenue collection and administration.

5. USAID Strategy and Stabilization

To the maximum extent possible, the USAID strategy has been designed to insulate AID supported activities from macro environment. This is not to say that GOZ fiscal and exchange rate policy and continued adherence to IMF targets are not of high importance. Rather that successful implementation of the current and proposed USAID portfolio is not dependent on GOZ macro performance. Project North Shaba, the model for planned area food production projects, has achieved significant increases in corn production without imported fertilizer or other imported inputs. Construction and maintenance of feeder roads in AID supported production projects will be the responsibility of PVOs and the private sector, financed by off budget revenues. The

provision of Basic Health Services will be financed increasingly by the communities involved rather than the central government. In short, continued satisfactory performance by the GOZ at the macro level will permit an accelerated pace and an expanded portfolio for carrying out the USAID strategy. If the government falters, however, it will not threaten the fundamental viability of the strategy, at its proposed funding level.

C. Sectoral Strategies

1. Introduction

The Africa Bureau's Strategic Plan makes a strong case for the USAID's program focus. "The real target, and test, of development is the individual...The quality of life in Africa is unacceptable...alleviation of these conditions (malnutrition, endemic diseases, illiteracy, infant mortality, low life expectancy, low income levels) is both the target and the result of our assistance efforts." and also: "Health, education, transportation, etc., are important to improving agricultural productivity and have a significant development impact on their own."

Our program flows from the above reasoning. Low income levels for the mass of the population can only be attacked through a concentration on agriculture -- both from the standpoint of income and nutrition. We also believe that education (formal and informal), and health are building blocks which support a changing society, and with the natural resources base determine a country's future.

Since the funding levels of the Zaire program are low, we have chosen to concentrate our resources on food production and marketing (including transportation systems), rural health, nutrition and population. All such programs include strong institution building and manpower development components.

These are the sectors where we are now the leading donor, our influence is large, the opportunities for success good to excellent, and where we are already having an impact on the rural economy, incomes, and quality of life. (Lack of funds and staff resources prevent us from exploring possibilities in the primary or secondary school system, where opportunities to make major changes are limited and uncertain.)

2. Agriculture

a. Background

Agriculture is the centerpiece of the USAID strategy. It is the sector where we can have the greatest impact on economic and political stabilization, leading to significant increases in the quality of life. We can increase production and income in the short run, and in so doing improve nutritional standards with reductions in mortality and morbidity.

Most agriculture is in the savannah rather than in the rain forest areas which cover over 40 percent of the country. In the southeast, where rainfall is lower and the dry season longer, there is substantial production of subsistence crops and opportunities for extensive use of land in grazing. The most productive soils of the country are in the eastern highlands, an area which is favorable for the production of most temperate climate crops and livestock. There are also throughout the country tracts of alluvial river bottom land with high quality soils. They are farmed in permanent culture, without tree crops and without fallow.

There are some three million traditional family farming units. Because of the prevalence of the practice of shifting cultivation and burning, a farmer will be allocated as many as five or six different plots. The average size of the individual plot is 0.4 hectare. A farmer assigned a

given field for food crops will cultivate it for up to four years, and then be assigned another field. Cassava, corn, rice, cotton, peanuts, other legumes, vegetables and tropical fruits are the traditional crops widely observed. Typical yields per hectare are 1.5 MT for corn, 1.3 MT for paddy rice, and 6-7 MT for cassava tubers. Traditional farming implements are quite primitive and labor intensive, suited to a bygone era when cropping was a feminine occupation secondary in importance to hunting.

The GOZ estimates that corn and rice seed production has not surpassed 3,000 MT in recent years. Chemical fertilizer imports fell from a high of 22,000 MT (1978) to about 13,000 MT in 1981, nearly all of which is used by the modern sector in palm oil and sugar production and by donor projects for food crops. In recent years, small amounts of fungicides, herbicides, and insecticides have been imported by the modern sector. Imported farm equipment is scarce and expensive. Domestic production of such equipment is in the early stages of development.

Under traditional systems of tenure, land is held by the tribe, and has been relatively abundant until recent times, when population pressure has destabilized traditional long-fallow practices in some areas such as the southeastern part of the country, to the south of the Kasai River and in the highlands along the eastern border. In these areas, traditional (female) farmers, and also new-entry male farmers, grow both basic food crops and industrial crops that are marketed through the commercial sector. Many smallholders also produce some export crops (coffee and medicinals prominently).

The commercial or plantation subsector consists of about 800 production units with an average size per unit of 2,300 hectares and 390

employees, often associated with agro-businesses. The largest units are either parastatals or are foreign-owned companies with Zairian participation. Palm oil, rubber, coffee, medicinal plants and cocoa are the principal commodities produced by the modern sector for export, while sugar, tobacco, tea, poultry and cattle are produced for the domestic market.

A number of the larger agro-businesses also produce food crops. USAID will explore the possibilities of including them in our outreach programs as one substitute for the weak GOZ extension service.

Food crop marketing is carried out exclusively by the private sector although commonly under less than optimal competitive conditions. The major constraint to such marketing is the difficulty of reaching farmers according to schedule. Bulk transport of agricultural commodities takes place by truck, barge and rail. There are endemic shortages of capacity in all three modes. Road, river and rail networks have not been organized to service small farmers. Rural access roads and tracks are maintained sporadically if at all by villagers, local businesses and/or religious missions (with limited technical and financial assistance from local authorities in some cases). Bridges and roads often become and remain impassable due to lack of maintenance and as a consequence of poor design. In 1982, in accordance with agreements reached with the World Bank, the GOZ initiated a system of financing truck road maintenance from gasoline tax receipts. During 1981 and 1982 export duties on agricultural products (except coffee) were abolished and price controls on both export and food crops were terminated (exceptions being coffee, tea and sugar).

Zaire was roughly self-sufficient in basic foodstuffs at the close of the colonial period, although that circumstance was in part a consequence of Belgian policies which severely restricted rural-to-urban

migration. Despite improvements in some isolated pockets, agricultural production has been stagnant since 1960 (Table Four). Given population increases, per capita food availabilities have declined. Some of the shortfall in domestic demand has been met by imports (Table Five). However, evidence suggests that effective demand for foods has declined since independence, and undernutrition and malnutrition have become widespread.

