

UNITED STATES
1984
ANNUAL AID REVIEW

MEMORANDUM TO
THE DEVELOPMENT ASSISTANCE COMMITTEE

United States International Development Cooperation Agency
Agency for International Development
September 1984

1984 UNITED STATES ANNUAL AID REVIEW

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UNITED STATES ANNUAL AID REVIEW MEMORANDUM

I. Major Policy Orientations

A. Economic Assistance Objectives

The broad objectives that underlie all U.S. development programs and policies are the promotion of: (1) increased economic and political stability; and 2) self-sustained Third World economic growth. Underlying these objectives is a desire for equity--insuring that economic growth improves the economic potential and well being of a broad segment of society, particularly the poor.

The American people have long shown concern for the well-being of the large numbers of people throughout the world who live in conditions of poverty and economic hardship. Indeed this concern is a fundamental motivation for all United States foreign assistance programs. U.S. assistance programs give expression to this desire to alleviate suffering and to develop the essential elements for the achievement by the poor of a life of dignity and hope. Enlightened American self-interest also leads in the same direction. Economic progress of the developing world is in the long-term political, security, and economic interest of the United States.

The two major oil price shifts of the last decade have required major adjustments. Over the last few years many developing countries have faced severe economic problems including large balance of payment deficits, declining and in some cases negative growth rates, high levels of inflation, rising unemployment and debt service difficulties. Correspondingly, the capacity of these countries to address their longer term development constraints has been reduced. The economic problems faced by the Less Developed Countries (LDCs) in recent years have been caused in part by the worldwide recession but have often been aggravated by inappropriate domestic economic policies.

There are, however, a number of promising events which point to some improvement in LDC economic performance. First of all the

LDCs are increasingly recognizing the importance of adopting sound policies that can serve as a strong foundation for long term development. Secondly, worldwide economic recovery, led by the United States and a number of other developed countries, has clearly taken hold. This recovery, as it strengthens and spreads, will be important to the economic prospects of the developing countries, particularly the middle and higher income countries which have a greater capacity to adjust and respond to the economic opportunities of the recovery. Even with the improvement in economic conditions many developing countries will continue to face economic difficulties. For the low income countries, development assistance will remain critically important.

Development assistance, however, cannot alone solve the grave economic problems facing the Third World. Economic growth in these countries depends fundamentally on their own policies. Development cooperation in all its forms, including open trade policies and expanding capital flows, can facilitate the development process but never substitute for a country's own efforts.

Economic development is a long-term process. External assistance can play a critical role, especially for lower income countries. It provides part of the resources necessary to address basic long-term constraints to development and, in certain cases, the resources to help countries avoid serious disruptions while needed stabilization and adjustment programs are being conducted.

As a strategy for assistance the United States has identified four key areas of emphasis that it will continue to apply across all programs including the priority sectors of food and agriculture, human resources development, and energy. They are:

-- Policy Dialogue and Reform

Long-term equitable development depends heavily on the nature of the policies followed by developing countries. When a country requests help, the United States uses policy dialogue to achieve agreement on the nature of key policy constraints to basic development and on changes that can be made with support from the U.S. and other donors.

-- Institutional Development

The principal objective of these efforts is to develop human resources and use them effectively in sustainable institutions. Our approach to

institutional development is pragmatic: we look for structural frameworks that produce results, which often means encouraging greater reliance on private and voluntary efforts rather than on public institutions.

-- The Private Sector

The U.S. believes there are many things that governments cannot do, or cannot do well. We seek fuller participation of the private sector as an engine of growth. In particular, open and competitive markets often are the best means to deliver the goods and services vital to the development effort.

-- Technology Development and Transfer

Sustained development requires an indigenous capacity to adapt, create, and apply a continuing stream of appropriate technologies to development problems. The U.S. intends to be a leader in supporting the development and dissemination of such technologies.

B. New Initiatives

The United States has initiated a number of efforts in the foreign assistance area during the past year. These efforts were designed to reach out to interested parties and constituent groups to build a consensus on the effectiveness and future direction of U.S. foreign assistance programs. A number of these initiatives have taken the form of special advisory committees.

1. Commission on Security and Economic Assistance

The Secretary of State created a Commission on Security and Economic Assistance (headed by former Deputy Secretary of Defense Frank Carlucci) which undertook the first comprehensive review of foreign assistance in 13 years. The Commission was composed of representatives from the private sector and the Congress, all with an interest and involvement in foreign assistance. In fact, the Commission was unique in the intensity of legislative branch participation -- 26 of the 42-member Commission were Congressmen or Senators.

The Commission found that foreign assistance programs -- military, economic, development, humanitarian -- are an integral part of the foreign policy of the United States and serve to advance U.S. national interests. Among the Commission's recommendations were the following:

- Greater flexibility is needed in the administration of development assistance programs;
- Economic and security assistance are mutually reinforcing and hence should not be considered separately or as mutually exclusive alternatives;
- Integrated policy and program development, based upon country-specific reviews should provide the basis for U.S. assistance efforts;
- Increased effort in providing assistance for science and technology development (along the highly cost effective lines that have produced the Green Revolution and eliminated smallpox) and for training in the United States are needed;
- In addition, the Commission called upon the President and the joint leadership of the House and the Senate to assert that security and economic cooperation programs are mutually supportive and interrelated, and together constitute an essential and integral part of the foreign policy of the United States.

2. National Bipartisan Commission on Central America

One effort by President Reagan to further a bipartisan consensus regarding a specific geographical region was the establishment of the National Bipartisan Commission on Central America. The 12-member Commission, chaired by former Secretary of State Henry Kissinger, provided recommendations for a long-term U.S. policy for Central America that will be responsive to the challenges of social, economic, and external threats to the region's security and stability. The Commission concluded that security and economic programs are interrelated (it is hard to have one without the other). It proposed a comprehensive approach to economic development and a reinvigoration of the Central America Common Market. It also recommended a large scale, long term assistance effort to help stabilize the Central American economies, rebuild infrastructure, provide trade credits, and encourage rescheduling of multilateral debt. The Commission has also proposed a new organizational structure to administer a portion of the proposed program.

The Administration has submitted a request to Congress for authorization of \$8.3 billion over 6 years in appropriated funds and guarantees to carry out this program.

3. The President's Task Force on International Private Enterprise

The Task Force was established by President Reagan in fulfillment of his 1981 Cancun Summit pledge to encourage fuller participation of the private sector in meeting the objectives of the foreign assistance program. The Task Force is charged with advising the President and the Administrator of AID on the role of private enterprise in international economic development and in the implementation of foreign assistance programs.

The Task Force is comprised of 21 distinguished private sector leaders, many of whom are chief executive officers of U.S. private enterprises (including Task Force Chairman Dwayne O. Andreas). The Task Force will serve as a forum through which the U.S. Government and the business and financial community can exchange information, review strategies, and identify ways to better link U.S. economic and foreign assistance objectives.

Two themes run through the activities of the Task Force. The first is the development of indigenous private enterprise in developing countries. The second theme is the role U.S. private enterprise can play, particularly through trade, in the economic development of these countries. Both of these themes are based on the realization that the economic health of the United States is directly related to the vitality of the international economic system.

The Task Force is scheduled to present its report to the President by December 31, 1984.

4. Caribbean Basin Initiative

The Caribbean Basin Initiative (CBI) is designed to promote economic revitalization and expanded private sector opportunities in the Caribbean Basin region. The CBI is a blend of economic assistance, trade, investment, and tax measures, aimed at encouraging recipient countries to change their policies to promote the private sector and utilize free enterprise mechanisms. CBI will, in part, help economic growth by granting designated countries duty-free access to the U.S. market for 12 years for certain product categories.

The CBI also offers a variety of new trade and investment policies such as partnerships, joint ventures, subcontract manufacture, and licensing. It is believed that such trade

incentives will spur increased investment in export industries, relieve unemployment, and promote the development of the indigenous private business community. Many Caribbean nations plan to adopt incentives to increase U.S. investment as a complement to these CBI initiatives.

The Caribbean Basin Economic Recovery Act was enacted into law by the Congress in July 1983, and the first group of countries were designated as beneficiary countries on December 1, 1983. Designation of most of the remaining countries should be completed by December 1984.

AID is only one of many agencies that play an important role in the implementation of the CBI (others include the U.S. Departments of Agriculture, Commerce, State, and Treasury, the Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the United States, and the U.S. International Trade Commission). As a first step, AID administered a supplemental \$350 million appropriation during FY 1982 and FY 1983 that was used to enable Caribbean countries to recover from their acute balance-of-payments problems. AID programs in the Caribbean region are continuing at significantly higher levels than in the past, with increased emphasis on strengthening the role of the U.S. and indigenous private sectors in economic growth.

5. Narcotics Control

An important effort to use foreign assistance to bridge the gap between U.S. domestic problems and foreign development is through narcotics control. Narcotics production is partially a development problem since narcotics farmers are usually in the poorest regions of developing countries. AID programs involve a complex set of activities such as finding a suitable mix of substitute crops, assuring free market incentives, and encouraging appropriate host country pricing and marketing policies. AID strives to develop and to implement projects that address development needs in order to facilitate host government enforcement of existing bans.

