

U. S. ASSISTANCE STRATEGY

FOR AFRICA

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## FOREWORD

This report synthesizes current Agency thinking on U.S. assistance to Africa and is designed to serve as the strategic framework for guiding our program development in Africa.

This report builds on the Africa Bureau Strategic Plan of April 19, 1984 and incorporates the Bureau's rethinking of development in Africa during the past two years, in light of the food emergency, unmanageable debt, and economic decline which have affected a majority of countries south of the Sahara.

This report represents the most complete and current information to date on U.S. assistance efforts in Africa. The crisis, prospects, and bilateral assistance strategy sections were developed and cleared through the Agency first and represent A.I.D.'s assistance plan and priorities. The Peace Corps, multilateral assistance and donor coordination sections were added later and the whole report was submitted to the Senate Appropriations Committee in response to its request for a report on long term development needs and approaches in Africa. The report was cleared by State and Treasury, with the latter having major responsibility for the multilateral assistance section.

This report should be used as a basic reference and guide on U.S. assistance to Africa. Naturally, the application of these guidelines and program details will vary from country to country based on country realities, potentials, performance and U.S. assistance objectives and resources in relation to host country priorities and other donor activities.

## I. SUMMARY

As Africa emerges from the most serious drought in 50 years, it is fair to ask what the U.S. should be doing differently to help avert a recurrence of famine in the future.

We have been adapting our assistance since 1981 to the realities of Africa's growing crisis. The crisis has been building for more than a decade and is multifaceted. It is characterized not only by recurring food deficits, but by severe debt problems and economic stagnation. The recent food emergency has dramatized the need for addressing these complex problems and provided added insight on how to use our assistance to greatest effect. The central challenge is to reactivate growth in Africa.

The prospects for recovery and renewed growth are uncertain and vary from country to country and from the short term to the long term. The rains throughout Africa have been reasonably good this year, but drought is sure to return. Meanwhile, the debt crisis for many countries coupled with stagnating international resource flows presents a bleak outlook. Essential economic policy reforms are finally being undertaken, but not always with the speed and consistency required. Longer term trends of population growth, environmental degradation, and poverty pose major obstacles.

Despite this, substantial parts of Africa have reasonably good food production potentials. Using existing technology, some countries should be able to meet their food requirements with improvements in policy, marketing and infrastructure. Therefore Africa's future rests squarely in the hands of Africans themselves. To recover and prosper they must show a commitment to economic reform, domestic resource mobilization, and efficient resource use. Donors can only support Africans' own development efforts.

The U.S. is providing \$1 billion (FY 1986) in bilateral development assistance, which represents 14% of total official development assistance to Africa. For FY 1987, the Administration has requested \$1.01 billion for bilateral assistance to Sub-Saharan Africa and a further \$1.163 billion for key multilateral development institutions, of which about \$415 million is expected to go to Sub-Saharan Africa. In addition, we provide relief and recovery assistance as needed--\$880 million in FY 1985. Our long term strategy aims to lay a foundation for growth by supporting economic reforms, agricultural production, and human resource development (education, health, and population) as appropriate to individual country conditions. In the last two years we have been tightening the focus of our strategy by concentrating resources on key countries, expanding the use of policy conditioned non-project assistance, adopting a targeted agricultural research plan, and stepping up efforts in population and health.

The recent progress in selected countries and donor experience in responding to the African crisis confirms the validity of the directions our assistance is taking. We need to maintain this approach, while emphasizing drought preparedness, economic restructuring, and foundation building in the priority areas of agricultural production, market links development, natural resources management, and human resources development. This will assist Africans to reduce their vulnerability to the vagaries of climate and primary commodity markets, establish a favorable environment for individual enterprise, and create the necessary capacities for sustained growth over time. It is clear that increased food production remains central to growth in Africa. But sustained growth will also require economic diversification and export development to provide jobs and incomes for a rapidly growing labor force and to generate enough foreign exchange to cover debt and import bills. This will require greater emphasis on private sector development, both on and off farm and in urban as well as rural areas. Lastly, we need to tailor our country strategies toward accelerated growth based on each country's resource endowments, comparative advantage and, above all, performance in restructuring their economies.

We believe this assistance strategy offers the best hope for helping Africa through the current food, debt, and development crisis. But no one should underestimate the magnitude of the task. US resources alone are inadequate. African nations and the donor community need to work together cooperatively on agreed priority problems if we expect to make progress in the difficult years ahead.

## II. NATURE OF THE CRISIS

Africa faces a serious development crisis. Many African nations are experiencing continued economic disequilibrium and decline. The drought and resulting food emergency are the most dramatic manifestations of these disturbing trends. The 1984-85 harvests were universally below the long term average, more countries experienced food deficits, and 30 million Africans were seriously at risk of starvation.

The fact is development in most African countries has been interrupted over the past decade by a combination of external and internal factors. Domestically there is a growing gap between population, food production, and productive resources that is conditioned by inappropriate policies, misguided investments, and mismanaged resources. This is exacerbated by armed conflict, political unrest, and corruption. Some African nations have not been able to cope well with social and political cleavages, some of which stem from the colonial era and some of which have arisen in

the post-Independence years. Internationally, worsening terms of trade, oil shocks, and worldwide recession have undercut African exports, raised import costs, and produced unmanageable debt burdens.

Over the past two decades per capita food production has declined by 20%. This is not surprising considering that most African nations have until recently neglected agriculture and stifled private initiative through inappropriate government policies and overextended bureaucracies, while populations have grown rapidly. For example, prices to farmers have been kept artificially low to satisfy the politically-important urban groups' demand for cheap food. Overvalued exchange rates have also made nominal farmgate prices much lower in real terms. Inefficient state marketing monopolies have been slow to collect the crop or pay the farmer. These ill-conceived policies and flawed institutions have discouraged farmers from increasing production beyond subsistence levels, and have forced them to sell on the black market or to look for urban jobs to make ends meet.

Meanwhile, with population growth galloping ahead at a rate of more than 3% in most countries, the demand for food is outpacing production and the pressures on resources are intensifying beyond their natural carrying capacity. This is contributing to the advance of the desert, the loss of forest lands, and the erosion of top soil. What we are seeing in parts of Africa today resembles the Dust Bowl phenomenon this country experienced back in the 1930's. The cumulative effect of these forces has been widening food production and consumption imbalances, retarded economic growth, increased poverty and malnutrition. From 1960 through 1982, the average rate of growth of per capita income in Sub-Sahara Africa was a mere 0.7% per year; the average per capita rate of growth in agriculture has actually declined at about 0.9% per year.

Resolution of the crisis calls for nothing less than renewed economic growth. Exports must grow to provide the resources to meet import needs and to pay off foreign debt. Agriculture must grow to reduce the vulnerability to recurring drought and food shortages. The economy must grow to create jobs and to generate local budget resources for development investments and recurrent costs.

Without a dramatic change in current patterns the countries of sub-Saharan Africa will continue to be plagued by famine, debt, and stagnation with mounting political unrest into the next century.