TABLE FOUR

PRODUCTION OF PRINCIPAL FOOD AND COMMERCIAL CROPS

	Index	(000 metric tons)		
	1979 (1960 = 000)	1980	1981	1982 4/
Coffee (Robusta) 1/ (of which exports)	117 110	73.9 67.7	75.0 59.4	78.9 59.9
Palm Oil 2/ (of which exports)	45 0	93.2 10.0	97.8 6.1	94.3 4.7
Rubber 2/ (of which exports)	- -	21.2 19.5	20.2 18.5	21.6 15.0
Cotton (fibers) (of which exports)	13 0	9.7 -	10.6 -	10.5 -
Timber--logs (000 cubic meters) (of which exports)	161 3/ 2,234	325.0 66.0	330.0 66.4	375.0 73.0
Cassava Tuber	105	12,800.0	13,172.0	13,542.0
Corn	112	562.0	639.0	688.0
Rice (unmilled)	111	240.0	245.0	254.0
Plantains	102	1,408.0	1,438.0	1,469.0
Peanuts	110	339.0	347.0	358.0
Cassava Leaves	109	357.0	366.0	374.0
Bananas	100	312.0	314.0	317.0
Wheat	100	4.0	4.0	5.0
Legumes (dry beans/peas)	117	160.0	153.0	167.0

Source: GOZ.

NOTE: Figures for food crops should be regarded with caution.

1/ Not adjusted to allow for likely illegal exports.

2/ Does not include smallholder output.

3/ Timber index: 1975 = 100.

4/ Figures for commercial crops are preliminary estimates, while figures for food crops are extrapolations.

TABLE FIVE

IMPORTS OF PRINCIPLE FOODS (000 TONS)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Wheat + Wheat Flour	116	129	162	180	175
Course Grains *	80	180	187	202	150
Rice	25	30	20	22	23

* Principally corn.

Source: USDA and Bank of Zaire.

The Department of Agriculture and Rural Development is responsible for agricultural policy and applied research plus veterinary and extension services. The Department, employing a staff of approximately 11,000, suffers from a surfeit of undertrained and poorly paid personnel, grossly inadequate capital budgets, and inadequate inventories of equipment (such as vehicles). The DOA is developing a capacity with AID assistance to analyze and utilize the little agricultural data that is available.

Agronomic research has been insufficient to Zaire's needs. Very little applied research of any consequence has been done in the past 20 years, except in a few crop specific programs managed with external assistance. Line research facilities have deteriorated dramatically and logistical support is dismal. A similar state of affairs has come to characterize agricultural education facilities which are organized into the Institute of Agricultural Science, four "Instituts Supérieurs" and 124 small technical schools. All of these institutions are hampered by shortages of equipment and qualified teachers. Extension workers receive neither good training nor the means to get out to villages. Often, they become petty extortionists. In this difficult situation, training and extension provided by missionaries and agricultural projects is helping to maintain a small professional cadre.

Current GOZ agricultural sector policy is described in the Agricultural Recovery Plan, which was developed in 1982 by the GOZ and major donors. The objectives of the Plan, in order of priority, are as follows: (i) increased food production to attain national self-sufficiency; (ii) increase the production of agricultural inputs by local industry; and (iii) increase the production of export crops which generate foreign exchange.

Operationally, the Plan calls for a reorganization of the Department of Agriculture and of applied research institutions; the application of more rigorous financial controls; greater coordination between the DOA, the transport parastatals and local authorities in order to identify and overcome bottlenecks to agricultural marketing; and the adaptation, multiplication and distribution of improved seed varieties.

b. Constraints to Agricultural Development

The subject of constraints to food production/marketing is a complex one. We consider the eight categories listed below as the most critical.

(1) Geophysical

Much work on soil management will be undertaken in our agriculture research program, especially in its farming system component. But the task is an immense one, perhaps taking decades to resolve.

(2) Manpower

Manpower problems are so pervasive that USAID has built a manpower element into all of its projects. In addition, we are working with the national training center to train GOZ agriculture managers and training officers.

(3) Institutional

The major institution building effort during the CDSS period will be to help with the complete restructuring and revitalization of the agriculture research system, leading to a sustainable and effective program. We will also continue to upgrade the DOA's Bureau charged with policy studies and data collection/analysis; and through our food production programs, to test out and demonstrate new organizational arrangements and manpower uses that can be built into similar projects.

(4) Financial

The GOZ has not provided either the local currency or foreign exchange necessary for taking full advantage of the opportunities for agricultural growth that do exist. Shortages of funds will continue through the CDSS period, so that it will be necessary for donors to continue to support non-revenue producing activities. However, we have concentrated on establishing mechanisms to fund programs from alternate (non-GOZ) local revenue sources. In 1983 the GOZ agreed to earmark non-budget, local revenues for the road rehabilitation and maintenance program in the North Shaba project.

(5) Infrastructure and Marketing

These two constraints are closely connected.

Experience throughout Zaire has demonstrated that with the repair of roads and the rebuilding of bridges, merchant competition for cash and food crops increases sharply and prices to the farmer rise accordingly. It is AID's intention to continue to help rebuild farm-to-market and secondary road systems because, without such an effort, most agriculture production projects will have negligible impact on farm incomes.

(6) Primitive Technology and Social Factors

A great deal of farming systems research will be done in GOZ/AID projects to refine packages of practices to fit local conditions, both with and without fertilizer. Tribalism distorts resource flows, limits the rise of talented people to top positions, and by its very nature discourages innovation. As farm technology improves, these factors come into play since the need for careful management of scarce inputs intensifies. The social structure which places heavy agricultural labor demands on women to do what is not considered "man's work" is causing labor shortages in some areas. Further study is required.

(7) Policies as Constraints

The IBRD has said that agriculture in general is affected by GOZ policies in three fields: (1) investment programs, (2) taxation, and (3) commodity pricing. To this we would add a fourth: marketing policy. However, given current progress by the GOZ in increasing investment in surface transport, reform of the foreign trade regime, price liberalization and privatization of food marketing, inappropriate policies are not constraints at present. The situation will be closely monitored.

(8) The Constraints of New Technology

USAID's studies reveal that very often the small farmer is producing below his capacity in land and labor. There are, in addition, proven technologies not yet in common use. Once the transport system is in place, the first step is the introduction of better seed. Further, major increases will require the use of fertilizer and/or a new package of practices, including a better crop rotation system. With the use of fertilizer, credit will become a serious constraint. USAID learned in North

Shaba that such constraints as transport, farmgate prices, and seed, are interrelated, sequenced, and based on the local situation, with the removal of one set of constraints bringing another set to the forefront.