AID's latest effort in narcotics control is in Pakistan with the Gadoon-Amazai Area Development project. It is a 5-year, \$20 million agricultural and rural development project designed to transform Pakistan's principal opium poppy growing area into an area with a more diversified agricultural economy, with alternative sources of income for the farmers currently engaged in poppy cultivation. The project includes technical assistance in the development of new crops, improved livestock, watershed

management, agricultural marketing, and construction of new roads, trails, schools, and potable water facilities. The project agreement contains a separate, detailed enforcement plan which establishes a timetable for destroying the poppy crop.

6. Economic Policy Initiative for Africa

Africa is the world's least developed continent. Measured by almost any indicator of development, be it income, infant mortality, literacy, rate of population growth, malnutrition, or life span, the situation in Africa is more serious than elsewhere. Development has been further threatened in recent years by widespread droughts in many parts of Africa.

The Administration has requested a multiyear authorization of \$500 million in development assistance to fund an Economic Policy Initiative for Africa. These funds will be committed over a 5-year period.

The program will strengthen donor coordination and provide greater support for critical policy reforms such as eliminating government disincentives to agricultural production and marketing. Funds will be used to promote agreement on reforms and to serve as a catalyst to encourage countries to pursue growth-oriented policies. In any given year, the funds, in concert with assistance from other donors, will be concentrated in no more than six to eight countries. Within these countries most of the funds will be used in agriculture, given that sector's predominant importance in Africa.

Because of weak indigenous institutions, and the lack of trained people, funding under the initiative will be used, for example, to improve agricultural marketing systems and to train personnel. Funds will often be used to seek policy changes in several sectors. For example, to support agricultural programs, assistance might also be required to help a Ministry of Education adopt and implement new policies to improve the effectiveness of its education system.

II. ODA Volume

A. ODA Disbursements and Commitments in 1982 and 1983

Net ODA disbursements of \$7,992 million in 1983 were marginally below the 1982 level of \$8,202 million. ODA disbursements as a

percent of GNP were 0.24 percent as compared to 0.27 percent in 1982.

Bilateral ODA of \$5,493 million was \$632 million higher than in 1982. This was due almost entirely to an increase in grants, with Israel accounting for roughly \$500 million of that increase. Israel's increase resulted from a rapid and unusual drawdown which will probably not be repeated in 1984. Total food aid was up while most other bilateral categories were the same or down slightly. Bilateral disbursements to the Least Developed Countries (LLDCs) were \$676 million compared to the 1982 level of \$638 million.

Contributions to multilateral institutions were down \$842 million. The 1983 level did not represent a meaningful decline, but rather a return to a more "normal" disbursement level. In 1982 disbursements to multilaterals were unusually high, with contributions to Multilateral Development Banks rising by \$1.8 billion. In recent years DAC data on U.S. contributions to Multilateral Development Banks have shown large year-to-year swings in multilateral ODA disbursements. This is because of their timing and differences between U.S. fiscal year and DAC calendar year reporting procedures. In U.S. fiscal year terms assistance levels were more stable. CY 1982 included both FY 1982 and FY 1983 disbursements and thus was unusually high.

In contrast, multilateral commitments are less volatile and for the last 3 years have shown steady growth. In addition, both bilateral and multilateral commitments show a continuing strong trend with 1983 (at \$9.5 billion) up substantially from just a few years ago. The strength of commitments should support continued strong growth in disbursements over the next few years.

B. ODA Budget Trends and Future Prospects

The historic ODA trends covering 1978-1983 are shown in Table A. Multilateral ODA shows only modest increases while PL 480 assistance has been relatively flat. All other ODA categories have shown major increases. Over two-thirds of U.S. ODA is bilateral and within bilateral ODA, 80 percent is funded through the Foreign Assistance Act (FAA). FAA gross disbursements have increased from \$2.7 billion on 1978 to \$4.6 billion in 1983--a 10.9 percent annual compound rate of growth. During the same period FAA commitments also increased at a similar pace rising from \$3.3 billion in 1978 to \$5.5 billion in 1983; a 10.7 percent annual compound rate of growth.

U.S. Official Commitments and Disbursements: Program

(Millions of dollars)

Program	Calendar year											
	Disbursements						Commitments					
	1978	1979	1980	1981	1982	1983	1978	1979	1980	1981	1982	1983
Official Development Assistance: Gross	6,296	5,343	7,793	6,487	8,891	8,616	6,939	7,179	6,464	7,201	8,232	9,482
Bilateral.....	4,105	4,733	5,019	5,019	5,546	6,113	4,757	5,185	5,378	5,135	6,112	6,989
Foreign Assistance Act, including Social Progress Trust Fund.....	2,719	3,156	3,403	3,389	4,109	4,571	3,328	3,620	3,802	3,525	4,543	5,530
Agricultural Trade Development and Assistance Act. Sales for foreign currencies.....	1,145	1,287	1,292	1,273	1,124	1,186	1,208	1,213	1,269	1,253	1,296	1,053
Long-term credit sales.....	720	710	665	656	603	660	709	558	711	595	755	486
Donations.....	425	577	627	617	520	526	499	658	558	657	541	566
Peace Corps.....	71	95	98	102	101	116	67	95	162	106	107	116
Other, including multiple rescheduling†.....	170	195	226	255	212	240	154	258	204	252	166	290
Multilateral.....	2,191	610	2,774	1,468	3,345	2,503	2,182	1,993	1,086	2,066	2,120	2,493
Capital subscription payments*.....	1,699	60	1,844	634	2,473	1,650	1,632	1,376	485	1,247	1,292	1,587
African Development Bank.....	--	--	--	--	--	18	--	--	--	--	--	36
African Development Fund.....	--	25	25	42	58	100	25	25	42	53	50	50
Asian Development Bank:												
Ordinary capital.....	28	8	15	25	5	13	19	19	25	5	(*)	13
Asian Development Fund.....	120	--	222	3	238	110	71	60	115	116	132	100
Inter-American Development Bank:												
Ordinary capital.....	--	--	--	--	--	--	--	--	--	--	--	--
Interregional capital.....	27	--	96	--	109	40	27	--	52	43	62	38
Fund for special operations.....	175	--	375	--	376	99	175	150	200	173	222	80
International Bank for Reconstruction and Development.....	53	2	16	33	273	80	16	16	33	147	126	80
International Development Association.....	1,258	--	1,072	520	1,400	1,190	1,258	1,072	20	700	700	1,190
International Finance Corporation.....	38	26	22	11	14	--	40	33	--	--	--	--
Foreign Assistance Act.....	285	238	381	388	343	364	423	280	77	297	303	398
Agricultural Trade Development and Assistance Act.	85	97	180	190	157	138	2	92	146	212	182	147
Other.....	122	215	368	256	371	351	125	244	376	309	343	361
Other Official Flows: Gross	2,336	2,680	3,160	3,043	3,619	2,714	3,947	5,036	3,651	3,242	3,550	1,173
Export-Import Bank.....	1,047	1,769	2,302	2,400	1,892	1,858	2,876	4,216	3,086	2,926	2,311	758
Commodity Credit Corporation.....	840	552	150	18	--	221	840	552	150	18	52	218
Other, including multiple rescheduling.....	449	359	708	626	1,726	635	231	268	416	298	1,196	197
Total Official Assistance: Gross	8,632	8,022	10,953	9,530	12,510	11,330	10,885	12,215	10,116	10,443	11,790	10,655

* Less than \$500,000.

• Entries for disbursements have been revised to a consistent issuance basis.

† Includes donations under section 416 of Agricultural Act of 1949, as amended in 1982.

Source: Compiled by Bureau of Economic Analysis, U.S. Department of Commerce, from information made available by operating agencies.

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Table A

Table B provides the U.S. Development Budget for U.S. fiscal years 1983-1985. The FY 1984 total level is 9.6 percent above FY 1983 and the FY 1985 Continuing Resolution (C.R.) calls for a further increase of 11.1 percent. Bilateral programs have major increases in both 1984 and 1985. AID Development Assistance rises 10.3 percent and then a further 15.9 percent. The Economic Support Fund increases 9.1 percent in FY 1984 and an additional 17.3 percent in FY 1985. PL 480 increases 33.9 percent in FY 1984.

Table B demonstrates the continued strength in U.S. ODA flows. The net total Development Budget has increased from \$6.3 billion in FY 1981 to \$7.5 billion in FY 1983 and is projected at \$9.1 billion in FY 1985. The growth in the U.S. Development Budget is even more impressive when measured against the fact that during this period the United States was in a deep recession. Faced with a growing budget deficit and the need for budget cut-backs, foreign aid was not only protected -- it had a healthy rate of growth.

Over the medium-term, continued strength in ODA disbursements can be expected because of two factors:

1. As Table A shows, ODA commitments have increased at a strong pace, matching the growth in disbursements. The build-up of ODA commitments provides a full pipeline which will support a continuing strong level of disbursements.
2. The United States has reaffirmed its commitment to helping developing countries improve their economic performance. Studies by various commissions (see Section I.B above) have confirmed the importance of foreign aid. Thus, it appears likely that over the medium-term, net ODA disbursements will probably remain in the range of 0.20 to 0.24 percent of U.S. GNP.

III. ODA Quality, Terms, and Allocation Criteria

A. ODA Quality

ODA quality remained strong in 1983 and the grant element of U.S. ODA remained well above the DAC average. Even though average loan terms hardened in 1983, loans were a smaller share of the total ODA program. Loans comprised 14.5 percent of ODA commitments in 1983 as compared to 17.6 percent in 1982. Thus, the average grant element of U.S. ODA Commitments was 94.4 percent, compared to 93.7 percent in 1982. Table C provides a summary of ODA loan terms and grant elements.