### III. PROSPECTS FOR RECOVERY

The prospects for recovery and renewed growth are uncertain and vary from country to country and from short term to long term. The immediate prospects for recovery from the food shortages and dislocations resulting from the prolonged drought appear good. With the above average rains, farmers have planted their fields and a

majority of drought refugees have returned to their villages to resume their livelihoods. The medium term prospects for food security are promising if countries follow market oriented policies, liberalize trade, introduce sustainable, farmer-relevant technologies, invest in irrigation and marketing infrastructure, and build up capacities to respond to local food shortages. The medium term prospects for financial security at home and abroad are bleak unless more resources are mobilized and better used, and effective debt management mechanisms are devised. Finally, long term growth prospects are tempered by growing population pressures, environmental degradation, decaying physical and institutional infrastructure, and eroding human productivity for lack of basic health care and education opportunities.

#### A. Short Term Recovery Prospects

The results of the 1985 harvests in southern Africa and projected harvests in east, central/west and sahelian Africa were substantial due to good rainfall. Pastures are starting to regenerate, rivers are filling up, and water tables should start to rise. This augurs well for resumed crop and livestock production, assuming rainfall continues at normal or near normal levels. Farmers are beginning to recapitalize. But localized drought and/or continued civil disorder mean that parts of Sudan, Ethiopia, Mozambique, Mali, Cape Verde, and Botswana require new emergency assistance in 1986.

#### B. Medium Term Prospects for Food Security

The outlook for food security on a continent-wide basis is better than individual country potentials, especially in the Sahel, might suggest. Admittedly food production in Sub-Saharan Africa has grown at a very low rate (1.8% a year on average over the past decade). Still in years of good rainfall the continent achieves near self-sufficiency in the aggregate. The 1985-86 bumper harvests estimated at about 54 million metric tons of food grain illustrate the point when compared to estimated total demand of about 57 million metric tons for this year. Countries like Sudan, Zimbabwe, and Kenya are expected to produce surpluses totalling about 2.7 million metric tons compared to deficits of 2 million metric tons last year. Even the Sahelian countries which register regular food deficits are showing some local surpluses this year.

Meeting the growing demand for food implies a growth in food production of 4 % a year. Achieving and sustaining this rate of growth will likely be very difficult requiring substantial investment in agriculture and making the most of physical potentials.

Policy reforms offer one of the most effective and quickest ways to create incentives for African farmers and businessmen to produce and sell more. In the past few years many countries have begun to implement an impressive array of reforms, such as:

- substantially increasing crop prices paid to farmers;
- reforming or turning over to the private sector inefficient state-run agricultural enterprises; and
- devaluing their currencies and liberalizing trade or foreign exchange policies to stimulate external trade.

The results of these changes are already being felt. Dramatic increases in food production have occurred in countries like Malawi, Somalia, Uganda and Zambia as a result of increased prices paid to farmers and greater reliance on the free market. To cite one example, in 1981, Malawi increased maize prices by 55%. Within a year, marketed maize production doubled. By the 1983 harvest, Malawi had accumulated a substantial maize surplus for export.

But improving agricultural production in Africa is inherently a more difficult proposition than in other regions of the world. Africa grows a wider variety of food and industrial crops compared to the rice monoculture of southeast Asia or the wheat of India's Punjab. African rainfall is highly erratic, there is very little irrigation and soils for the most part are fragile and quickly lose fertility. Farm to market roads are poorly developed and maintained. Agricultural institutions and service delivery systems are unresponsive to farmer needs. There is a very limited supply of agricultural scientists, managers and technicians. In the African setting of crop diversity and an inhospitable agricultural environment, new technologies like those that transformed Asian agriculture are much more difficult to develop. Traditional African agriculture is organized around extensive cultivation by dispersed small farmers relying heavily on manual labor, (especially of women and children) with little use of draft animals. Labor shortages often become a severe constraint.

With the majority of African populations growing their own food, there are only small internal markets for surplus food. Trade barriers restrict the flow of food across borders. Urban populations increasingly prefer wheat and rice to traditional cereals because of ease of preparation. Most of Africa is not well-suited to the production of either so they rely increasingly on cheap imports to meet this demand. This dependence on imports further reduces the market for locally produced food. Maize is one important exception where local production is expanding to meet urban demand. With erratic rainfall, the risk of adopting new technologies to produce food is very high and, with the limited market for food and government controlled prices, farmers can expect only limited returns.

Substantial parts of Africa have reasonably good food production potentials. Using existing technology, some countries should be able to meet their food requirements with improvements in policy,

marketing and infrastructure. Other countries are not capable of being self-sufficient. Even so, technological breakthroughs coupled with sound agricultural and trade policies can go a long way toward increasing agricultural output and food availability in these countries.

Food security, therefore, is possible. But the prospects for achieving food security are dependent on Africans' ability to set the right policies, develop relevant technologies, manage their natural resources, create production and marketing infrastructure, improve food distribution within countries and the region, and ultimately bring their population growth into balance.

### C. Medium Term Prospects for Financial Security

Over the next five years prospects for financial stability in Africa will be severely constrained by debt and balance of payments problems. In 1986 Africans are scheduled to pay \$12 billion to service debt obligations totalling over \$80 billion in 1984. This represents an average 28 percent of their foreign exchange earnings. Meanwhile per capita imports are declining. Imports are now at 63% of 1973 per capita levels. This financial crisis stems from Africa's borrowings in the 1970's to meet rising oil costs and shifting terms of trade which caused exports to decline precipitously (over 5% per year since 1973). Unless the financial crisis is resolved and imports are able to grow, renewed growth will be impossible for many countries. Without financial stability African governments will be unable to fund recurrent and development expenditures at minimum levels required to support growth.

Financial stability will require in the short run substantial international help in managing debt and meeting import requirements. While current assistance flows are holding at about \$12 billion a year, mounting debt service obligations are causing net financial flows to decline from \$13.5 billion per year in 1980-1982 to a projected \$7.2 billion per year in 1985-91 -- a 47% reduction. At the same time new medium and long term commercial bank credit has declined by 80% since peaking at \$2.2 billion in 1982. Normal debt reschedulings and continuing low oil prices can alleviate the financial difficulties for a certain number of countries. Nevertheless, because official donor assistance has historically financed about 50% of African development investments a real trade-off between debt service and pro-growth investments arises.

Initiatives like the U.S. proposal to channel IMF trust fund reflows to reform-minded low income countries with protracted balance of payments difficulties will help Africans achieve financial stability and renewed growth. Increased IDA resources for Africa as proposed in IDA VIII negotiations are also critical in this regard.

Over the medium term, financial security will have to come from both increased domestic resources (e.g. export receipts and return on investment) and greater efficiency in the use of available resources. Liberalized economic policies hold the key to more efficient resource allocation and sustained growth. There are two major sets of policy reforms that are needed: (1) policies to realign wage rates, interest rates, and product prices, and (2) policies to reduce the role of the State in the economy.

#### D. Long Term Prospects for Growth

Long term growth in Africa represents an enormous challenge. There are 46 countries in Sub-saharan Africa with nearly 400 million people. By the year 2000 there will be 750 million Africans, with 45 % or more living in urban areas. African countries will need a minimum of 3 percent per capita or 6 % GDP growth rate per year to match the performance of low income countries in other regions and for GDP to double within 24 years.