In sum, the constraints to food production increases are serious but not disabling. There are unmet opportunities for growth through carefully structured and implemented undertakings. But as the IBRD has also said, "Given the constraints to development, especially that of the dearth of entrepreneurial, managerial and technical manpower, the transformation of traditional farming will require time and sustained effort: There is no substitute to this effort in the long run."

c. USAID Food Production/Marketing Goal and Objectives

The USAID strategy in agriculture is based upon the following factors: (a) Zaire's needs, policies, priorities; (b) AID policy and priorities; (c) the USAID's budget and staff ceilings; and (d) past program successes.

The USAID's agricultural goal is to help Zaire regain the food self-sufficiency it once enjoyed. There are two broad objectives: (a) to help achieve significant production/marketing increases in corn, root crops, grain, legumes and fish by working with small farmers, and (b) to help achieve a significant increase in the quality of life, as measured by utilization of education and health facilities, consumer goods and nutritional status.

Specific USAID/GOZ programs to attain these objectives will be to help:

(1) Develop the capacity to formulate and implement policies that encourage agricultural growth. (This includes a data analysis component.)

(2) Build up and refine agricultural research capabilities, including farming systems research and concomitant outreach programs, in order to apply research findings to farmers' fields.

(3) Facilitate private sector and PVO activity in food production, marketing and input programs.

(4) Design and implement small farmer food production activities.

(5) Create manpower development programs designed to provide academic and practical training needed for institutional sustainability.

d. USAID Program Components

The broad constraints to development have led to a set of obstacles to agriculture growth which, along with AID/Africa Bureau policy, provide the base upon which the USAID has formulated its strategy, goals, and objectives. From this, the components of our long-term program flow quite naturally. All projects will stress institutional and manpower development.

(1) Sector Policy Formulation and Analysis

At the core of our policy approach will be the dialogue with concerned Ministries, reaching to the Executive Council (the Cabinet), and conducted directly and through informal donor meetings, coordination and implementation of Title I self-help measures, and negotiation of conditions precedent to project agreement. Specific measures will include provision of technical assistance and training to the Bureau within the Department of Agriculture that is charged with developing policy options and data collection and analysis. We will be striving to produce a trained and experienced cadre of policy analysts; an established data processing center; and finally,

agricultural reports and documents transmitted, received, and accepted by appropriate upper echelon government officials as valid for decision making. The USAID will also assist other GOZ agencies engaged in agricultural policy decisions, such as the Ministry of Plan.

(2) Food Crop Research and Outreach Programs

USAID is the principal donor in food crop research. Technical and managerial skills are being strengthened, and the reorganization of the research system is being carefully implemented. Soon, the farming systems approach will be introduced. The current program includes cassava, corn, and legumes. Additional crops may be added, depending upon how the institutionalizing process takes hold. All crop programs will have a strong outreach component to link research with the farmer, with much of the outreach to be accomplished through PVOs and the private sector.

Given the primitive state of current agricultural practices, labor productivity can be sharply improved through adoption of applied research findings on improved varieties and cultural practices. It can also be increased significantly through application of other appropriate technologies by small farmers. There are numerous productive labor intensive technologies possible: for example, seeding, weed control, milling and storage. Appropriate technologies (e.g., fabrication of agricultural implements) can have substantial growth effects if properly applied.

(3) Food Production Programs

Food production activities focus on the constraints that must be overcome in order to increase basic food production/marketing by small farmers in North Shaba and other market-responsive areas of Zaire. We will also continue with the fish pond production project which is largely implemented by the Peace Corps.

These projects are a combination of institution building and direct production applications. They are also an attack upon Zaire's serious nutrition problem and the low quality of rural life in general. Finally, the payoff for any policy dialogue is found in projects such as these. Major policy objectives will be involvement of the private sector in all possible tasks - road maintenance, extension, seed production. Another will be local financing of local projects.

(4) Food Marketing Program

Such programs go hand in hand with increasing production. Because of long distances and low traffic volumes, road and/or river access is costly. Therefore, USAID will work to increase haulage capacity and frequency of service, and to provide more service outlets. Small wharfs, small depots with associated holding storage, shipping and other trade practices, as well as road rehabilitation and maintenance and vehicle (including barge) procurement will be included. The institutional capacities of the Roads Department will be augmented through training. Local funding of local roads also will be pursued.

(5) Input Programs

As the food production activities take hold and immediate bottlenecks are broken, the lack of inputs - and a delivery system - will become increasingly important. The most immediate problem is improved seed varieties. But fertilizer, pesticides, tools, storage, and credit constraints are sure to become important by the end of the CDSS period. The USAID is already tackling the seed problem and will expand its efforts.

e. Other Donors

The individual agriculture programs of other donors are limited in scope: the World Bank, crop-specific production programs and road

building; the FED, road building and agricultural production projects; the FAO, quality and quantity control of seed production, education, and planning policy analysis; Belgium, advisory services and some support to agricultural education; France, agricultural production, education; Italy, agricultural production projects; and West Germany, some local training.

f. The Recent Impact of the USAID Program

During the CDSS period, AID will exercise leadership in food production/marketing with a multifaceted attack of constraints. The scope of the USAID's program to date has been limited by funding and staffing, rather than development opportunities. Even so we are having a significant impact because of (1) program concentration, (2) careful design and implementation, (3) support from the GOZ, and (4) the broader influence of the United States. Past successes are meaningful and are listed below.

(1) Policy Impact

The USAID policy dialogue has centered on the following items:

(i) Lifting of farmgate price controls. This was implemented for food grains in 1982.

(ii) Abolishing of the GOZ's food marketing parastatal and its monopoly.

(iii) Restructuring of agricultural research.

(iv) Off budget and local cost financing of projects. The GOZ is prepared to use non-budget resources to support research and production projects.

(v) Increased role of the private sector and PVOs. Such organizations are now being built into programs in marketing, road maintenance, and extension.

(2) Institutional Improvements

(i) Establishment of a national training center for agriculture managers and professionals. This center is now in its third year of operation.