Table B

United States Comprehensive Development Budget
(budget authority in \$ millions)

	FY 1983 Actual	FY 1984 Estimate	FY 1985 C.R.
BILATERAL ASSISTANCE			
AID Development Assistance ^{1/}	1,823.5	2,011.5	2,332.1
Trade and Development Program (TDP)	10.5	16.3	21.0
Overseas Private Invest- ment Corporation (OPIC)	2/	2/	2/
Food for Peace (PL 480) ^{3/}	1,028.0	1,377.0	1,355.0
Economic Support Fund and Peacekeeping Operations	3,024.5	3,300.5	3,870.0
Peace Corps	109.0	117.0	128.6
Inter-American Foundation	12.0	13.0	11.9
Refugees	395.0	328.7	325.5
Subtotal, BILATERAL	6,402.5	7,164.0	8,044.1
MULTILATERAL ASSISTANCE^{4/}			
International Bank for Recon- struction and Development	126.0	79.7	109.7
International Development Association	945.0	945.0	900.0
Asian Development Bank	0.2	13.2	13.2
Asian Development Fund	131.6	100.0	100.0
African Development Bank	--	18.0	18.0
African Development Fund	50.0	50.0	50.0
Inter-American Development Bank	62.4	38.0	38.0
Fund for Special Operations	221.7	80.4	72.5
IADB Investment Corporation	--	--	10.0
International Organizations and Programs	269.5	314.2	358.7
--UN Development Program	(120.0)	(160.0)	(165.0)
--UN Children's Fund	(27.0)	(52.5)	(53.5)
--Other UN Programs ^{5/}	(67.0)	(36.2)	(29.3)
--Organization of American States	(15.5)	(15.5)	(15.5)
--International Fund for Agricultural Development	(40.0)	(50.0)	(90.0)
Subtotal, MULTILATERAL	1,806.4	1,638.5	1,670.1
Gross Total	8,209.0	8,802.5	9,714.2
Offsetting Receipts (AID)	-747.4	-628.1	-631.2
GRAND TOTAL	7,461.5	8,174.4	9,083.0

^{1/} AID DA excludes miscellaneous trust funds and local currency programs; includes IDCA/AID operating expenses and the Foreign Service Retirement and Disability Fund.

^{2/} OPIC does not request budget authority. Authority for loan guarantees is: FY 1983 - \$100 million; FY 1984 - \$100 million; FY 1985 - \$150 million.

^{3/} PL 480 program levels are: FY 1983 - \$1,449 billion; FY 1984 - \$1,612 billion; FY 1985 - \$1,906 billion.

^{4/} Does not include callable capital for MDBs.

^{5/} Includes World Food Program, UN Environment Program, WMO/Voluntary Cooperation Program; UN Capital Development Fund, UN Educational and Training Program for Southern Africa, UN Decade for Women (in FY 1984 and 1985); CITES and the International Atomic Energy Agency; for FY 1983 and 1984 only, UN Institute for Namibia, UN Trust Fund for Southern Africa, UN Fellowship Program, UNITAR; for FY 1984 only, Pan American Health Organization; and, for FY 1985 only, UN Industrial Development Organization.

Average ODA Loan Terms
(Years)

Type of loan	C a l e n d a r y e a r							
	1982				1983			
	Grant element	Maturity	Interval to first repayment	Effective interest rate	Grant element	Maturity	Interval to first repayment	Effective interest rate
New ODA:								
FAA.....	67.5%	33.0	10.9	2.57%	62.6%	32.2	10.0	3.11%
ATDA.....	61.4%	34.7	8.9	2.84%	59.9%	33.3	8.3	2.88%
Total new ODA.....	64.4%	33.9	9.9	2.71%	61.7%	32.5	9.4	3.03%
Debt reorganization.....	62.3%	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	63.9%	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$
Grand total.....	64.4%	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	61.7%	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

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Table C

B. ODA Terms

The terms of U.S. assistance emphasize support of the poorer developing countries. The least developed receive nearly all assistance as grants. Those countries which are economically better off, but nevertheless still poor, receive a balanced mix of concessional loans and grants. Under present legislation, the relation between per capita income and the maturity of development assistance loans is:

<u>Per Capita Income (1981 \$)</u>	<u>Maturity of Loans (years)</u>
less than 795	40
796 - 1284	25
1285 or more	20

Table D provides a breakdown of AID assistance on the basis of the recipient's per capita income level. Using the 1983 IDA per capita poverty criteria of \$795, 57 percent of the FY 1984 AID program was directed to the poorest developing countries. In addition, PL 480 assistance was heavily concentrated in low-income countries. Some 80 percent of the PL 480 Title I program went to countries below the IDA poverty criteria and nearly all of PL 480 Title II assistance went for humanitarian and relief purposes in low-income countries. Thus, in total, roughly two-thirds of country programs were in low-income developing countries.

C. Allocation of Bilateral Assistance

Under the present Administration, the procedures for allocating economic assistance to countries and regions has been substantially revised. A new "Integrated Budget Process" coordinates the various ODA and non-ODA assistance programs around U.S. foreign policy objectives. Key elements of the new approach include:

--Explicit establishment of a foreign policy framework setting forth key objectives and analyzing the contribution of each foreign assistance program--military, economic, development, and food aid--to the attainment of these objectives;

--Creation of an integrated budget process in which all available foreign assistance resources are allocated against the general foreign policy objectives and specific priorities in each prospective recipient country;

Table D

AID FUNCTIONAL DEVELOPMENT ASSISTANCE,
SAHEL AND ESF PROGRAMS
BY ECONOMIC LEVEL OF RECIPIENT COUNTRY
FY 1982 - 1984
(\$ millions)

GNP PER CAPITA	Fiscal Year	Total	DA	ESF
Greater than \$796	1982	1,610.2	154.2	1,456.0
	1983	1,648.9	164.0	1,484.9
	1984	1,658.4	156.3	1,502.1
Between \$406 and \$795	1982	1,361.1	315.6	1,045.5
	1983	1,435.1	348.7	1,086.3
	1984	1,418.5	343.8	1,074.7
Between \$0 and \$405	1982	649.7	426.9	222.8
	1983	740.4	417.1	323.3
	1984	812.8	409.8	403.0
Subtotal, Country Programs	1982	3,621.0	896.7	2,724.3
	1983	3,824.4	929.9	2,894.5
	1984	3,889.7	909.9	2,979.8
Interregional and Regional Programs	1982	545.7	499.8	45.9
	1983	588.5	511.5	77.0
	1984	608.1	540.0	68.1
Grand Total	1982	4,166.7	1,396.5	2,770.2
	1983	4,412.9	1,441.4	2,971.5
	1984	4,497.8	1,449.9	3,047.9

--Interagency review and debate of prospective aid levels, including scrutiny of the overall program by the Budget Review Board and the President to ensure that resources are directed to the highest foreign policy priorities.

U.S. interests in a region or country provide the criteria for allocating all forms of assistance. However, country and regional interests seldom are singular. Assistance criteria also include:

- The character of the country's overall relations with the United States;
- Access to raw materials important to the United States;
- The possibility of destabilizing conflict;
- The country's position on human rights;
- The extent of a country's efforts to acquire nuclear weapons;
- The country's assistance needs, especially as measured by per capita income, the availability of food, and access to minimum health care and education services;
- The country's economic progress and prospects; and
- The country's commitment to policies that promote growth.

D. Addressing LDC Debt Problems

It became apparent during 1982 that the debts of many developing countries had become too large. Some countries found it impossible to sustain borrowing at the rapid pace of previous years and encountered difficulties in servicing the payments due on their existing debt. The U.S. strategy for dealing with the debt problem was adopted in concert with other major countries and international institutions. Together, a strategy was designed to protect the world financial system and the world economy from the threat of irreparable damage. This approach included these points:

- First and most important was the need for effective adjustment by the LDCs. Sharp changes in international prices and demand (particularly energy) had affected costs of production. LDCs had to adjust their economic structure and policies to reflect these new realities.
- Second, adequate IMF resources had to be assured. The IMF provides the policy advice and temporary balance-of-payments financing that supports the adjustment process.

- Third, was the recognition of the need for "Bridge Financing". Debt problems often reach a crisis stage rapidly, before the borrower can develop and negotiate an adjustment program with the IMF. The United States worked with other governments and central banks in bridging arrangements for Mexico, Brazil, Yugoslavia, and Argentina and guarantees in connection with the Bank for International Settlements (BIS) loans to Argentina, Brazil, and Yugoslavia.

- Fourth, was the requirement for continued commercial bank lending to countries that were pursuing sound adjustment programs. An orderly resolution of debt problems also required a willingness by banks to rollover or restructure existing debts, and to continue to increase their net lending to developing countries that were implementing corrective measures to deal with their problems.

- The final element was the need to focus on broad international economic recovery to preserve and strengthen the free international trading system. The United States recognized that debt problems could be managed if there was world economic recovery, lower interest rates, and lower inflation. U.S. economic policy is designed to encourage non-inflationary and sustained economic growth that will provide LDCs with rising export markets and the income needed to service their international debts.

IV. Public Opinion and Information

AID is the U.S. Government agency responsible for public information work on development cooperation. In addition to AID's traditional public information service, there is now a program of "Development Education." Under this program, AID has allocated \$0.7 million in FY 1982, \$1.0 million in FY 1983, and \$1.8 million in FY 1984 for the purpose of increasing public awareness of the factors relating to world hunger and poverty and facilitating public discussion and analysis of related issues. The Development Education Program is implemented entirely through non-governmental organizations. Evaluations of these programs are currently being conducted.