To achieve and sustain growth rates at this level, African countries will not only have to stabilize their finances, restructure their economies and institutions, and raise food production but will have to diversify their economies, increase exports, reverse population and environmental trends, rehabilitate infrastructure, and develop their human capital. Africa ranks the lowest in development indices among the regions of the world. It is the most dependent on primary products and agricultural employment. It has the highest rates of population growth, malnutrition, and infant mortality. It records lower literacy rates and poorer communications networks.

Some countries are doing well and have a reasonably good chance at sustaining respectable growth rates (e.g. Cameroon, Malawi) because of their favorable resource endowments and sound policy framework. Others have a long road ahead.

The seriousness and complexity of Africa's problems and the uncertain prospects for renewed growth make it imperative that Africans and donors alike select clear priorities that offer the highest returns.

#### IV. DEVELOPMENT ASSISTANCE REQUIREMENTS

This review of the development crisis and prospects for recovery suggests that Africa's development assistance requirements revolve around six central elements:

-- Economic reform and stabilization programs, which must be formulated and implemented by African governments with the consistent, sustained, and coordinated support of the donor community;

-- Increased agricultural production, which will require pricing and marketing reforms as well as sustained support to agricultural research and technology development;

-- Rehabilitation and maintenance of infrastructure, particularly in production-related areas such as transportation;

-- Education and training programs, where the needs are for focused manpower development in critical skill areas as well as for operation and maintenance of existing facilities;

-- Population and family health efforts, building on the commitment of African governments, to tackle a major root cause of the development crisis; and

-- Natural resource management to address the urgent problems of deforestation and desertification.

In addition, there is a very real need to improve the effectiveness of donor assistance. The U.S. has done a good deal of stock-taking in the last two years, triggered by the calamitous 1983-1985 famine and by Africa's deepening economic crisis. Although it is too soon to offer final conclusions, we have already begun to reshape our assistance to Africa in light of some emerging lessons. Among the most important of these are the following:

-- Africa has suffered from a proliferation of uncoordinated, sometimes competitive donor-sponsored projects;

-- Too often, donors have been willing to support assistance projects that are undermined by inadequacies within the broader policy environment;

-- Assistance modalities have sometimes been too inflexible, for instance with respect to supporting recurrent costs, or by providing project assistance only despite rising and more critical needs for non-project assistance;

-- There has been inadequate attention to some of the basic building blocks of development such as agricultural institutional development, human resource development, physical infrastructure maintenance and operations, and development of a supportive macro-policy framework conducive to domestic and foreign investment;

-- Donors have been too ready to rely on the public sector to plan and manage activities that could, in many cases, be better left to private enterprise; and

-- There has been a tendency to fragment support across countries and sectors with the result, sometimes, that inadequate resources have been directed at pressing priority problems.

U.S. priorities for the future, as outlined below, have been laid out with these emerging lessons in mind. We will:

- give increasing attention to the policy environment;
- expand our non-project assistance;
- consolidate our project assistance in support of key priorities in key countries;
- make special efforts to support African private enterprise; and
- continue our intense interest in improving the effectiveness of donor coordination.

## V. BILATERAL ASSISTANCE STRATEGY

### A. Overview and Current Emphases

The U.S. is providing \$1 billion in regular assistance to 41 Sub-Saharan countries in FY 1986. We have been assisting most African countries for a relatively short time, with periodic interruptions in our relations with these countries. About 2/3 of our assistance is currently concentrated in 8 countries: Kenya, Liberia, Senegal, Somalia, Sudan, Zambia, Zaire, and Zimbabwe. Individual country programs range from \$500,000 to \$150 million.

Just during the Reagan Administration the U.S. has increased its regular aid to Africa by nearly 50% and moved from a minor donor to the second largest bilateral donor. We have gone from providing 4% of the total official development assistance to 14%. As a result, our role and influence is significant but has to be seen as part of the larger donor effort.

In addition, the U.S. provides emergency assistance as needed. In FY 1985 in direct response to the Africa food emergency the U.S. provided over \$880 million in emergency assistance, including over 3 million metric tons of food, medicines, blankets, transportation, and other non food relief. This year we are concentrating our efforts on supporting recovery activities to help drought victims resume their livelihoods.

The major long term objective of our assistance is to help African countries get economic growth started again. The major pieces of our strategy are: economic stabilization and reform (about 43% of the total resources), increased agricultural production (about 35% of total resources), and human resources development (about 22% of total resources). DA, ESF, and PL 480 each provide about a third of all resources.

In recognition of the diversity of conditions in Africa, our assistance programs are tailored to the specific needs of individual countries. In general, our programs support economic policy reforms to create incentives for growth and to enable African farmers as

well as businessmen to play a more dynamic role. At the same time, they help develop the technologies, institutions and human capital required for productive employment and sustained growth.

## B. Assistance Priorities for the Future

Over the past two years we have been rethinking and refining this strategy based on a better understanding of Africa's plight, our own experience with different assistance programs, coordination with other donors, and the lessons learned from the food emergency. We have made policy reform the cornerstone of our strategy and moved to focus our assistance on key countries and key problems.

With this in mind, our programs will continue to be directed at the following three priorities over the next five years as part of our pro-growth strategy:

1. Economic restructuring
2. Agricultural Development
3. Human Resource Development

### 1. Economic Restructuring

Economic and institutional reform is clearly key to renewed growth and will continue to be the centerpiece of our strategy. African governments must bring about a fundamental restructuring of their economies and institutional systems if they are to restore balance in their external accounts, in their public finances, in their domestic markets, and in the roles of the state and private sector. Most importantly such restructuring will establish a favorable environment for individual enterprise and self-sustaining development.

We are currently spending about \$430 million in support of economic stabilization and policy reforms. This consists of short-term balance of payments relief through ESF funded commodity import programs and cash grants (about \$200 million); PL 480 Title I/III food sales programs (\$160 million); and sector and project assistance (about \$70 million). The Food for Progress initiative recently enacted by the Congress provides food to further support countries committed to reform, especially in agriculture. Such assistance helps countries experiencing temporary food or foreign exchange shortages obtain food and other vital imports or repay foreign loans and cushions the effects of policy reforms.

We will be increasingly pointing this assistance to fostering growth through structural reform in addition to our stabilization objectives. We will continue conditioning this balance of payments assistance on economic reforms to correct price distortions, free up markets and move government out of providing private goods.

We will extend more flexible assistance to African countries undertaking critical policy reforms under the African Economic Policy Reform Program. In FY 85 programs totalling \$75 million were developed for Malawi, Mauritius, Mali, Rwanda and Zambia. Additional programs are being developed this year totalling \$47.9 million and \$75 million is planned for FY 87. All of the AEPRPs are aimed at either reducing government activity in the productive sectors of the economy, reducing or rationalizing government controls on the private sector, or both:

-- In Zambia, the entire program is designed to reduce the Government's role in agricultural marketing to the level needed to ensure competition.

-- In Rwanda, the program is designed to reduce government price controls, to broaden access to credit, and to rationalize the tax system so as to improve the climate for small enterprises.

-- In Mali, while the major thrust of the program is to improve fiscal policy, a concomitant part of this initiative is to improve the investment climate for private sector activity through tax reform, reduction of price controls, and changes in the investment code.

-- In Mauritius, the major objective of the program is to increase efficient private sector activity by reducing tariffs and marginal tax rates.