(ii) Upgrading of the Office of Studies and Plans within the Ministry of Agriculture to the point where it will prepare and help implement a national strategy for agricultural growth. A February 1983 evaluation stated, "accomplishments have been significant. The Office has begun to provide the Ministry with the kinds of information required for national planning."

(iii) Improving the institutional capacity to carry out agricultural research. A recent outside evaluation of the cassava component of this program said, "a well rounded and comprehensive program of research has been established. The program is being carried out with a high level of professional excellence."

(3) Food Production Programs

Project North Shaba (PNS) was cited in a May 1982 IBRD report as one of "only a few projects where results approach the original expectations and which can be considered an overall success." This was based on an increase in corn marketing from 5,000 MT to 32,000 MT in six years and a corresponding increase in the well being of the small farm family.

(4) Linking Institutions with Production Programs

(i) The PNS project has created an areawide data collection and analysis system. This system has now been turned over to the Office of Studies and Plans. This is its first effective field office.

(ii) The agriculture research institutions are being linked with Project North Shaba, and a two way flow of information is programmed through field trials and other methods.

g. Health, Nutrition and Population

The Africa Bureau Strategic Plan clearly states the priority for programming health activities in Africa: "Appropriate investments in health and education both to improve productivity and to improve the quality of life are vital to any country's development progress, and we believe that the U.S. can and should play an effective role in partnership with other donors in accelerating the development of human resources."

Zaire's total population is estimated at 31 million with an annual growth rate of 2.8 percent.* The present crude birth rate is 46 per 1,000 and the crude death rate is 19 per 1,000. The infant/child mortality rate is estimated at 160-200 per 1,000 per year. An estimated 80 percent of the infant mortality is a result of malnutrition and endemic diseases, the most prevalent of which are malaria, measles, intestinal parasites, pneumonia, and whooping cough. An estimated 40 percent of children under age five are chronically malnourished, while six to ten percent are acutely malnourished. Kwashiorkor is a significant nutritional disease in parts of Zaire. Malnutrition has very debilitating effects on adults as well. The adverse impact of poor health on worker productivity has been clearly established. The Nutrition Planning Center estimates that 50 percent of the morbidity and

* There is no reliable data on the rates and causes of deaths. Figures are based upon a limited number of area studies and the experience of missionary medical personnel.

mortality of the Zairian population can be directly attributed to malnutrition. Recent studies have shown that, while caloric intake is estimated at 85 percent of FAO recommended levels, protein intake is only one-half of the FAO daily recommended amount. Furthermore, Zaire's high rates of premature births and prenatal mortality are due in part to maternal undernutrition. The Zaire situation is one of a close relationship between basic health problems and nutritional status.

(1) The GOZ Health Strategy

The upheavals of the post-independence period saw the near complete cessation of public health care as expatriate professionals left and hospitals deteriorated. The GOZ attempted to continue and expand the colonial system, but ended up using 80 percent of its entire budget in urban areas. No more than 15 percent of the population was reached with limited hospital-based curative services. Recognizing the failure of its approach, the Ministry of Public Health set out to revise its strategy and program.

In 1980 Zaire signed the "Chartre du Developpement Sanitaire de l'Afrique" which has, at its base, the adoption of a primary health care strategy for achieving "health for all by the year 2000." In 1981 the GOZ authorized this approach as the basis of its national health strategy. A new National Health Plan covering the 1982-86 period is being implemented which emphasizes prevention and treatment and concentrates upon the most serious public health problems. The GOZ hopes to make the basic eight elements of primary health care available to the entire population via a low cost delivery mechanism relying upon health centers and village level health workers. The basic elements are essential curative care, vaccinations against the most prevalent childhood diseases, potable water, maternal child

health services, family planning, health and nutrition education, environmental sanitation and referral. The plan calls for the establishment of 140 functioning rural health zones by 1986, with a phased expansion in subsequent years. Each zone is to serve between 90-120,000 people. Today there are about 1,600 facilities providing primary health care. By the end of 1986, the target is for 3,000 centers to reach 60 percent of the population.

(2) Constraints to Implementation of the GOZ Health Strategy

An effective health policy and program are in place, physical infrastructure is continuing to be rehabilitated, and an in-place PVO network has a great deal of competence to provide services. However, when taken together constraints have slowed the spread of available technology and severely limited data collection and research.

(i) Institutional: The Ministry of Public Health has limited capacity to oversee or operate an extended health care system. Logistics and general management capability are weak. However, a core cadre of competent professionals is in place in the basic rural health and population offices of the Ministry.

(ii) Manpower: There is an acute shortage of medically trained staff. In addition, many key managerial positions have been filled by physicians and senior technicians who often have little relevant training in public health planning or administration. The only response available to this constraint has been to train Zairians outside the country. This approach is expensive and often inappropriate.

(iii) Financial: The minimal health services budget has not kept up with requirements. But there are countervailing trends. First, GOZ support for PVO-supported health activities has been strengthened

at the policy level. Second, as an exception to the budget constraint, the child immunization program has been receiving encouraging support, and third, the GOZ has been increasing financing of the rural health program in general. Foreign exchange for medicines remains a major problem, although removal of price controls on pharmaceuticals has stimulated domestic production. The weak transport system also affects the health programs.

(3) The GOZ Nutrition Effort and Constraints

The percentage of the population directly affected by specialized nutritional activities is very small. A few pilot projects and a number of local PVO programs mark the limits of present nutrition activities. Nonetheless, long-term GOZ goals are comprehensive and clear, and GOZ policies and plans for nutrition are included in public health planning documents.

Zaire's nutrition policy and programs are coordinated by the National Nutrition Planning Center (CEPLANUT), which was established in 1978 with AID and Tulane University assistance. CEPLANUT, still in its early stages of growth, has not yet compiled a comprehensive inventory of resources and programs. Currently, work proceeds on a food consumption policy oriented to national nutrition needs. CEPLANUT has identified four factors that show a statistically significant relationship to malnutrition, viz, family size, the utilization of health services, knowledge about diarrhea/dehydration, and knowledge about nutrition. It is recognized that reducing malnutrition rates via educational efforts alone will take a long time. Thus, there is a need for action programs drawing upon the health and agriculture sectors.