Table E

Multilateral Development Banks
 FY 1982-FY 1985
 (\$000)

	<u>FY 1982 Actual</u>	<u>FY 1983 Actual</u>	<u>FY 1984 Estimate</u>	<u>FY 1985 C.R.</u>
IBRD				
Paid-in	146,889	126,042	79,721	109,722
Callable	(1,687,728)	(1,530,276)	(983,220)	(1,353,220)
IDA	700,000	945,000	945,000	900,000
IFC	14,448	-	-	-
IDB				
Paid-in	48,053	62,423	38,001	38,001
Callable	(609,582)	(828,138)	(806,465)	806,465
FSO	173,177	221,677	80,423	72,500
IIC	-	-	-	10,000
ADB				
Paid-in	4,714	248	13,233	13,233
Callable	(42,632)	(2,244)	(251,378)	(251,367)
ADF	116,098	131,634	100,000	100,000
AfDB				
Paid-in	-	-	17,987	17,988
Callable	(-)	(-)	(53,960)	(53,960)
AfDF	<u>58,333</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<u>TOTALS</u>				
Budget				
Authority	1,261,712	1,537,024	1,324,364	1,311,443
(Program				
Limitations)	(2,339,943)	(2,360,658)	(2,095,023)	(2,465,012)

N.B.: Totals may not add due to rounding.

Most Americans have a limited perspective on the size of U.S. assistance programs. However, awareness of foreign assistance has spread with increases in foreign travel by Americans and international reporting by the media. Opinion polls show that even with this increased public awareness, foreign assistance continues to have very limited support except among a small well-educated and relatively affluent segment of American society. Limited public support is also reflected in the fact that the U.S. Congress has only been able to pass one appropriation bill in the past 3 years.

Relative to other government programs, foreign assistance expenditures are not among the favored uses of U.S. tax revenues. However, Americans clearly favor specific foreign assistance programs where U.S. interests are defined or where there is a critical humanitarian need demonstrated. There is also increased support for aid programs designed to assist recipient governments in achieving sounder economic policies and more fully utilizing their private sectors.

V. Multilateral Contributions

Contributions to multilateral institutions remain, as has historically been the case, a significant portion of U.S. economic assistance. Over the course of fiscal years 1982-84 multilateral assistance has remained about one-fifth of the U.S. development budget. This indicates the strong U.S. conviction that multilateral aid serves as a necessary complement to U.S. bilateral efforts.

A. Multilateral Development Banks (MDBs)

Since taking office in 1981, the present Administration has concluded new replenishments for all windows of the multilateral development banks (MDBs) except the World Bank and African Development Bank ordinary capital windows. These negotiations have enabled the United States to implement the Administration's priorities for the Banks, which are reflected in the February 1982 report, U.S. Participation in the Multilateral Development Banks in the 1980s. These priorities include:

- Efficient and effective use of resources, requiring selectivity in determining priorities for projects and countries to receive MDB funds;
- Emphasis on local private initiative and investment as vehicles for growth and on catalyzing, not displacing, external flows of private sector resources; and

-- Provision of sound economic policy advice and technical assistance.

U.S. participation in recent replenishments has therefore encouraged MDBs through their programs to give precedence to loan quality over lending targets, to promote a favorable policy environment for development, and to phase out borrowers' reliance on MDB financing as their creditworthiness and access to alternate financing permits.

In 1983 and 1984, the United States agreed, subject to Congressional approval, to take part in replenishments of the Asian Development Bank (ADB), Inter-American Development Bank and the Fund for Special Operations (IDB/FSO), African Development Fund (AFDF), and the International Development Association (IDA).

The United States also hopes to participate in a new private sector facility for Latin America, the Inter-American Investment Corporation (IIC) beginning in FY 1985, and to subscribe to a new capital increase in the International Finance Corporation (IFC) starting in FY 1986. The United States is undertaking such financial commitments while promoting the above-stated objectives for the MDBs.

During fiscal years 1983 and 1984, Congress approved legislation to authorize U.S. participation in the ADB, ADF, and IDB/FSO replenishments beginning in 1984, and the 1982-84 replenishment of the AFDF. In FY 1983, Congress provided \$1,537 million in budget authority for the MDBs, including the first installment of the 1982-84 AFDF replenishment. For FY 1984, Congress appropriated \$1,324.4 million for the MDBs.

Table E shows MDB budget levels for FY 1982-1985.

B. Contributions to International Organizations

The United Nations system, comprising the UNDP, UNICEF and more than 30 specialized agencies and other entities, provides development assistance that is significant and complementary to U.S. bilateral development assistance. These international organizations help ensure that international responsibilities (such as humanitarian efforts to assist refugees, children or the needy and economic assistance and technical cooperation in the developing countries) are shared by the entire world community, not just a few nations. Table F provides details of U.S. contributions in Fiscal Years 1983 and 1984, and the Administration's request for Fiscal Year 1985.

Table F

UNITED STATES
VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS
 (in thousands of dollars)

	<u>FY 1983</u> <u>Actual</u>	<u>FY 1984</u> <u>Estimate</u>	<u>FY 1985</u> <u>Request</u>
UNDP	\$140,000	\$160,000	\$165,000
UNICEF	42,500	52,500	53,500
IAEA	14,500	14,814	14,814
OAS/DAP	15,500	15,500	15,500
UNEP	7,850	10,000	10,000
WMO/VCP	2,300	2,300	2,000
UNCDF	2,000	2,000	2,000
FAO/WFP	2,000	2,000	2,000
VDFW	--	500	500
UNETPSA	1,000	1,000	1,000
CITES	138	150	200
UNIN	500	500	500
UNTFSA	343	343	343
UN Fellows	449	449	449
UNITAR	422	422	422
UNIDO	--	--	100
IDD	--	--	--
PAHO	--	1,686	--
UNDRO	--	--	--
UNVFVT	--	--	100
UNESCO/WH	--	--	249
SUBTOTALS	<u>229,502</u>	<u>264,164</u>	<u>268,677</u>
IFAD	40,000	50,000	90,000
TOTALS	<u>\$269,502</u>	<u>\$314,164</u>	<u>\$358,677</u>

OTHER VOLUNTARY CONTRIBUTIONS TO UN ORGANIZATIONS FUNDED OUTSIDE THE IO & P ACCOUNT.

UNFPA	33,760	38,000	46,000
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VI. Geographic Distribution

A. Low-Income Emphasis in AID Programs

While middle-income countries often have large pockets of very poor people who have been bypassed by the growth process, it is also recognized that ODA funds can not cover all needs, and relative priorities are needed. As a result there has been a long-standing U.S. assistance policy that the bulk of highly concessional assistance should be allocated to low-income countries, and that as countries move up the development scale, concessional assistance should be gradually reduced.

The Foreign Assistance Act (FAA) of 1973 and amendments of subsequent years directed AID to channel its bilateral development assistance into programs designed to meet the needs of the poor majority in developing countries. This has been generally interpreted as calling for an emphasis on not only poor people but also poorer countries. Therefore, Development Assistance has been concentrated on countries that are suffering from the worst and most widespread poverty and are in the greatest need of outside assistance.

Since the mid-1970s PL 480 Title I legislation has required that at least 75 percent of food aid be allocated to countries at or below the IDA per capita income poverty criterion. Similarly, PL 480 Title III agreements are applicable only to IDA eligible countries with additional incentives for the least developed countries. Title II is also generally concentrated in low-income countries.

B. Programs in Middle-Income LDCs

While AID Development Assistance and PL 480 are targeted toward lower income LDCs, the Economic Support Fund (ESF) is not specifically allocated by LDC income level. This reflects ESF's somewhat different mandate to promote economic and political stability in regions where the U.S. has special security interests. ESF resources are used flexibly to meet a variety of needs including balance of payments support, financing of infrastructure and other capital projects, as well as support for development programs of direct benefit to the poor. Given the political and strategic importance of middle-income countries, a significant level of funding is directed to such countries, e.g., countries of the Caribbean, Israel, and Zimbabwe.

There are also three specialized programs (TDP, HIG, and OPIC) that are particularly well suited to addressing some of the needs of middle-income countries in trade, urban housing, investment, and technology transfer.

The Trade and Development Program (TDP) promotes private sector participation in development through provision of project planning services that lead to the sale of U.S. technology for project implementation and through provision of government-sponsored technical assistance on a reimbursable basis. TDP does not allocate its resources by LDC income levels. However, the nature of TDP programs has meant that middle and upper income developing countries and AID "graduates" are the major recipients of this form of U.S. assistance.

The Housing Investment Guaranty Program (HIG) is designed to help LDCs provide adequate shelter, particularly in urban areas. The HIG program by its nature is suitable for middle-income countries. The U.S. private sector provides long-term financing for moderate cost housing and urban upgrading programs financed at the current cost of money in the U.S. mortgage market. AID charges a fee for its guaranty, to cover operating expenses and to provide a reserve against claim losses. While HIG does not allocate its guaranties by income level, the high cost of U.S. mortgage money has meant that lower income LDCs have not been major HIG recipients. In FY 1985 only 30 percent of the Guarantee Program was allocated to IDA-eligible countries.