-- In Malawi, major studies are to be undertaken examining the role of ADMARC, the marketing parastatal, with particular emphasis on developing a capacity to privatize many of ADMARC's current functions.

As we gain experience and African countries undertake the necessary changes, we will continue expanding our policy dialogue agenda to include second-generation issues of domestic resource mobilization, civil service reform, decentralization, intra-regional trade, economic diversification and export development.

In some cases policy reform needs to be matched by institutional reform to ensure the policies are effectively implemented. Thus as part of our assistance to economic reform, we will continue helping to build the capacity of African governments to undertake economic analysis, plan priorities, budget for recurrent costs as well as development costs, and to manage the reform process. We have 16 planning projects that are supporting policy related studies and providing technical assistance.

## 2. Agricultural Development

Agriculture is the second priority in our assistance strategy. In

addition to addressing underlying structural reforms in agriculture, there are four parts to our agricultural development program. In order of priority they are: agricultural production, market links development, natural resources management, and drought preparedness.

a. Agricultural Production

In agriculture our basic objective remains to help Africans achieve a reliable food supply through a blend of food production, food imports and, in a few instances, export crops appropriate to each country. Our support for agricultural structural reforms (e.g. pricing, market liberalization, privatization of parastatals) is key to achieving this objective. This will create the right incentives. For producers to take full advantage of these incentives, it is important that we help assure the availability of production technologies and inputs (e.g. water, seed, fertilizer).

We see agriculture research as the highest priority in this respect. AID has been investing heavily in developing better agricultural technologies. During the 1980's A.I.D. has provided approximately \$80-100 million per year in support of agricultural research in Africa. Our assistance is being redirected at developing effective commodity programs with a farming systems orientation and at strengthening selected departments within schools of agriculture to develop the needed cadres of Master degree-level African scientists.

We are following a two-pronged approach that recognizes that neither donors nor African nations can afford full-fledged national research systems in every country. In a selected group of high-priority countries where the conditions for effective agricultural technology development are most propitious, we want to help establish a significant technology generation capacity for major African food crops (maize, rice, sorghum, millet, cassava, sweet potato, beans, and cowpeas). In other countries our assistance is being oriented primarily toward development of the capacity to adapt technologies generated elsewhere. We see the International Agricultural Research Centers playing increasingly important roles in the establishment and growth of regional research networks, linking African scientists working at the national level to each other and to the international scientific community.

Agricultural inputs is an area deserving increased emphasis if we want to encourage greater intensification and market orientation of production. Irrigation is an obvious and so far little used input that in selected countries could significantly reduce vulnerability to drought, help even out production swings, and raise output. Africa has less than 2 per cent of cultivated area under irrigation. Only a handful of countries are engaged in irrigation development, mainly involving major schemes. While irrigation

development in Africa has proved difficult and costly, there is considerable untapped potential for irrigation development and water harvesting in many countries. We are approaching this sub-sector cautiously but with renewed interest. We are emphasizing rehabilitation of existing facilities, expanded support for locally managed irrigation systems, and improved water management. Fertilizer, improved seed, and pesticides are other critical inputs. We need to be prepared to support their expanded use. Policy reforms and private sector development may be the most effective means in many instances. But in others, development of technologies such as organic or biological approaches to fertilizer or pest control or institutional development may be appropriate.

b. Market Links Development

Investments to increase the supply of food and other agricultural commodities will not be effective without accompanying improvements in access to local and regional markets and responsive demand patterns. Strengthening agricultural product and input markets and links to other sectors of the economy and to urban markets is critical to accelerating the income and employment multipliers so essential to sustained growth. Farmers not only need to sell their produce but also to buy consumption goods as their income increases. In turn as local producers and traders respond, their income will rise creating more demand for food and labor to expand their business. Given the small size of their internal markets, many countries will have to rely on intra-regional trade to sustain expanding demand and supply.

Africa's marketing and transportation networks, if expanded and maintained, could stimulate production and make food distribution and trade easier, more affordable, and more reliable. We have increasingly been supporting the rehabilitation and maintenance of transportation systems within our resource availabilities. Recognizing that other donors play the predominant role in this area, we will continue to be alert to opportunities to influence the development of market links through selected DA as well as ESF investments in transportation and storage and by supporting more effective management, deregulation, and privatization. PL480, Food for Progress, and local currency support for private business will be used to encourage this process. At the same time we will need to use our food aid very judiciously to avoid undermining development of local and intra-regional markets for domestic production. We will also explore ways to help promote small and medium scale industry in support of agriculture, economic diversification, and employment.

c. Natural Resources Management

It is increasingly clear that better management of Africa's

renewable natural resources, especially land, water, and fuelwood must be an integral part of our agricultural assistance efforts. The advance of the desert, the denudation of the forests, and the depletion of the soils in Africa are working to undermine agricultural production and increasing the vulnerability to drought. This desertification process is caused mainly by people and their livestock overusing the land as population pressures push them into more marginal lands. While there is growing recognition of the problem, effective land use technologies, land management approaches at local, regional, and national levels, and non-agricultural employment alternatives are still emerging.

Our assistance in this area will remain modest and concentrated in forestry and soil conservation. We are currently providing about \$25 million a year to support on-farm tree planting and regeneration of natural forests and rangelands. Our research and demonstration programs are designed to help meet vital fuelwood and fodder needs and to restore the environment. We are encouraging comprehensive natural resource assessments, policies and plans. We are implementing energy programs which promote the development and use of appropriate technologies (e.g. energy-efficient woodfuel and charcoal stoves), engaging wherever possible the private sector in the manufacturing and marketing processes. This is a difficult area for us to work in which will require careful testing of approaches and refinement of our interventions based on experience.

#### d. Drought Preparedness

This priority grows directly out of our experience with the recent drought emergency. Recognizing that drought and local emergencies will continue to arise, we are helping Africans develop a system to predict and respond to these situations. We are putting in place a Famine Early Warning System that can predict drought-induced food shortages early and accurately, thus permitting preventive action and more timely relief assistance. This system combines high tech satellite-based remote sensing with ground level information. The system has proved its usefulness recently in Sudan, greatly facilitating crop forecasting and food relief needs for the coming year. Hopefully this system will help avoid the massive dislocations we witnessed last year and avert famine in the future.

During the emergency most countries organized drought relief and coordination mechanisms which we are helping to strengthen and maintain in readiness to respond, when needed. An important aspect of our work is documenting the lessons learned, instituting the best procedures for handling food emergencies and training Africans in their use. We are also working on improving transportation linkages and removing the bottlenecks identified during the emergency.

Improved transportation will serve not only relief needs but also fuel economic growth.

### 3. Human Resources Development

Africa has the highest population growth rate, the highest infant mortality rate, and the lowest literacy rate of any region in the world. The problems of malnutrition, disease, and ignorance significantly thwart realization of the region's growth potentials.

To increase human productivity and to help balance population, food, and resources, we will continue providing focused assistance in the priority areas of training, child survival, and family planning, emphasizing low cost technologies, improved management, and financially viable approaches to service delivery. Currently our assistance to these areas totals around \$195 million a year.

In education, we are spending about \$80 million a year. A few programs focus on improving primary education, and on increasing the efficiency of education systems in selected countries. The major emphasis is on expanding the pool of middle and senior level professional, technical and managerial people. Our training programs alone provide about \$60 million of this total to fill critical manpower gaps in areas such as agricultural research, extension, engineering and economics.