However, Zaire lacks both the trained manpower and broad institutional base for nationwide nutrition programs. Nutrition concerns have not yet been built into agriculture or other non-health-specific

activities. Knowledge about how to overcome malnutrition has not yet spread to many areas of the country. In some areas, family concerns do not give top priority to child nutrition. Low agriculture production combined with poverty is an absolute barrier to adequate nutrition in parts of the country. Applied research into the causes of malnutrition is just getting started. All of this means that most of the task of formulating and implementing an effective nutrition strategy still lies ahead.

(4) USAID Goals and Objectives for Health and Nutrition

The USAID and GOZ goals (and strategies) coincide. The overall specific goal of the USAID and GOZ programs is to improve the general health status of the populace, and significantly reduce acute malnutrition, by the year 2000.

To help achieve this goal the USAID will concentrate on assisting the GOZ to attain the following objectives:

(i) Spread and institutionalize a self-sustaining, affordable basic rural health network, and

(ii) Improve the capabilities of CEPLANUT while formulating and implementing nutritional programs that reach the household level.

To achieve these objectives, activities will be mounted to:

(i) Further institutionalize and extend the basic rural health program, and incorporate CCCD activities into it.

(ii) Train the technical and managerial manpower necessary to staff the basic health system.

(iii) Further manpower and institutional development programs centering on CEPLANUT and regional nutrition organizations.

(iv) Maintain policy commitments and follow through with increased financing for health and nutrition programs.

(v) Gain additional recognition of the necessity of building health and nutrition considerations into agricultural and other development programs.

(vi) Further develop a national food and nutrition strategy which stresses the mutually-reinforcing characteristics of agricultural, health, nutrition and population activities.

(vii) Design a national nutrition surveillance system to both monitor the nutrition scene and to gain a better understanding of the causes of malnutrition in different parts of the country.

(5) USAID Programs in Health and Nutrition

Our strategy closely follows the Bureau's "Health Strategy Statement" and AID's "Health Assistance" Policy Paper. The USAID support to Zaire's health program is designed to stress both individual and community understanding of health problems so that both may act to improve health status. Our strong commitment to the health sector stems from three policy decisions made by the GOZ. First, the Ministry of Public Health turned much of its rural health program over to the PVO/private sector for implementation. Secondly, it has somewhat reluctantly backed off from a policy of free health care, in favor of a service-for-fee concept. Thirdly, the Ministry has assigned high priority to the programs in which the USAID is involved.

Malnutrition is a widespread, complex and varied reality. Hence, specific knowledge is essential on the causes of malnutrition; the distribution of malnourished populations; the economic

effects of debilitating diseases; and the social anthropology of malnutrition. Such information may be gained through application of the nutrition scenarios developed by AID/W and presented in the Agency's "Nutrition Sector Strategy Paper," through experience gained in specialized nutrition projects and through agriculture and health projects. Ideally, the USAID/GOZ multifaceted approach to nutrition would attack the full range of constraints at the local level with an integrated project including elements of education, food production, road maintenance, technology, and local financing.

(i) Improved Planning and Management Capability

USAID programs in health and nutrition have a large in-service training component, in-country and overseas, both short course and degree. However, during the CDSS period the stress will be on institutionalizing in-country training. In health, the organization to provide this training is to be the School of Public Health at Kinshasa University. USAID will help build the School's capacity to offer a wide variety of training, including in-service for public health practitioners, and programs through the Master's degree level. The courses will be open to both GOZ and PVO/private sector personnel. This activity is absolutely essential if Zaire is to continue to improve its ability to manage nutrition programs. In nutrition there will be a strong, continuing emphasis on the training of professional staff, with in-service short courses centered on CEPLANUT, and long-term, specialized degree training abroad.

(ii) Financial Sustainability

The GOZ has realized that it cannot fund its ambitious basic health plan alone. They have moved instead to a tripartite

approach: the GOZ budget, the budgets of the PVO/private organizations and user fees. The short term goal is to have user fees cover at least the replacement cost of pharmaceuticals. The USAID hopes that this percentage will increase over time. As the local contribution goes up, the local authorities would have more freedom to manage their own health programs. This would help the decentralization that is necessary for development in a country the size and complexity of Zaire. Foreign exchange will be harder to come by until the economic situation of Zaire improves. However, in this area, the PVOs with their overseas sources of funds are making a major contribution. Donor assistance in health and, of course, nutrition will be necessary throughout the CDSS period.

(iii) Implementing Agencies

By 1990 the GOZ aim is to have approximately 300 functioning "health zones" serving a population of nearly 20 million. Approximately one-half of these zones will be supervised by PVOs or private companies. The Catholic and Protestant missionary groups have been active in the health sector for over 100 years. The Kimbanguists began somewhat later. The Protestant missions established themselves in the rural areas, while the Catholics have tended to concentrate on the urban areas. The Protestant system enjoys the logistics and financial support of the ECZ. The Catholic hierarchy is well organized. Within missionary-managed hospitals, the GOZ supplies some of the nurses, physicians, and laboratory personnel and some medicines and operating costs. Recently, graduates from the national medical school have been assigned to mission hospitals to begin taking over much of the work from missionary expatriate physicians. Thirteen out of 15 hospitals in the first phase of the GOZ/AID Basic Rural Health Project now have Zairian

medical directors. In the past several years, a few hospital systems have begun to carry out preventive and promotive activities, including family planning. Most hospitals have accepted this orientation but have not yet begun implementation.

Although national nutrition activities are new to Zaire, the positive policy framework and the achievements of CEPLANUT in the few years of its existence bode well. For example, CEPLANUT carried out a region-wide nutrition baseline survey with modest USAID technical assistance. In 1981 and 1982 CEPLANUT conducted a pilot nutrition and health program without outside assistance. CEPLANUT nutrition surveyors and educators are posted at several centers in Kinshasa and in two other regions. And most important of all, CEPLANUT is beginning to achieve the status and recognition necessary for it to influence GOZ nutrition thinking.

(6) Other Donors

In the fields of nutrition and rural health, as in agriculture, the USAID exercises the leadership role. Belgium and UNICEF are two important donors in rural health. We work closely with both as they funnel resources through the newly developing rural health system. The U.S. Peace Corps and WHO also make important contributions in both rural health and nutrition education.