The Overseas Private Investment Corporation (OPIC) mobilizes and encourages the participation of private capital and skills in the development process. OPIC has programs that provide political risk insurance, financial services and special investment promotion. The middle-income countries, by their very nature, generate a strong "investment draw" on OPIC services. In 1981 OPIC's mandate was altered by Congress. OPIC's underwriting flexibility was increased and programs were expanded to 17 of the 26 middle-income countries where operations had been previously restricted.

VII. Aid Coordination With Other Donors

A. Recent Actions

In 1983, AID launched a major effort to improve aid effectiveness through better coordination. The changes sought entailed a reorientation in the importance given to coordination both at the AID headquarters and field levels, developing more effective aid procedures to ensure achievement

of coordination objectives, and shifts in LDC attitudes. Immediate objectives were to: i) reach agreement with other donors on the need for enhanced coordination, and ii) obtain greater IBRD leadership in donor coordination.

Substantial progress towards the first objective was attained in December 1983 at the DAC High Level Meeting when agreement was reached on the DAC Statement on Coordination. The United States has also been meeting bilaterally with other donors on ways to improve coordination. Progress has been achieved on the second objective with the IBRD management seeking agreement from selected LDCs to expand donor coordination efforts. The Bank also has responded favorably to U.S. proposals for improvements in the Consultative Group process. The IBRD's recent report on Sub-Saharan Africa vividly illustrates the need for coordination and proposes a number of related Bank actions which the U.S. supports.

While World Bank-sponsored Consultative Groups are in place and operating for many of the larger LDCs, many of the smaller LDCs (including most of the Least Developed Countries) lack a consultative forum. UNDP Roundtables have been established for many of those countries. When compared to Consultative Groups, Roundtables often lack analytical content and fail to adequately analyze macro-economic policy issues and investment alternatives. The U.S. has been working with the UNDP and LDCs to improve the Roundtable process.

Special attention has been given to the role and views of AID field missions. During the last 12 months, four messages have been sent from AID headquarters to all AID field missions requesting general and country specific views on coordination. Mission reports have confirmed both the need for coordination and the practical difficulties of achieving better coordination.

Over the last year positive and in some cases fairly dramatic changes in LDC attitudes on coordination have been seen. Many LDC governments are taking an active role in establishing mechanisms for regular consultations with donors, and steps to improve the administration of aid. The October 1984 DAC meeting on aid coordination was highly productive in identifying and reaching agreement on a number of practical approaches to enhance aid coordination and effectiveness.

B. Coordination Problems and Issues

--Information Sharing. Many LDC governments lack comprehensive knowledge of the totality of aid (pledges, disbursement schedules, undisbursed balances, etc.). Efforts are underway in several LDCs to develop donor aid information systems. Donors have generally been forthcoming in sharing information on their respective programs.

--Reordering Investment Priorities. A number of factors have combined to spur a reordering of investment priorities in various LDCs. This has affected aid programs and coordination prospects. Greater attention to priorities is promoting a reexamination of aid projects currently on the books. Donors may increasingly be asked to shift funds from projects no longer desirable (such as those requiring large host country contributions no longer possible because of budget stringencies) to projects more consistent with new priorities. Thus, there may be new opportunities for the careful consideration of the relationship among donor projects, of whether they support larger development strategies, and how well they are tailored to the recipient's real needs.

--Coordination Roles. IBRD and UNDP resident representatives are generally performing well, cooperating with bilateral donors, and often providing in-country leadership for the donor community as well as advising host governments. We see the need for bilateral and multilateral donors, particularly the IBRD, to take an active leading role in local coordination.

--Donor Local Representation. While the United States maintains field aid missions, the scope for in-country coordination is constrained by the limited field representation of other donors. In a number of cases, local representatives have shown relatively little interest in coordination. It is uncertain whether this indifference stems from a lack of clear cut instructions from capitals or whether it is a reflection of other concerns (i.e., commercial priorities, such as mixed credit financing may be skewing the development process in some countries).

--Types and Terms of Aid. The attention being given to coordination and detailed information on aid flows is highlighting large undisbursed aid pledges. Better data on donor aid is also leading to increased host government attention to aid terms.

--Donor Competition. LDC budget stringencies and investment priorities are reducing the number of project alternatives. Projects involving substantial host government contributions are becoming less feasible. Donors may be facing increasing competition for the fewer projects meeting the new priorities.

--Policy Dialogue. While coordination at the project level is working well, donor attitudes frequently diverge on policy questions. However, pressures on LDCs to order investment priorities (because of budget stringencies and other resource constraints) are prompting attention to policy issues that

short-term operational requirements and to ensure that longer term planning and policy formulation benefit from our accumulated knowledge and experience. Recent trends in U.S. evaluation efforts reflect bilateral assistance emphases:

- With a growing level of non-project assistance AID has extended the scope of evaluation to include criteria and techniques for evaluating specific types of non-project activities;
- Evaluations are being designed to cut across traditional evaluation categories and topics -- e.g., recurrent cost implications, alternative implementation approaches and their comparative cost-effectiveness; impact on the role of women in development; and the contribution of aid to the development of effective local institutions in the private and public sectors;
- Strengthening the role of evaluation in comprehensive planning processes above the level of specific projects and non-project activities. This has entailed the greater use of evaluation findings and lessons in the preparation of long-term AID country development strategies, and clearer statements of development strategy benchmarks against which results can be measured;
- Establishing a linkage between evaluation and policy formulation. During the past 2-years, a new series of AID policy papers drew on evaluated experience, including the cumulative findings of the Agency's "impact" evaluations;
- Planning evaluation work with greater attention to the timing of key decision points in the program and project cycle -- i.e., the time when evaluative information will be most useful; and
- Innovative evaluation methods for assessing interim impacts, while a project or program is still being carried out.

The synthesis of evaluation findings and lessons learned is particularly important for policymakers, planners, and project designers, as one basis for comparing and selecting alternatives. AID's evaluation staff is emphasizing the analysis, synthesis, and disseminating of experience in selected development topics. Partly to support this effort, a 1983 reorganization joined the Agency's central evaluation, information, and statistical offices into a single unit, the Center for Development Information and Evaluation. Concurrent with this effort, the Agency is vigorously applying existing requirements that call for consideration of evaluative findings and lessons in project and program design, and establishment in the designs themselves of a firm basis for future monitoring and evaluation.

might otherwise be ignored. Policy issues regarding subsidies, pricing and production incentives, and roles of the private sector and parastatals are almost universal problems among LDCs. These issues and how to direct aid to better support desired changes require major attention of donors and LDCs.

VIII. Aid Management

A. Aid Implementation Management

A Task Force of experienced AID project and program managers worked throughout 1983 to develop improvements in AID's project development and implementation process. Among other things, the Task Force identified shortages in skilled commodity and contract management officers. In response, AID is shifting personnel to these areas.

The Task Force also recommended greater training of project managers. AID is now carrying out an intensive program to train project managers in the techniques of project implementation, the management of contracts and procurement. It is expected that all professional staff responsible for managing projects will have participated in this training by 1986.

The Task Force also recommended a more streamlined program and project review process which supports the decentralization of management decisions instituted during the past two years. These recommendations will be carefully reviewed during 1984 through the evaluation of an experimental program in 3 Asian countries. This experimental program increases the interaction between Washington and the missions in developing the missions' 3-year strategy. It also stresses Washington's role in the review of policy and lessons learned while increasing the mission's responsibility for technical design, appraisal and implementation.

B. Evaluation

AID has long recognized the important role of evaluation in the development and management of its activities, and as a source of lessons learned to help guide assistance efforts. The United States continues to endorse donor attention to evaluation, and participates actively in the work of the DAC Expert Group on Evaluation. In addition AID is encouraging aid recipients to use evaluations as a tool in effective project design and implementation, and as an element of improved institutional capacity to manage development activities.

In AID, the evaluation function is driven by the information needs of planners and managers of the assistance program. The focus on utilization encourages evaluators to be responsive to

B. Program for Venture Capital

Since late 1981, when AID's Bureau of Private Enterprise was established, AID has been running a program to fund venture capital or intermediate credit facilities in developing countries. For this purpose, AID extends loans at or near market terms out of which debt and equity capital can be provided to small- and medium-sized LDC enterprises. These OOF loans are non export credits with a grant element lower than 20 percent. They are often combined "in law" with AID technical cooperation grants, but not with export credits. The combination is Associated Financing as defined by the DAC Guiding Principles.

Three such packages were reported for 1982, and two in the first half of 1984. None were provided in 1981 and 1983. Since they did not contain export credits, their grant element, calculated according to the rule of the DAC Guiding Principles, was 100 percent.

C. Co-Financing Arrangements with Private Sector Institutions

Co-financing development projects together with other bilateral or multilateral official institutions has been a long-standing AID practice. A major aspect of AID's interest in co-financing has been the potential it offers to enhance the participation of the private sector, both indigenous and foreign, in the development process of developing countries' economies. All countries receiving aid are now eligible for co-financing arrangements under appropriate circumstances.

Projects to be financed, normally in the form of parallel financing, are appraised and approved by AID under its regular procedures which take into account the development plans of recipients. The appraisal also includes an attempt to establish whether co-financing is the appropriate financing method for a given project. Normal AID procurement restrictions and tying regulations apply, but local cost financing is possible and is decided on a case-by-case basis.

D. Measures Taken to Aid Domestic Employment and Exports

No specific programs or measures have been taken to support U.S. exporters or to encourage domestic employment. There are no specific budgetary appropriations to aid special domestic regions, industries or other special interests.