In health, we are allocating about \$85 million a year (including PL 480 Title II maternal/child health feeding programs). Our programs help develop primary care systems that provide preventive and curative services based on simple methods of diagnosis and treatment of common illnesses at early stages. A major focus for the coming years will be child survival and the treatment of communicable childhood disease, diarrhea, and malaria through immunization, oral rehydration therapy and nutrition programs. We will also step up efforts to help identify alternative financing schemes and other ways to improve the efficiency in the delivery of health services.

In population, we are providing about \$30 million a year. While population programs continue to be a sensitive topic in much of Africa, many leaders are becoming increasingly aware of the devastating consequences of continued growth at current rates. Seven countries now have official population policies encouraging the voluntary reduction of birth rates. Many other governments are sponsoring family planning through their maternal and child health care programs. Demands for AID assistance in this area are growing and we are now supporting voluntary family planning activities in 40 African countries.

Our population programs will continue to stress the integration of family planning into public health systems and the development of private sector services. We will continue to fund contraceptives for distribution through public and commercial channels and support training and information programs. In our population efforts we will need to be increasingly more conscious about the impact of other variables on fertility decline (e.g. women's employment, education, urbanization) and take advantage of opportunities for reinforcing these effects.

### C. Implementation

In implementing this strategy we must live within very strict budget guidelines and adhere to effective program management principles. A.I.D. resources for Africa are unlikely to increase significantly over the coming years. In fact, the Gramm-Rudman-Hollings deficit targets may mean a significant reduction in current levels. This will force even more selectivity and concentration in the use of our resources. To preserve maximum impact in an era of resource limitations, we will continue our strong adherence to these important program management principles:

1. Individual country strategies will be tailored to country realities and programs will be concentrated in a few priority areas following country priority guidelines.
2. Country resource allocations will increasingly take into account country performance in restructuring and managing the economy.
3. Non-project assistance and fewer projects with longer life of project will be increasingly favored.
4. Programs building on lessons learned about successful and unsuccessful approaches and promising short and medium economic returns will be emphasized.
5. A closer partnership with private voluntary organizations and the Peace Corps will serve as the primary means for continued support for critical local level project activities in support of this plan.
6. Improved donor coordination, especially at the sectoral level and in-country, will be actively pursued in accord with the complexity of the country economy and our program.
7. Evaluation and research efforts will be maintained and results used to refine current strategies and programs.

D. A.I.D. and PVOs in Africa

At a time when A.I.D.'s resources are severely limited, PVO programs represent an increasingly important element of our efforts in Africa. A.I.D. is committed to pursuing programs with PVOs in the fields of agriculture and nutrition, population, health, education and human resource development, small-scale enterprise, and technology and skills transfer. In meeting the legislative requirements for PVO programming, we recognize the value of an effective A.I.D.-PVO partnership.

A.I.D., through its Africa Bureau, maintains close linkage and communication with the PVO community. We meet with a select group of PVO representatives every two months in Washington, participate in InterAction's (an association which represents over 100 PVOs) Africa subcommittee meetings for PVOs, sponsor day-long PVO meetings with the PVO community, and maintain individual communication with PVOs to enhance PVO participation in Africa programs.

To better understand the diverse efforts of PVOs, A.I.D. provided a grant to InterAction to complete a study on the activities of U.S.-based PVOs across Africa. The summary volume of that study, entitled "Diversity in Development" (enclosed), will enable A.I.D. to more effectively program PVO projects -- particularly in small-scale enterprise efforts that are grass roots in orientation.

To increase PVO activities, A.I.D. has developed enlarged PVO programs in five countries in Africa. Designed to increase PVO activities in coordination with A.I.D.'s country strategies, resources have been made available in Senegal, Somalia, Zaire, Kenya and Chad. In addition to this unique PVO funding, A.I.D. provides significant opportunities for PVOs in other A.I.D. country programs. As an example, A.I.D.'s entire development program in the Comoros is provided through the PVO CARE. CARE is providing assistance in garage maintenance training and land conservation. In other larger A.I.D. programs, PVOs represent an integral part of the Agency's development initiatives in Africa.

E. A.I.D. and Peace Corps in Africa

During this Administration A.I.D. and Peace Corps have made a special effort to achieve greater cooperation in order to make more effective use of U.S. resources in development efforts throughout the developing world, including Africa. A recent joint Peace Corps/A.I.D. Report to Congress (February 1986), "Cooperation Between the Peace Corps and the Agency for International Development", provides a detailed review of what we have accomplished (copy enclosed). The principal elements of our joint effort are reviewed below.

## 1. Current Activities

Our mutual efforts in Africa center around two programs: the Small Projects Assistance (SPA) program, and the Africa Food Systems Initiative (AFSI). In addition, A.I.D. and Peace Corps cooperate in developing individual country programs. Each of these elements is outlined below.

-- The SPA program was initiated in January 1983 to match A.I.D. funds and technical assistance to the Peace Corps's human resources in local communities. Each year the SPA program supports community-level development projects in 18 African nations. Additionally, the Peace Corps receives funds from A.I.D. for technical and programming assistance to support the development and management of these small projects. A typical SPA project might enable a community to build a grain storage facility, start a poultry-raising operation, or install a potable water system. A joint A.I.D./Peace Corps evaluation of the overall SPA program in FY 1985 concluded that nearly 90% of the rated projects were successful, demonstrating that SPA is an important community development tool of benefit to A.I.D., Peace Corps, and most importantly to the people we are assisting.

-- The Africa Food Systems Initiative, originally conceived by the Peace Corps in response to the Africa famine, is aimed at the need for effective programs which focus on the long-term causes of the continent's repeated food emergencies. A.I.D. has collaborated closely with Peace Corps in development of the program, which capitalizes on the strengths of each Agency. The Peace Corps provides trained volunteers who work at the village level to help ensure the success of A.I.D.'s institution-building programs, while A.I.D.'s emphasis on policy reform helps to ensure that overall economic conditions are favorable for the small-scale producers and marketers with whom the volunteers work.

Mali, Zaire, Niger, and Lesotho have been selected as pilot countries for the Initiative. These countries were chosen because they represent a broad spectrum of agricultural systems, because the Peace Corps has in each a solid reputation for effective rural development programs, and because the national governments have demonstrated a recognition of the macro-level policy issues that have contributed to Africa's food problems. Joint A.I.D./Peace Corps design missions were fielded in Mali and Zaire in FY 1985, and the programs should get under way this year. The Lesotho program should begin in FY 1986. A program for Niger is tentatively planned for FY 1987. We believe that by linking local-level action programs to macro-policy reform efforts we are developing a program that promises greatly increased impact for both A.I.D. and Peace Corps development efforts.

-- In addition to the SPA program and the AFSI effort, A.I.D. and Peace Corps work together cooperatively in 22 African nations. In most instances, A.I.D. and Peace Corps work together directly through a national government ministry or agency. In other cases, Volunteers work with Private Voluntary Organizations (PVOs) that receive A.I.D. funding assistance. Some projects are planned jointly by A.I.D. and Peace Corps from their initial design, while others are carried out with very little formal joint planning. The overwhelming majority of these projects seek to increase food production, whether by direct investments in agriculture or indirectly by protecting forests and watersheds. Other projects address needs in the areas of health, cooperatives, education, energy/appropriate technology, and housing. Small enterprise development for income and employment generation stands out as another area of promise for cooperative A.I.D./Peace Corps projects.