(7) Recent Program Successes

The centrally funded Combatting Communicable Childhood Diseases (CCCD) program is about to introduce malaria treatment and oral rehydration to supplement its highly successful child immunization component. The CCCD activities will be integrated into the rural health zones served by AID, as well as carry out programs in areas not yet reached by the new rural

health system. A recent evaluation by the Communicable Disease Center of Atlanta singled out the vaccination program preceding CCCD as the best in Francophone Africa.

With the exception of CCCD, the various USAID health and nutrition activities are too new to have produced results beyond the training stage. An evaluation of the Basic Rural Health Project is scheduled for late FY-84. Based on available data and our experience to date, we believe AID resources will have a significant impact in this sector.

(8) The Population Program

(i) Background: The Africa Bureau's Strategy Plan states: "Our Population and Health programs are important because they address a serious, long term trend in sub-Saharan Africa - highest population growth rates in the world, highest infant mortality, lowest life expectancy." Although one might question the feasibility of a family planning program for a country such as Zaire with a strong pronatalist tradition, a deeply ingrained tradition of child-spacing provides a solid basis for program development. Associated with urbanization is a gradual shift from the traditional practice of post-partum abstinence to other traditional methods which do not require abstinence, such as withdrawal and rhythm. If one accepts the use of traditional methods as a means of fertility control, recent studies show that Zaire would emerge as a country with a very high level of interest in family planning. This suggests a considerable potential demand for contraceptives if information and commodity delivery systems can be developed. Initial results from the Tulane Operations Research Project on community-based distribution in rural Bas-Zaire suggest cultural acceptance of the practice and substantial interest in modern contraception.

Although the GOZ has no enunciated demographic policy, there has been increasing recognition of the impact of demographic factors on development. President Mobutu stated in 1972 that, while the ultimate objective of marriage is procreation, procreation itself should not be unlimited. This established the philosophy of "Desired Births." A few months after the President's historic speech, the National Committee for Desired Births (CNND) was established with legal authority to promote and provide family planning services. The GOZ now includes family planning as one of the essential elements of primary health care. The National Health Strategy 1982-86 states the objective of making voluntary family planning services available to the population by 1991. Religious leaders and other influential persons have raised no serious objections to family planning as an element of Maternal and Child Health. Radio, television and popular literature openly discuss the merits of contraception (especially child-spacing).

Up to now a number of private institutions, usually Protestant clinics, have provided most of Zaire's limited rural and urban contraceptive services. In addition, programs have been financed by AID-supported intermediaries, viz., FPPIA, JHPIEGO, Pathfinder and AVS. The only other donors in the area of family planning are UNFPA, which has been engaged in census activities, and IPPF, which finances CNND staff and activities. The UNFPA probably will investigate family planning service delivery prospects after the census work is completed. The CNND, together with the Ministry of Public Health, is responsible for medical standards which follow the guidance of the international standards of IPPF, WHO and IPAVS.

(ii) The USAID Program: Several constraints to successful population programs follow the general pattern of the health sector, highlighted by lack of widespread delivery systems for services, no coordinated in-country training for service providers, and GOZ inability to come up with either adequate local currency or foreign exchange. Importantly, social factors play a big role. There still is a desire for large families. The low status of child health and consequent high child mortality is a key constraint to limiting births. Lack of female education and off-farm jobs for women are obstacles. GOZ policy requires women to have their husband's written permission (or his personal appearance) before receiving contraceptives at government clinics.

The USAID goal is to improve the quality of life by providing Zairian families the means to have the children they want when they want them. In support of this goal, USAID will focus on the following objectives: (1) Increasing voluntary family planning services through organizations that are capable of initiating and sustaining services with a minimum of assistance. (2) Through population, health, nutrition and agriculture programs to assist GOZ efforts to provide an economic and social environment that will lead to smaller families. Population programs are for this long haul. The second objective then implies a broad commitment to seeking a long-term, cumulative impact. USAID activities will attack a number of programs. Effective monitoring systems receive priority in this context. Immediate program concentration will be upon the expansion of voluntary family planning services, within and beyond the 180 outlets currently involved. In order to expand service, GOZ/USAID will rely on unions, cooperatives, churches, private companies as well as individual entrepreneurs that are

either already providing some service or are capable of initiating and sustaining services with a minimum of assistance, as well as the urban hospitals/clinics of the Ministry of Public Health systems. Priority attention will be given both to establishment of training centers capable of providing didactic and practical training in family planning and related skills, and to curricula in reproductive health and family planning for existing medical and nursing facilities. In the medium term, we will seek to strengthen the GOZ resolve to provide greater support to family planning and to work out methods of self-financing to take pressure off the GOZ budget. The CNND will be strengthened in its ability to gather statistics, plan and coordinate. This organization also will be central to getting political leaders to understand the implications of population growth and to popularize modern family planning methods. Concomitant efforts will be made to strengthen the ability of the Ministry of Public Health to play its role in population programs. As the economic situation improves, the GOZ will be expected to pick up an increasing share of foreign exchange costs, largely for contraceptives. In the meantime both centrally-funded organizations and USAID will continue to finance the majority of the contraceptives used in the country.

Centrally-funded organizations will continue to have a program role as well. For example, JHPIEGO and INTRAH will make an input into curriculum development at medical and nursing facilities. Westinghouse will continue to conduct contraceptive prevalence surveys. Among other donors, the UNFPA provides support to CNND. Belgium assists a public health program in Kinshasa which includes a family planning component.

USAID's population programs are just getting underway. The first measurement of impact will not be until 1985. The most

striking elements of potential success are the GOZ's acceptance of family planning by incorporation into GOZ programs, the progress already made by the CNND in training and information, and the strong support of the PVO hospitals/clinic network, including Catholic facilities. All these are indications that progress can be expected and that USAID objectives can be met.

h. Human Resources Development

USAID considers formal education to be one of the building blocks of development. However, extensive involvement in the education sector is not proposed at the present juncture. Rather, numerous human resources interventions at the professional level are proposed in support of the CDSS strategy.

Nearly three-quarters of the primary schools in Zaire are sponsored by religious organizations as are some two-thirds of all secondary schools. However, GOZ involvement in primary and secondary schooling is extensive, emanating from State control over school budgets, curricula and teacher hiring. Extensive corruption continues, even to the extent of creating of fictitious schools and fictitious teaching posts. The religious communities probably can be credited with maintaining the surviving school systems in some semblance of order. At the university level, campuses suffer from inadequate budgets, deteriorated facilities and, in Kinshasa, unstable student body politics. If a serious GOZ educational reform is implemented which thoroughly revamps the central bureaucracy, USAID would strongly consider support to the education sector. Pending such an eventuality, AID seeks to insulate our program from the problems plaguing the formal education sector, recognizing the costs such a choice might pose to developmental interest in the long term.