IX. Associated Financing Policies and Practices

AID has two Associated Financing (AF) programs: a program designed to match financial offers made by foreign competitors of U.S. exporters, and a program that provides concessional and non-concessional finance to LDC intermediate credit institutions. Both of these programs are consistent with the DAC Associated Financing Guidelines.

A. AID Tied-Aid Credit Programs

1. The Egyptian Trade Financing Facility (TEFF) was created in 1981 and under special circumstances draws from the U.S. Commodity Import Program for Egypt. Its purpose is to match mixed-credits offered by foreign competitors of U.S. exporters. The TEFF operates alongside the more comprehensive Tied Aid Credit Program described below. Under the TEFF, AID grants are combined with export credits provided by ExIm Bank (occasionally also with private funds). Contracts to be financed are identified by the U.S. exporter or by the Government of Egypt. AID then proceeds to appraise and approve projects according to its regular program procedures. AID requires that the supplier must be selected by international competitive bidding and that the transaction be consistent with the AID Mixed-Credit Guidelines.

2. The AID Tied-Aid Credit Program was established in response to the Trade and Development Enhancement Act of 1983. The program is to be used for defensive purposes, when a U.S. firm is the low responsive bidder and stands to lose a contract because of predatory financing offered in support of a foreign competitor. Funds to finance U.S. exports are limited to economic Support Funds (ESF) allocated for commodity import programs, where AID determines that such financing is consistent with the purposes of the country's commodity import program (CIP). In addition, the U.S. exports must be reasonably expected to contribute to the development objectives of the importing country and must be consistent with the economic security and political criteria used to allocate ESF. In FY 1984 \$169 million was available in CIP programs for the Tied Aid Credit Program. The availability of eligible CIP programs in FY 1984 was limited by the budgeting process which makes tentative allocation of resources 2 years in advance and by country strategy decisions governing the inclusion or exclusion of commodity import programs.

X. Sectoral Orientation of Aid

A. Aid for Agriculture, Rural Development and Food Security

The objectives of U.S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly based economic growth. To accomplish these objectives, four interrelated policy elements are emphasized .

1. Improve economic policies in the developing countries to remove constraints to food production, marketing and consumption;
2. Develop human resources and institutional capabilities in the developing countries and conduct research on food and agriculture problems;
3. Expand the role of developing country private sectors in agricultural and rural development and the complementary role of the U.S. private sector in assisting this expansion; and
4. Employ all available assistance instruments in an integrated manner, including provision of PL 480 food aid in a way that contributes to the other three elements as well as meeting food security and nutritional needs. (See Section B.1. below.)

Agriculture, rural development and nutrition activities continue to absorb the largest portion (47 percent) of the Functional Development Assistance account. Estimated resource allocations for FY 1983-85 are indicated by region in the following table.

<u>Region</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
Africa	\$141.7	\$145.4	\$143.5
Asia	256.0	257.7	258.3
Latin America/Caribbean	168.7	156.0	186.7
Near East	22.3	21.6	24.3
Central Programs	141.6	144.1	145.0
Total	<u>\$730.3</u>	<u>\$724.8</u>	<u>\$757.8</u>

In addition, the bulk of the resources provided under the Sahel Development Program are used to improve agriculture. Finally, two new initiatives for FY 1985 are likely to enhance U.S. efforts to accelerate the pace of agricultural development: the Economic Policy Initiative for Africa and the Central American Initiative.

B. Food Aid Policies

1. Food Aid as Development Assistance

As noted above, a major element of U.S. assistance policy is integration of all available aid instruments especially to support the achievement of food security through self-reliance.

U.S. food aid is programmed and administered in accordance with the strategy governing all U.S. assistance, that is it:

- Promotes policy dialogue and reform;
- Strengthens the private sector and increases use of the market to allocate resources;
- Contributes to the development and strengthening of needed institutions;
- Helps to develop and apply appropriate technology.

Food is a resource that can support a wide range of development activities as well as directly meeting nutritional needs. The ways in which this resource is transported, stored and marketed can be a major factor in the way competitive market institutions grow

Most importantly the provision of this resource gives developing country decision makers the margin often needed to institute important policy reforms. Food aid is particularly useful in promoting reforms in agriculture and agricultural marketing because it directly addresses the concerns of key LDC policy makers in food and agriculture marketing. For example, the reduction or elimination of consumer subsidies may be necessary to improve incentives to boost agricultural production. However, this may also cause serious domestic economic and political problems because of the adverse impact of the higher food prices on the poor. In such circumstances, well designed food aid programs can provide a temporary "cushion" for the poor, while non-food aid programs can support projects aimed at increasing food production and improving food distribution.

While improved technologies and economic incentives are critical components of any agricultural program, demand is also important--LDC consumers need to have adequate purchasing power. Programs to increase non-farm production and income are important adjuncts to any agricultural development effort.

Food is the key component of food-for-work programs which can be linked to well designed development projects supported by non-food assistance. Nutrition education programs, funded with development assistance, can be strengthened when they are complemented by feeding programs supported by food aid. Also, food distribution centers can be the locus of family planning activities, health care services, and community development -- which can be funded by development assistance and local currency generated from the sale of food aid.

Local currency can support a variety of development programs, some of which may be funded with external assistance. For example, local currency proceeds can fund in-country training programs. However, these proceeds are fungible and can be used as a substitute for normal host country budgetary expenditures.

There are, of course, constraints to increased integration of food aid and aid non-food aid resources. There is sometimes a reluctance on the part of the host government to depend on a resource whose availability is not always certain or reliable from year to year. The actual transfer of local currency to those entities charged with implementing specific agreed upon activities is not always timely. Finally, the timing of the resource flow is less flexible in the case of food aid than non-food assistance, and therefore its phasing with other development activities becomes more difficult.

2. Criteria Used for Determining the Level of Food Aid

Most U.S. food aid is provided under Public Law 480. Title I of the law, as modified by Title IV, provides credit financing to friendly governments for the purchase of agricultural commodities in the U.S. that the Secretary of Agriculture determines are available. These credits are repayable in dollars. Recipient countries must agree to undertake self-help measures aimed, where appropriate, at expanding food production and improving food storage and distribution facilities. A major concern is that concessional sales of U.S. farm products do not replace commercial exports from the U.S. or other friendly countries.

Food aid is also provided under Title II of the act on a grant basis through private voluntary organizations (PVOs) and the World Food Program (WFP) as well as under government-to-government programs to benefit needy people directly. It, like Title I food aid, is provided only when adequate storage facilities are available and when distribution of the food aid

will not result in a substantial disincentive to the recipient country's own production or interfere with its food marketing system. These safeguards are important because many developing countries have the potential for increasing food production and because most of the population is dependent upon agriculture or agriculture-related activities.

Food for development programs authorized under Title III (but financed under Title I) offer special incentives to low-income countries to undertake additional development programs which, in many cases, are related to changes in policies designed to improve the quality of life of the poor, particularly in rural areas. Title III agreements include supply commitments of up to five years subject to annual review and the availability of commodities and appropriations. They also provide for full "loan forgiveness" to the extent that the commodities or the local currencies are used for agreed upon development purposes. Title III agreements must equal at least 15 percent of the value of all Title I agreements in FY 1984.

At least 75 percent of the volume of Title I food aid must be allocated to countries eligible for assistance from the International Development Association (IDA) -- currently those with per capita incomes at or below \$805 per year. Eligibility for Food for Development (Title III) programs is limited entirely to this group of countries.

The U.S., under authority of Title II, donates food for humanitarian purposes such as emergency/disaster relief and programs to help needy people -- particularly malnourished children -- through material/child health programs, child feeding activities, food-for-work, and other programs designed to alleviate the cause of the need for food assistance. The legislation mandates that at least 1.7 million tons of food assistance must be provided annually under Title II.

The following table shows how Title I and Title II food aid has been allocated during FY 1983-85.

Title I (\$ 000)

<u>Per Capita Income</u>	<u>FY 1983 Actual</u>	<u>FY 1984 Estimated</u>	<u>FY 1985 Proposed</u>
\$805 or Less	\$650.5	\$648.0	\$660.0
\$806 or More	145.0	158.0	164.5
Reserve	--	--	105.0
Commodity Costs	<u>\$795.5</u>	<u>\$806.0</u>	<u>\$929.5</u>
Freight Differential (less Initial Payments plus Prior Year Obligation)	54.0	66.0	91.5
Program Level	<u>\$849.5</u>	<u>\$872.0</u>	<u>\$1,021.0</u>

Title II (\$ 000)

<u>Region</u>	<u>FY 1983 Actual</u>	<u>FY 1984 Estimated</u>	<u>FY 1985 Proposed</u>
Africa	\$ 95.2	\$183.3	\$ 83.2
Asia	215.2	213.7	177.4
Latin America/Caribbean	76.2	65.8	56.7
Near East	33.1	25.7	34.1
Europe	24.8	20.5	--
Subtotal	<u>\$444.5</u>	<u>\$509.0</u>	<u>\$351.5</u>
Unallocated Reserve (plus Transport Costs less Stock Adjustments)	155.0	231.0	298.5
Program Level	<u>\$599.5</u>	<u>\$740.0</u>	<u>\$650.0</u>

3. Targeting Food Aid to Special Groups

An important objective of U.S. agricultural development assistance is to help recipient countries establish competitive markets that provide a stable supply of low cost nutritious foods to the majority of the population. However, sole reliance on the normal free market mechanism for the distribution of food and the alleviation of hunger is simply inadequate in many poor countries. On the other hand, massive direct feeding programs are likely to lead to dependency and, in addition, would require considerable administrative capability and costly physical infrastructure (including transportation and storage facilities) far beyond what is attainable in the foreseeable future. Therefore, it may be necessary and appropriate to employ various modified market approaches and direct food distribution programs to reach those whose needs would not otherwise be met.