We have also taken three other important steps to improve overall A.I.D./Peace Corps cooperation and to increase the complementarity and effectiveness of our efforts:

-- An A.I.D./Peace Corps Coordinating Committee, co-chaired by the A.I.D. Administrator and the Peace Corps Director, was established in June 1984 to foster greater mutual understanding, to review the effectiveness of on-going collaborative efforts, and to propose ways and means of improving our mutually beneficial joint development programs.

-- We are encouraging cross-agency movement of personnel. Positions in the Peace Corps can provide A.I.D. personnel with the opportunity to manage a variety of grass-roots programs, while positions with A.I.D. can provide Peace Corps personnel with opportunities to expand their development experience in a long-term context.

-- Finally, it is essential to point out that PVOs have become an important third partner with Peace Corps and A.I.D. in development programs overseas, especially in Africa. A.I.D. usually plays the role of funder, the Peace Corps provides Volunteers to promote particular project activities, and the PVO provides a range of material and technical assistance. In August 1984 A.I.D. helped to publish "A Guide to AID/PC/PVO Collaborative Programming", which details many successful cases of this three-fold partnership.

## 2. Our Future Plans

We believe that we have established during the past few years a very firm foundation for active, mutually reinforcing collaboration between A.I.D. and Peace Corps. Our collaboration will improve the effectiveness of our programs in Africa by capitalizing upon the distinct but complementary strengths of each agency. In the future our intent is to build on this foundation by evolutionary

improvements in the SPA program, and by ensuring continuing cooperation in the development of individual country programs. Depending on the availability of funds, we may expand and strengthen the Africa Food Systems Initiative. In all this we hope to draw increasingly on the talents and resources of the PVO community. The complementary resources of A.I.D., Peace Corps, and PVOs will allow us to develop effective programs to address Africa's long-term development needs in food production, employment generation, and other priority areas.

## VI. MULTILATERAL ASSISTANCE STRATEGY

### A. Introduction and Overview

The United States assists African development through a number of multilateral channels. The variety of multilateral lending mechanisms supported by the U.S. reflects the diversity of Sub-Saharan Africa and the complexity of this region's development problems. The various multilateral institutions -- each with a particular advantage in addressing specific impediments to growth -- work in concert toward a multi-faceted approach to development.

The table below summarizes administration requests for multilateral funding in FY 1987, and indicates what percentage of the assistance will go to Sub-Saharan Africa (SSA).

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#### Multilateral Assistance Funding Requests

<u>Institution</u>	<u>FY 1987 Request (in millions)</u>	<u>% of Funding to SSA</u>
World Bank Group	(967.8)	
IBRD	182.8	9%
IDA	750.0	36%
IFC	35.0	14%
African Development Bank	(93.0)	
AfDB	18.0	67%
AfDF	75.0	96%
United Nations Development Program	102.5	39%
International Fund for Agricultural Development	0*	38%

\* The Administration requested no funds for IFAD II in FY 1987 due to the absence of an agreement during budget preparation. Approximately \$30 million will be provided within overall foreign aid request levels.

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The largest amount of funding is requested for the World Bank group (IDA, IDRD, IFC) which is key in providing policy advice and promoting required structural and sectoral reforms, and which also finances investment projects in agricultural development, infrastructure, and human resource development. In addition, the Bank serves as leader of donor coordination for the continent's largest and most complex economies.

The African Development Bank (AfDB) a much newer institution than the World Bank, has a unique role as molder of African opinion on economic issues and as a training ground for the continent's future development leaders. The AfDB has concentrated on financing agricultural and infrastructure projects.

The United Nations Development Program (UNDP) is able to use its broad political acceptability to finance technical assistance in sensitive finance and planning areas. In addition, the UNDP serves as the leader for donor coordination in many countries, especially where the World Bank does not have a resident staff.

The International Fund for Agricultural Development (IFAD), a comparatively small institution, focuses on small farmer agriculture and rural development to benefit low income groups. This focus, as well as its governing structure (in which developing countries, OPEC donors, and OECD nations participate on an equal basis), enables it to make a persuasive case to African leaders in support of market-based policies and small farmer development.

The International Monetary Fund (IMF) also plays a significant role in Africa, assisting African countries in dealing with temporary balance of payments difficulties. Almost every Sub-Saharan African country made use of IMF financing over the 1979-1984 period.

The US Trust Fund proposal provides a new formula to address the region's economic problems. Based on closer coordination between the IMF and World Bank, and supported by bilateral assistance, this approach will enable the IMF, the Bank, and host governments to work together on a comprehensive policy framework to improve prospects for economic growth.

The following sections review in detail the diverse but complementary approaches followed by each of these key multilateral development institutions, and provide further information on the IMF and the US Trust Fund proposal.

#### B. The World Bank Group

The World Bank is the premier multilateral development institution operating in Africa. It lends on nonconcessional terms through the International Bank for Reconstruction and Development (IBRD) and on concessional terms through the International Development Association

(IDA). IBRD and IDA draw on worldwide experience, strong economic and sectoral expertise, and a large resource base to provide policy advice and promote required structural and sectoral reforms.

IBRD and IDA are continuing to finance investment projects, particularly agricultural development programs of various types, infrastructure construction, and human resource development. Recent projects in Africa have been designed to reflect the results of Bank studies on the need to emphasize institutional development, rehabilitation and maintenance of existing facilities, and attention to project sustainability. Reflecting its role as the largest and strongest multilateral donor, the Bank through its Consultative Group mechanism is serving as the leader of donor coordination for the continent's largest and most complex economies.

Total IBRD and IDA commitments to Sub-Saharan African between FY 82 and FY 85 totaled \$7.6 billion, of which \$4.4 billion represented IDA commitments. Projected lending from the IBRD to Sub-Saharan Africa from FY 86-88 is \$4.0 billion. The share of IDA funds going to Africa increased from 25% in FY 1980 to 36% under the current \$9.0 billion IDA VII replenishment (FY 85-87), partly in response to strong U.S. and other donor urging.

The International Finance Corporation (IFC), the World Bank affiliate which makes equity investments and loans to private sector entities, also plays a valuable role in Africa. This institution provides African countries with its extensive expertise in improving developing country financial markets and stimulating fledgling private enterprises.

In spite of the poor business environment prevailing in most of the region, IFC invested \$60 million in Sub-Saharan Africa in FY 85, mobilizing an additional \$162 million in private capital. IFC anticipates investing roughly \$475 million in the region from FY 85-89 and is pursuing a number of initiatives to stimulate private sector growth. Since much of the local private sector is not fully developed, the IFC is designing new experimental programs which are intended to expand private sector opportunities as rapidly as possible.

The Bank has taken an active role in analyzing the causes of economic stagnation in Africa and in designing programs which will promote renewed growth. Two studies conducted under Bank auspices, "Accelerating Growth in Sub-Saharan Africa" and "Toward Sustained Development: A Joint Program of Action for Sub-Saharan Africa," have been instrumental in focusing donor attention on the nature of the African economic malaise and the types of assistance required to enhance the prospects for growth in the region.