Non-formal, professional education and training are built into sectoral strategies in agriculture, nutrition, public health and family planning, guided by five principles. First, a general attempt will be made to create a measurable difference in developmental capability of given sectors within ten years. Second, programming will include women not simply as beneficiaries but as providers of services. Third, emphasis will be continued on in-country training rather than off-shore participant training as cost effective, language and culture relevant. Fourth, management and organizational skills are crucial tools for nearly all institutional and human resources development programs. Therefore, they will be included in virtually all technical training programs. Finally, the human resources development strategy is to be complemented by upgrading a few key educational institutions in the context of projects in the sectors noted above.

Our long-term goal is to assist in the growth of a Zairian capacity to facilitate general access to technology and to enhance the sustainability of aid-supported projects. The USAID does not propose a target group for human resources development. Rather, we place emphasis upon a critical mass strategy for training within priority areas of development. The USAID believes that the critical mass approach can establish the base for a significantly increased absorptive capacity in a given sector within ten years. In this regard, the USAID emphasis upon in-country training seeks to realize a cumulative effect.

Funding from the Education Appropriation is not likely to be proposed with the exception of continuing assistance to CENACOP (Centre National de Coordination de la Formation), the national training center which was established with USAID assistance in 1980, and possibly support to

non-governmental technical schools. CENACOF was designed to reach people already on the job in the middle and lower levels of the GOZ, providing them with technical and managerial training in agriculture and associated fields. Aware of the vital need for management and organizational skills as crucial tools for all institutional and human resources development programs, the USAID is integrating management into all its technical training programs. Participant trainees at the Masters' and Ph.D levels will receive management training, with CENACOF often playing a lead role.

The strategy then revolves around training activities as essential to support the priority sectors.

i. Energy

(1) The Energy Economy

Zaire's energy consumption per capita is roughly one-sixth of the average for middle income Africa, south of the Sahara, according to IBRD data. Despite its potential for energy self-sufficiency, Zaire imports about 65 percent of its commercial energy needs annually in the form of petroleum products. However, Zaire exports electricity. The country's potential for hydropower is estimated to be 13 percent of the world's total. In addition to the mammoth potential of major rivers, there are an estimated 1,000 sites in Zaire feasible for small hydro installations. A number of firms and religious organizations have already installed small hydro plants around Zaire. Hydro plants provide about 98 percent of Zaire's electricity.

Outside of the capital city of Kinshasa (where 13 percent have access to electricity), and the regions of Shaba and Bas-Zaire, less than one percent of some 19 million people have access to electricity.

Large mining and industrial facilities account for 65 percent of the electricity consumed, while household consumption amounts to ten percent.

More than three-quarters of Zaire's household energy is supplied from non-commercial sources, principally wood and other biomass. Heavy wood consumption has resulted in deforestation in and around densely populated areas.

Several organizations and donors have been experimenting with solar energy applications for small rural development projects and electrification of missions, schools and hospitals. Catholic missions have been experimenting with solar units for electrification of villages, refrigeration and lighting for hospitals, and generators for radio stations. The Canadian Government finances several solar energy projects, such as solar drying of cassava. The GOZ has been focussing on large-scale solar energy projects.

(2) Energy in the Strategy

Because investments to effectively redress the general situation of acute shortage would be enormous, energy is not a central sector of concern to the strategy. However, numerous possibilities exist for realizing high social and economic payoffs from small hydropower installations serving isolated load centers. Financial requirements are feasible for such installations. Managerial constraints are serious, however. Given the limits of financing and managerial resources currently available for the development program, energy is programmed as a shelf sector.

If sufficient resources were to become available, the goal of improving the quality of life for the poor majority would be served through working toward the objective of increasing productivity of rural

communities. Increased, reliable energy supplies are a prerequisite to the improved processing and handling of agricultural commodities, for example. Communities served must be capable of sustaining electrical facilities, e.g., through the presence of a strong PVO or private sector groups.

PROPOSED ASSISTANCE LEVELS

In the preceding pages we have portrayed a country with a large human and natural resource potential which was totally unprepared in 1960 for independence. The resulting collapse of physical infrastructure was exacerbated by fragile social and political institutions and the meager availability of educated, experienced Zairians. Now, after more than two decades, Zairian staffed organizations are demonstrating the competence to take on more responsibility.

A further word on implementation. The obstacles to carrying out programs in Zaire are known in Washington. We prefer to emphasize the unmet development opportunities here. Certainly GOZ budget difficulties, limited trained/experienced manpower, weak institutions and questionable policies -- all intensified by the serious macroeconomic situation -- make progress difficult. Yet recent evaluations of our projects present an encouraging, on the whole, positive picture. Not only is our current core program achieving its objectives, but it is having an impact on the target group: a jump in corn produced in North Shaba flowing into the deficit subregions of South Shaba; thousands of fish ponds spreading from farmer to farmer; major child vaccination programs in place - all through new institutions and trained manpower, with accomplishments stemming from policy changes and major PVO private sector involvement.

We believe we have demonstrated that even a modest AID effort can have both a policy and development impact if carefully structured and managed, and if such support is steady and long term.

In fact, given the size of the country and its resource base, there now exists the capacity to steadily increase the USAID program. We could, without difficulty and with excellent prospects of success, carry out in FY-85 a development assistance program in the range of \$20 million with P.L. 480 Title I in the same range. Increase ESF levels can support the GOZ effort to implement reforms suggested by the IMF.

We have described three mutually reinforcing objectives of the USAID strategy in the planning period: (1) a revitalized agriculture sector leading to increased production and income; (2) improved health status of the population with concomitant drop in the rate of population increase; and finally, (3) continued GOZ adherence to stabilization targets.

For the past few years, however, this strategy has been carried out with declining real levels of DA and Title I, about \$10 million in DA and \$10 million in P.L. 480 Title I annually. An increase in resources will be used in the same types of activities and sectors where USAID is now active and has demonstrated successes. The USAID is confident that such an expansion can be implemented without sacrificing the two basic requirements of tight managerial and financial control, and the sustainability of USAID financed activities after our assistance is phased out.