Modified market approaches, while they use the market mechanism for food distribution, are subject to certain interventions or constraints. Examples include open market sales of public food stocks to guard an economy against seasonal price variations; ration or "fair price" shops in both the public and private sectors which sell food at subsidized prices; food stamps which permit low income holders to purchase a limited amount of specified foods at reduced or no cost; and the use of self-targeting foods -- those which have a high income elasticity of demand among poor people but a low or even negative income elasticity of demand among wealthier groups.

However, even modified market approaches, which depend on purchasing power, may do little to provide food to under-employed and malnourished people who do not have the money to purchase the food they need. Under these circumstances, poor people must be able to obtain food from public programs, including direct feeding and food-for-work programs. Such programs (which often receive food supplied under Title II of PL 480) can relieve hunger and sometimes -- as in the case of emergency relief -- save lives. While designed primarily to meet the economic and nutritional needs of the poor, direct food assistance can also be viewed as an investment in human capital rather than as an expenditure for immediate consumption.

4. Assuring That Food Aid Does Not Act as a Disincentive to Production

In providing food aid, it is important that the policies of the recipient country control the augmentation of food availability and/or facilitate an increase in food demand so that production disincentives are not created. Methods for accomplishing this include: (a) building up food stocks to stabilize agricultural producer incomes; (b) increasing the effective demand of low income groups through modified market approaches or direct food distribution programs; (c) using food or local currency proceeds to finance labor-intensive construction of productive agricultural infrastructure (such as rural access roads or irrigation dikes and channels); and (d) creating permanent employment through policies that stimulate a labor-intensive pattern of private sector agricultural and non-agricultural growth.

C. Population

Rapid population growth compounds the already serious problems faced by both public and private sectors in LDCs in meeting the needs and demands of their citizens for food, shelter,

education, and health care. It diverts scarce economic resources from investments which will produce rapid economic progress. One of the most poignant consequences of rapid population growth is its effect on the health of mothers and children. Especially in poor countries, the health and nutrition status of women and children is linked to family size and spacing of births.

For these reasons, the United States expects to maintain its strong support for voluntary family planning programs. Recognizing the reciprocal links between fertility and other aspects of development, the U.S. will ensure that family planning programs and economic development policies and programs in other sectors are mutually reinforcing.

The family planning services supported by the U.S. will continue to be based on voluntarism and informed choice. U.S. policy does not consider abortion as an acceptable method of family planning. Believing family planning to be a humane and workable alternative to abortion, U.S. policy includes the need for broader access to family planning education and services, especially in the context of maternal/child health programs. There also will be expanded support for the marketing of contraceptives which can provide family planning at low cost through existing commercial channels. Provision of services which are acceptable within the cultural and religious context of each country is critical, and the United States believes that family planning programs can be enhanced by including Natural Family Planning Methods where these are appropriate to the beliefs of the individuals and recipient nations.

D. Health

Despite progress toward increasing life expectancy in recent years, the health of the majority of people in most developing countries remains poor by any measure. In many countries life expectancy does not exceed 50 years. One-third or more infants die before the age of five, and hundreds of millions of adults suffer from chronic, debilitating diseases. The basic objective of AID's health program is to assist developing countries to become self-sufficient in providing broad access to cost-effective preventive and curative health services. Primary Health Care (PHC) remains AID's top priority in its health assistance efforts. Within the broad framework of PHC programs, AID is concentrating on the following initiatives:

- improving the effectiveness and financial viability of basic health services;

- decreasing death and disability from infectious diseases; and
- improving the availability and quantity of domestic water supply and sanitation.

AID gives special attention to encouraging LDCs to modify policies that inhibit cost-effective, self-sufficient programs. The Agency stresses private sector approaches to providing basic health care, and emphasizes the need to introduce cost-recovery measures into LDC health programs. AID also continues to provide support for a broad range of indigenous institutions involved in the promotion of health, including women's groups, universities and research institutions, village-level health committees, private sector health practitioners and enterprises, and voluntary organizations. AID is also increasing its support for technology development, adaptation and transfer, principally through biomedical research relevant to LDC health problems.

One of the more promising areas of AID activity in the health sector is the Agency's support for Oral Rehydration Therapy programs. Oral Rehydration Therapy (ORT) is a simple, effective weapon against diarrhea, which is responsible for about 5 million deaths per year, or about 30 percent of all LDC infant deaths. ORT involves the administration of a solution of sugar, salts and water to reverse the damaging effects of dehydration due to diarrhea.

In 1983 AID supported dissemination of this powerful health measure in a variety of ways. AID continued to finance important basic research activities at the International Center for Diarrheal Disease Research in Bangladesh. In cooperation with WHO and UNICEF, AID sponsored the first International Conference on ORT, which attracted 600 scholars, policymakers and health officials from developing as well as developed countries. AID has begun to work in collaboration with the Peace Corps to broaden official US Government support for ORT programs. The Agency has also financed a series of ORT programs in developing countries to make this life-saving technology more widely available.

During 1983 AID-funded researchers scored a major breakthrough in the search for a malaria vaccine. Millions of people in the developing world could be spared the debilitating and costly effects of malaria if a simple, inexpensive, safe and effective measure against this scourge were readily available. Late in 1983 several technical breakthroughs in the area of genetic engineering allowed AID's malaria vaccine program to isolate,

develop and test prototype vaccines against both the mosquito and blood cell forms of the malaria parasite in animal models. With additional AID funding, the program is being accelerated to permit expeditious overseas field trials of the malaria vaccine.

E. Nutrition

The United States will place greater emphasis on addressing nutrition problems through its agricultural and other assistance programs. As a result, there will be an increase in programs which specifically address nutrition problems over and above continued support for direct nutrition programs. Nutrition programs in the future will be more closely integrated with the health, rural development, and education programs which AID also supports.

F. Education and Training

All developing countries continue to have specific needs for more trained personnel and most countries continue to struggle with the very difficult task of expanding their school systems to enable most children to obtain a basic education. High level manpower training and technical assistance to help countries improve the efficiency of their basic education systems are the two priorities of AID's education assistance programs. Manpower training for key administrators, managers, scientific and professional personnel has grown substantially. Project-related training in agricultural, health, population, and other sectors supports external training for an additional three to four thousand individuals annually. External training in U.S. universities is the main training emphasis, though there is increasing support for short-term training, training in third-country institutions and strengthening of local training institutions. Support for basic education, which has declined in recent years, is again being emphasized.

In 1983, AID issued a new Policy Paper on Basic Education and Technical Training which encourages: (1) improvements in the internal efficiencies of basic schooling systems; (2) improved management of the recurrent costs of large scale education systems; (3) closer linkages between education and training systems and employment; and (4) greater involvement of communities, parents and the private sector in the development and maintenance of the education and training systems. These efforts are currently about 30 percent of AID's education assistance and are expected to grow somewhat in future years, particularly in Africa.

XI. Women in Development (WID)

A. Recent Policy Developments

The United States recognizes that gender distinctions constitute a key variable in any economic development program. The AID Women in Development (WID) staff has been expanded to more effectively monitor Agency activities, as well as to provide technical assistance to overseas AID missions for their own portfolio review and project designs. Funds from the WID Office and other Agency offices have more than doubled over the last 2 years.

The Agency is conducting training workshops for its senior personnel on how women's roles must be integrated into all projects. AID continues to emphasize these areas: increased employment in the private sector; credit and technical assistance; agricultural development; technology transfer; education and training for women and girls in both the formal and nonformal sectors; development and distribution of instruction materials; as well as increased participation of women in AID-sponsored training, both overseas and in the U.S.

B. Measures Taken to Ensure the Full Participation of Women in Development Process

The disaggregation of data by sex now must be included in all AID project documents. Project design teams include gender distinctions with their socioeconomic analyses to ensure appropriate proposal solicitation.

Guidance cables from the AID Administrator to the field missions have mandated the inclusion of women's roles in appropriate project designs, and policy documents. The WID Office staff and the WID officers from the central and regional bureaus also participate, as much as possible, in the review process on the project design documents in order to monitor the inclusion of women's issues.

Further, the WID staff has provided technical assistance to over 20 AID Missions for portfolio review, project design and evaluation. And, using other development practitioners, there have been more than 50 technical interventions to over 30 missions. The WID Office also continues to expand its activities with Title XII university consortia to ensure placement of personnel on design teams so that gender distinctions are included in socioeconomic analyses.

C. Measures to Improve WID Statistics, WID Research

AID considers it vital to add to the body of knowledge and empirical data on women's roles in development.

AID has funded over 20 research efforts through universities and other organizations to study specific sectors or topics in relation to women. Documents produced have included the following topics: migration; rural industry; health; women-headed households; education; women's organizations; women's access to credit and technology; and, skills training. AID has also emphasized the importance of disaggregating data by sex at the policy and program level. AID has provided funds to the U.S. Bureau of the Census to produce regional handbooks for the developing world which compile the most recent sex disaggregated data by country and sector. These handbooks are designed for use by development practitioners and planners, both in developing countries and in multilateral and bilateral assistance programs.