The Bank's "Joint Program of Action," submitted in 1984, recognized that Africa's current economic crisis is embedded in longer-term

structural problems. It called upon the African governments to undertake national programs of policy reform and for the donors to provide additional assistance to help implement the process of restructuring.

In order to mobilize additional concessional resources to support the Joint Program, the Bank organized the Special Facility for Sub-Saharan Africa. The Facility, which will run from FY 86 through FY 88, has received pledges of \$1.5 billion from bilateral donors, including \$72 million from the United States. As of January 1986, the Facility has provided nine fast-disbursing credits totalling \$291 million to seven Sub-Saharan African countries.

#### C. African Development Bank and Fund

The African Development Bank (AfDB) and Fund (AfDF) are also making a significant contribution to promoting economic development in Africa. The African Development Bank plays a unique role molding African opinion on economic issues and training the continent's future development leaders. For example, it has hosted a number of conferences and symposia on key development topics -- such as one planned for May on the importance of private sector development. It has concentrated on financing agricultural and infrastructure projects (generally on a smaller scale than those financed by the World Bank).

The African Development Bank's and Fund's strength lies in areas of traditional development bank project lending. Sectoral priorities over the course of the Fund's Fourth Replenishment (FY 85-87) are: integrated rural development projects aimed at meeting basic food requirements; human resource development through education and health projects; and lending for basic infrastructure, primarily water supply and sewerage projects. Most countries in Sub-Saharan Africa borrow on concessional terms from the AfDF. AfDB and AfDF lending to Sub-Saharan Africa from CY 1982-85 totaled \$3.0 billion, 53% of which was on concessional terms.

While the AfDB does not presently have a strong expertise in policy-based lending, it would like to work toward developing that capability. We have urged that any expansion in AfDB policy-based lending be done in close association with World Bank programs.

#### D. United Nations Development Program (UNDP)

UNDP is the central funding and coordinating body for UN technical cooperation. Through its network of 116 field offices world-wide, the UNDP assists host governments in defining their development goals and determining the most appropriate donor to assist with specific activities. The UNDP is able to use its particularly broad political acceptability to the developing countries to finance technical assistance in such sensitive areas as funding advisors in finance and planning ministries.

The UNDP is unique among multilateral institutions in that it has field representatives in almost every African country. By hosting "Roundtable" meetings, it serves as the leader for donor coordination in many countries, especially those in which the World Bank does not have a resident staff. UNDP's increased support for a strengthened Roundtable process is of critical importance to the advancement of long-term African development. This process can provide both donors and recipients with a more rigorous framework for identifying programs and for coordinating their efforts.

Within available resources, UNDP is taking a number of steps toward longer-term solutions for Africa through both its current and planned programs. Sub-Saharan Africa program planning figures for the 1982-1986 programming cycle are expected to total nearly \$1 billion, of which \$200 million was budgeted in 1984. The 1984 figure was increased to \$255 million by contributions from various other UN sources. Additionally, assistance is channeled through special contributions from bilateral donors as well as resources from cost-sharing and parallel financing for UNDP projects, which attracted nearly \$17 million in third-party support.

With regard to UNDP's main program thrust in Africa, a three part plan of action has been developed for the UNDP and its cooperating agency partners. Existing and planned programs are being critically examined in light of this action plan:

- Focusing resources on high priority sectors;
- Redirection of programs toward production-oriented, grass roots activities; and
- Reinforcement of government economic policy making and planning capabilities.

#### E. International Fund for Agricultural Development (IFAD)

IFAD is a U.N. specialized agency which focuses exclusively on the agricultural development needs of the small farmer and landless poor. Sub-Saharan Africa is the largest regional recipient of IFAD projects, with 77 out of a total of 177 projects (1978-1985) going to this region. Between 1978 and 1984, IFAD channeled \$543 million to Africa, which mobilized another \$641 million from other donors in project co-financing.

IFAD's greatest strength is its accumulated expertise in cost-effective means to enhance the productivity and incomes of small farmers. IFAD designs its projects around the production needs of the small farmer -- determining the impediments to increased productivity and packaging together a set of components which will help remove or relieve these impediments. IFAD also negotiates with recipient governments to remove or rationalize government-imposed constraints to increased small farmer production.

IFAD stretches its limited resources by co-financing two-thirds of its project portfolio with other, generally multilateral donors, either bringing other donors into IFAD designed projects or taking part in projects designed by others. Additionally, IFAD relies on other institutions to implement its projects, thereby keeping the size of its own staff small and minimizing multilateral institution duplication. These relationships strengthen the coordination of IFAD's activities with other donors.

IFAD is currently launching a Special Program for Drought Rehabilitation in Sub-Saharan Africa for which it hopes to raise \$300 million over a four year period. This special program is entirely separate from IFAD's regular program activities both in terms of contributions and staff support.

The Special Program will disburse funds more rapidly than IFAD's regular program activities and will channel assistance to those small farmers whose production constraints have been compounded by the drought. It will concentrate on rehabilitating drought stricken areas with familiar crops and cultivation methods, stabilizing desertification and promoting reforestation.

We have encouraged IFAD in its pursuit of this special activity and stand ready to lend our technical expertise to the development of the individual country programs under this initiative. However, budget constraints preclude an Administration request for a U.S. contribution to IFAD's Special Program.

#### F. International Monetary Fund (IMF)

The IMF provides member countries with financial and technical assistance to support economic adjustment measures designed to deal with temporary balance of payments problems and to restore a sustainable external position over the short to medium term; i.e., a current account position that can be financed through normal capital flows. IMF programs seek fundamentally to establish better balance between domestic production and consumption, and focus primarily upon basic macroeconomic variables such as fiscal and monetary policies, external borrowing, and exchange and interest rates. In many cases, however, it is necessary to supplement these measures with microeconomic policies affecting, for example, agricultural prices. The U.S. has consistently supported this broad policy approach as an effective means to both encourage prompt economic adjustment and protect the monetary character of the IMF and the revolving nature of the IMF's financial resources.

Virtually every country in Sub-Saharan Africa made use of both high- and low-conditional IMF financing during the six year period between 1979 and 1984. During the period, the IMF approved 78 adjustment programs, including successive programs for numerous countries. A total of nearly SDR 7.8 billion was committed under these programs,

of which SDR 4.7 billion was ultimately drawn. The Fund also approved 45 Compensatory Financing Facility (CFF) loans, and numerous Buffer Stock Facility, Oil Facility, and Trust Fund loans, under which a total of SDR 3.2 billion was disbursed.

#### G. The U.S. Trust Fund Proposal

Substantial progress will not be made in resolving Africa's deep-seated economic problems unless a coherent, concerted effort is made to improve the climate for economic activity in African countries. The individual efforts of the IMF, multilateral institutions and bilateral donors have not achieved this comprehensive result. This will require unified attention to the problems of debt, reform and growth, and closer coordination among donors.