In Table Six we have proposed assistance levels, FY-86 through the end of the planning period, that more accurately reflect U.S. interests in Zaire and are well within USAID's planning and managerial capability. Our projected use of the various types of assistance resources is discussed below.

TABLE SIX

Proposed Planning Levels (Obligations)
(\$ Millions)

<u>Categories</u>	<u>Fiscal Year</u>				
	1985*	1986	1987	1988	1989
<u>DEVELOPMENT ASSISTANCE</u>					
<u>Agriculture</u>	<u>9</u>	<u>16</u>	<u>16</u>	<u>18</u>	<u>23</u>
Planning/Instit. Development		2	2	2	3
Applied Research	3	3	3	3	5
Production/Marketing	6	11	11	13	15
<u>Health/Population/Nutrition</u>	<u>2</u>	<u>3</u>	<u>6</u>	<u>6</u>	<u>6</u>
Public Health	1	2	3	3	3
Nutrition	1	1	1	1	1
MCH & Family Planning	-	-	2	2	2
<u>Education/Human Resources</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Manpower Development	-	1	1	1	1
Total DA	(11)	(20)	(23)	(25)	(30)
<u>P.L. 480</u>					
Title I	12	18	21	25	28
Title II	2	2	3	3	3
Total P.L. 480	(17)	(20)	(24)	(28)	(31)
<u>ECONOMIC SUPPORT FUNDS</u>					
Selected Commodity Import Program	15	20	25	30	35

* We expect that subject to overall AID availabilities, FY-85 aid levels will be increased, as announced following Presidents Reagan/Mobutu meeting in August 1983.

A. Development Assistance (DA)

Development assistance will continue to be used for long-term institution/manpower development and associated impact programs. An area development activity is proposed for FY-84/FY-85 start-up, while another such

impact program is targetted for later in the CDSS period after the phase out of the North Shaba Project. The USAID will continue to support agriculture data collection and analysis in order to influence high level decision making. There is a possibility that conditions would be ripe for a seed or credit program.

If the current nutrition project proves successful, the methodology will be spread to other regions. In the health sector, the Basic Rural Health Project will be expanded beyond the 50 rural health zones now in the program and the population project (if successful) into other urban areas.

The program in manpower training with CENACOP will also be extended. No new programs in education are being proposed, given the continuing constraints in this sector, but this could change.

B. P.L. 480

Annual Title I programs have, in recent years, been used to import wheat in order to contribute to Kinshasa's food security, ease pressure on the balance of payments, and generate counterpart funds. Title I is closely linked to the DA program through a system of allocation of counterpart funds. Without P.L. 480 or ESF - generated counterpart funds, it would not be possible to carry out our DA program, due to continuing GOZ budgetary austerity. Most importantly, by building key issues into the Title I agreement, we are able to expand and reinforce the development assistance policy dialogue. Title I is particularly useful in this regard, since the wheat provided ranks high in priority in the GOZ.

USAID is preparing a revised Title II program. This new undertaking will merge Title II foods into our nutrition efforts by using such foods to stimulate consumption and then local production of similar blended products,

and by generating local currency for nutrition-related activities. USAID also intends to make Title I wheat flour a better tool in the battle against malnutrition by exploring the feasibility of fortification and blending (with soya, cassava, corn). P.L. 480, then, is an integral part of USAID's strategy.

The USAID is proposing a \$12 million Title I and \$2 million Title II program for FY-85. The increased level would be a valuable demonstration of U.S. support to the stabilization program. It would also provide local currency needed to support the proposed DA dollar increases. While we are proposing modest increases in P.L. 480 Title I over the planning period, we believe that urban food security ultimately must be based upon domestic sources of supply.

C. ESF

ESF is multipurpose and is closely tied to overall USAID objectives. First ESF would be seen by the GOZ as a U.S. contribution to its stabilization program as well as encouragement for the difficult macroeconomic decisions it will continue to face in the coming years. Note that the IMF program is anticipates on such donor contributions. Second, ESF would be an additional tool in the USAID's policy dialogue and expand its horizons. Third, the commodities imported would help break critical bottlenecks in the agro-industrial and transport sectors and accelerate USAID's agriculture production/marketing strategy. Fourth, the local currency generated would permit expanded local cost financing for a range of development projects.

In Zaire today, agricultural industries operate at 20 percent to 40 percent of planned capacity, due to scarcities of domestic raw materials and of foreign exchange to purchase imported raw materials and spare parts. ESF will help relieve the foreign exchange bottleneck for these industries with ensuing positive spin-offs for employment and farm income.

In conformance with the AID Policy Paper on "Approaches to the Policy Dialogue," ESF can reinforce USAID's ability to promote private sector handling of agricultural inputs and, in particular, agro-industrial and transport enterprises servicing the domestic market.

Local currency generated by the program's imports will be used to support AID-assisted development projects in Zaire, including lending to the development bank and private enterprises. This is a critical consideration, given the GOZ's exceedingly limited budget for development project support at present. Finally, ESF would demonstrate to the GOZ the continued commitment of the United States to the economic and social stability of Zaire.

D. Staffing

USAID's staffing is based upon a combination of Direct Hire and PSC positions, supplemented by local contracts for some clerical services. In addition, there is a modest number of Foreign Service National positions. The number and mix of staff is based upon the limited availability of Direct Hire personnel to fill certain positions - Agricultural Economist, Population Officer - and the difficulty of recruiting PSC's above the junior level.

Given the "high profile" Zaire has in the Congress, maximum program oversight and control of resource flows have been the policy of AID/W. This has required a staffing level of sufficient size and experience to carry out AID/W policy. In addition, the USAID's responsibility for the Congo program absorbs about two man years of staff time plus a PSC position in the Congo.

Given this situation, the USAID will require a Direct Hire ceiling of 24 positions through FY-85, supplemented by eight or nine PSC's. The PNDH ceiling of 16 will enable us to maintain a minimal professional local cadre supplemented by contracts for support services. However, if the program grows

to the levels suggested, it will be necessary to add two or three Direct Hires or PSC positions starting in FY-86 and to increase the FNDH professional staff by two or three also - such as Controller personnel needed for increased oversight of funds.

Detailed U.S. Direct Hire requirements were presented in Kinshasa 10717 dispatched September 1983 and are still valid.