In recognition of this, the United States suggested at the IMF Interim Committee meeting in Seoul the possibility that repayments flowing back to the IMF Trust Fund might be combined with resources from the World Bank and other sources to provide balance of payments support to IDA-eligible countries with prolonged balance of payments problems and a willingness to undertake comprehensive economic reforms. Most such countries are in Sub-Saharan Africa. This approach will enable the IMF, World Bank, and the host government of a prospective recipient country to work together on a coherent program of policy reform that will improve the prospects for an early resumption of growth.

Funding resources would include \$2.7 billion in Trust Fund reflows, World Bank resources (including IDA nonproject lending, modest additional IBRD lending, and transfers of IBRD net income) and contributions by bilateral donors.

The approach would seek to remove structural impediments to production, savings, investment and non-inflationary growth. To accomplish these objectives, each program would have to include both macroeconomic and structural components, tailored to the needs of individual countries.

The focus of action by the Bank, Fund and host country would be development of a comprehensive "policy framework" within which the two institutions would develop policy-based programs. Staff of the Fund and Bank would work with the country to develop a policy framework involving consistent, mutually supportive macroeconomic and structural policy objectives, and to determine areas for priority attention. Fund and Bank staff would also reach general agreement on financing needs and possible sources of financing to support the comprehensive program.

The framework would be reviewed and approved by both the IMF and World Bank at roughly the same time as a basis for policy-based

lending to the country. Once it was agreed, each institution would negotiate its own policy-based lending programs, consistent with the overall framework, but within its own procedural and policy guidelines. The IMF and World Bank would ensure that specific quantified objectives and policy goals set by the institutions in their individual programs were consistent and supportive. Each institution would monitor performance and determine subsequent drawings for its own lending program.

Efforts would be made to ensure that the timing of program approval, disbursement and review would be compatible between the two institutions, while not being rigidly linked. This would provide the confidence necessary for each institution to proceed with its own program on the basis of consistent policy advice and similar financing assumptions. Successful performance under one institution's program would not be a condition for successive drawings under the other institution's parallel program, but each institution would take into account progress being made in the other institution. Such progress would be important to the overall attainment of growth and payments viability.

The policy framework would normally be reviewed on an annual basis and revised as appropriate, in the same coordinated fashion as it was developed. The comprehensive programs implemented under the framework would generally be of two years duration, with semi-annual reviews and drawing based on performance against the quantified and other program objectives incorporated into the reviews. Successful performers would enjoy possible access to follow-on programs, providing a medium-term adjustment path. Decisions on follow-on programs and the scope of such programs would take into account the performance under the preceding programs.

The World Bank and IMF Boards have both approved the U.S. proposal and donors will now move to implement it.

## VII. DONOR COORDINATION IMPROVEMENTS

The issue of donor coordination is particularly important in Africa due to the magnitude and variety of donor assistance and the complexity of that continent's problems. In recent years donors have collectively committed over \$12 billion annually in Official Development Assistance (ODA) to Africa. While the U.S. has become the second largest bilateral donor in recent years, our aid amounts to 14% of the total. There are many significant sources of assistance to the continent. Ten OECD countries provided bilateral aid commitments of over \$200 million each in 1983, while OPEC donors gave \$760 million bilaterally. IBRD/IDA, AfDB/F, EEC, UN agencies including IFAD, and OPEC multilateral funds were all sources of substantial assistance.

Unfortunately, although many African countries are faced with unusually difficult donor coordination requirements, their institutional weaknesses and shortages of skilled human resources make them less capable than some other assistance recipients to meet these requirements on their own.

While the U.S. has been concerned about this issue for some time and has taken a number of steps to try to address it, the problem has become more serious in the last several years as the focus of assistance has shifted increasingly to structural adjustment and policy reform programs and away from primary emphasis on the financing of specific investments. We believe it is essential for effective policy reform programs for countries to receive consistent, mutually reinforcing advice about needed policy changes.

We think that all countries need an effective in-country donor coordination mechanism which deals with policy issues and implementation problems as well as information exchange among donors. For those countries where a large number of donors are active or which face particularly difficult policy or other problems, a broader coordination mechanism is probably also needed. Through such a mechanism, representatives from donor capitals and the recipient country meet periodically to exchange views and develop plans for addressing the more difficult issues. Generally these broader meetings have taken the form of World Bank-led Consultative Groups (CGs) or UNDP-led Roundtables.

Three years ago the U.S. mounted a major effort to improve donor coordination worldwide. This effort was initiated through extensive discussions in the OECD's Development Assistance Committee on the need for and means to improve both in-country and broader coordination mechanisms. The U.S. worked with other donors and the World Bank to increase the number of Bank-led Consultative Groups and to sharpen the focus of CGs on policy reform and follow-up procedures. This discussion has borne fruit in the case of Africa where the Bank has increased the number of CGs it leads from 9 to 14 and much expanded the emphasis placed on borrower policies. A similar effort is also underway to improve the analytical quality of documentation and the policy focus of UNDP-led Roundtables.

In various African countries efforts have been made to improve local coordination efforts. This has been greatly facilitated by the World Bank's decision to increase its field staff in a number of African countries.

Donor coordination concerning Africa also takes place in a number of different areas. Especially noteworthy were the strong drought relief coordination efforts led by UNDP and the increase in coordination, especially between the World Bank and AID, on agricultural research in Africa.

In spite of all of these activities, further effort is needed to ensure consistent donor efforts in the particularly difficult and sensitive areas of structural adjustment and policy advice. The Baker Proposal for Low Income Countries was intended to improve coordination between the World Bank and IMF and generate a "comprehensive policy framework" for eligible low income countries which could serve as the basis and framework for bilateral and other donor actions. In countries not eligible for assistance under the Baker proposal the U.S. is continuing to urge a stronger World Bank leadership role to coordinate the structural adjustment and policy advice efforts of all donors.

### VIII. CONCLUSION

This report provides an overall description and explanation of US bilateral and multilateral development assistance to Africa. The various elements of the approach are mutually reinforcing. Not all elements can be implemented in every country. Success in reactivating growth in Africa will depend on the imagination and skill with which we use our diverse and complementary assistance resources to meet the special needs of individual African countries.

#### Contributions:

PPC/DC:NGallup

AA/AFR:RWhitaker

AFR/SWA:BAmundsen

Treas/OASIA:MHennessy

#### Clearances:

A/AID:MPMcPherson	2 April 1986
AID/LEG:KCKammerer	2 April 1986
AID/GC:BLester	17 March 1986
AA/AFR:MLEdelman	25 March 1986
DAA/AFR:ARLove	25 March 1986
DAA/AFR/CWA:LRichards	14 March 1986
DAA/AFR/ESA:LSaiers	19 March 1986
AFR/DP:JGovan	17 March 1986
DAA/PPC:DLion	2 April 1986
PPC/DC:BUpton	2 April 1986
PPC/PB:HHandler	17 March 1986
State/AF:RReed	18 March 1986
State/EB:MWall	18 March 1986
:JHeg	19 March 1986
State/IO:HGlazer	18 March 1986
:LTamlyn	18 March 1986
Treas/OASIA:MHennessy	19 March 1986
Peace Corps/IO:JZarafonetis	18 March 1986

#### cc:

AFR/EA:BKline (draft)

AFR/SA:RCarlson (draft)

AFR/CCWA:JColes (draft)

AFR/SWA:DChandler (draft)

AFR/TR:KSherper (draft)

AFR/PD:LHausman (draft)

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