AID's Center for Evaluation and Information is implementing a year-long effort to study and synthesize AID's experience in the last 10 years in reaching women. A five-member team is currently reviewing the Agency's portfolio, and will produce case studies and a summary analysis of AID's experience and learning in this area.

D. Actions to Promote WID Concerns in NGOs and Multilateral Organizations

AID has played a major role in assuring that WID concerns are addressed by the international donor community.

--AID participates in women in development activities of the United Nations and the independent agencies -- the Commission on the Status of Women, FAO, UNICEF, UNDP, and the UN Voluntary Fund for Women.

--AID has been actively involved with the UN Decade for Women to ensure that women in development concerns are substantively addressed. AID will continue its support of the Conference on Non-Governmental Organizations (CONGO) and the Kenya NGO Organizing Committee in preparation for the UN Conference.

AID's Office of Women in Development works directly with NGOs in implementing projects for and with women in developing countries. Many NGOs work at the grass roots and can have a

direct and beneficial impact on the lives of Third World women. The first important area is education and training. AID activities include:

- Technical assistance for formal and nonformal education programs geared to girls and women;
- development and distribution of instruction materials; and
- participation of women in AID-sponsored training, both overseas and in the U.S.

Second, women's access to work and income is crucial to their full integration into the economies of their countries:

-AID is supporting Women's World Banking -- a program designed to assist low-income women primarily through the generation of income and jobs. This institution operates through a series of host-country affiliates which provide guarantees to banks for commercial loans to women-owned or run small businesses. Women's World Banking is currently working in 13 countries.

Improving women's access to resources such as credit, which can translate into increased income, is a third area of intervention.

-A study of applicants to an AID housing project showed that over 40 percent of all applicants were female heads of households, too poor to qualify for the project's credit program. This major aid project is being redesigned to take into account the special needs of women borrowers.

-In Peru, the AID rural enterprise credit program played an important role in changing the policy of the Industrial Bank of Peru from the support of medium- and large-scale enterprises to small businesses which directly affected women's access to credit.

E. Actions to Promote the DAC/WID Guiding Principles

AID is implementing an AID WID Policy Paper, which is consistent with the DAC/WID Guiding Principles. AID is developing mechanisms to further disaggregate data in AID's Office of Training, and to collect data on all of AID's projects and programs which have an impact on women's roles in developing countries.

XII. Broader Instruments of Development Cooperation

A. Reimbursable Technical Assistance

In cases where technical assistance would result in improved management and operations, increased productivity or new investment, the concept of "reimbursable technical assistance" may be an appropriate form of development cooperation. In such cases, there exists the opportunity for generating additional revenue to cover the costs of the technical assistance. The Agency has several such programs. For example, the International Executive Service Corps (IESC), an organization consisting of retired U.S. business executives, receives core funding from AID and is a good example of technical assistance resulting in improved management and increased productivity in business. This organization provides technical and managerial assistance to developing country businesses and other organizations on a cost recovery basis wherever possible. That is, the client firm or organization is expected to pay, to the extent possible, for the technical assistance services provided. The AID funding of IESC allows it to cover some of its central and country level administrative costs (they have offices in 13 countries) while particular services provided are to be covered by the client. Another program, more closely following the commonly held definition of reimbursable technical assistance is the Agency's experimental, reimbursable cost sharing feasibility study program. Potential projects must have host country private sponsors who will be investors in the ultimate project. AID reimburses 50 percent of the study costs up to \$50,000. Should an investment result from the study, there is a repayment commitment on the part of the project's private sponsors for AID's contributions to the feasibility study.

B. New Initiatives to Involve the U.S. Private Sector in Development Efforts

AID believes there are appropriate roles for private business entities to play in development and that such efforts will demonstrate effective public/private cooperation. When incorporating private enterprise efforts into AID's development assistance program, emphasis is given to several subject areas. These areas have been chosen because: i) they are considered to be of high development priority in LDCs; ii) they represent areas in which private enterprise has an appropriate and significant role to play in contributing to development; and iii) they are areas in which considerable expertise to address them is available in the private sector.

In its private enterprise development efforts, AID uses U.S. private sector expertise, resources, and institutions to:

- Provide assistance through U.S. business organizations and law firms with international expertise in reviewing host country laws, regulations and policies which affect business operations and investment decisions, providing recommendations on needed changes to improve the overall investment environment;
- Promote the strengthening and development of capital market institutions which must function effectively to mobilize local resources and provide debt and equity financing for business growth by utilizing expertise available in U.S. investment and commercial banks and venture capitalists (important here is an interest rate structure which reflects the cost of capital and includes risk considerations, and laws/policies which provide incentives for risk taking);
- Develop and provide both technical and management training which responds directly to perceived business needs by accessing U.S. business and technical schools, and other private training institutions/organizations;
- Assist in the transfer, incorporation and management of new, appropriate technologies into host country business enterprise through technical assistance, joint venture investments and other business relationships through such U.S. private organizations as the Joint Agricultural Consultative Corporation, the International Executive Service Corps and others;
- Help develop skills and expertise needed in starting new businesses, including business and strategic planning, raising capital, and penetrating new markets by calling on successful U.S. entrepreneurs to provide such assistance; and
- Develop value added and export businesses and the required marketing skills to generate additional and/or conserve scarce foreign exchange.

C. New Initiatives to Encourage LDC Indigenous Private Sector Participation in Development

AID continues work begun in prior years to encourage LDC private sector participation in development, particularly emphasizing small- and medium-size business development and growth.

The needs of small- and medium-sized enterprises in developing countries include: i) appropriate forms of debt and equity financing; ii) technical, managerial and marketing assistance; iii) access to product and market information; and iv) a policy environment which encourages the development of and investment in such enterprises.

AID is providing assistance in these four areas to help encourage small- and medium-sized business development. On the policy level, efforts will be made to encourage the development of laws and regulations which provide tax and other incentives for investing in small- and medium-sized businesses. While we do not advocate subsidization, preferential tax treatment and other incentives may help to offset risk perceived by potential investors.

AID is also working to strengthen existing and, especially, to create new LDC private sector institutions. To assure a balanced portfolio which allows adequate risk management, such institutions are encouraged to address a range of business needs and to provide several income-generating services. Such services include:

- Debt/equity financing
- Management consulting
- Technical/management training
- Marketing assistance
- Business planning advice

This diversification of services allows institutions to generate income from several sources, while providing small business enterprises access to needed assistance (in a single institution) which is generally difficult or impossible for them to obtain. To achieve these objectives AID is working with and through many institutions in LDCs including chambers of commerce and industry, for-profit cooperatives, and a full range of intermediate financial institutions including several new ones not heretofore utilized by AID such as leasing, export trading, and insurance companies.

D. Trade and Investment Treaties with Developing Countries

I. Trade

The size and openness of the U.S. economy have continued to provide the developing countries with an enormous market for their exports. In 1983, U.S. imports from non-OPEC developing countries amounted to nearly \$80 billion, over 20 percent of these countries' total exports and ten times the level of United States net Official Development Assistance. On the other side, the non-OPEC developing countries absorbed a substantial proportion of U.S. exports--nearly \$60 billion in 1983. This exceeded the value of U.S. exports to our two largest single country markets, Canada and Japan, combined.

Despite growing pressures for protection as the economy began to rebound from the 1980-82 recession, the United States kept to a minimum new trade restrictions against imports from LDCs; it has also gradually been phasing out most existing restrictions. For example, temporary duty increase on mushroom imports expired in October 1983. This action will affect favorably imports from Hong Kong, Korea, and Taiwan. The temporary additional tariff on imports of porcelain-on-steel cookware, which is supplied by Taiwan, Mexico, and other developed countries, was reduced by 50 percent.

Under the auspices of the Multifiber Arrangement (MFA), the United States has bilateral agreements containing specific restraint levels with 26 textile exporting developing countries. An extension of the MFA through July 1986 provides for an orderly expansion of textile trade, particularly for those developing countries which are smaller producers or new entrants in textile trade.

Through its Generalized System of Preferences (GSP) program the United States provides duty-free treatment for imports of approximately 3,000 products imported from 140 beneficiary developing countries. In the eight years that the U.S. program has been in operation, the value of U.S. imports receiving GSP duty-free has increased from \$3.0 billion in 1976 to \$8.4 billion in 1982.

Statutory authority for the U.S. GSP program expires on January 3, 1985. The Administration has announced its intention to seek legislation to extend the program. Major objectives of the extension include improved operation of

the graduation policy to reflect the growing competitiveness of some categories of developing countries and to further integrate developing countries into the international trading system.

The most significant bilateral (and regional) initiative undertaken in the past year was the signing of the U.S.-Caribbean Basin Initiative (CBI). This initiative seeks to use trade and tax measures to facilitate the revitalization of the economies of the 27 nations of the Caribbean Basin. The program provides for a temporary extension of one way duty-free access to the U.S. market for these nations. Duty-free treatment is to be extended on all products with the exception of textiles and apparel, footwear, petroleum products, leather goods, and canned tunafish. The granting of duty access will be uninterrupted for a period of 12 years.

2. Bilateral Investment Treaty Program

The U.S. launched the Bilateral Investment Treaty (BIT) program in late 1981 to negotiate a stable and predictable legal framework within which to invest overseas. The U.S. signed BITs in 1982 and 1983 with four developing countries. At the beginning of 1984 negotiations were underway with Morocco, Cameroon, Gabon, Bangladesh, Sri Lanka, El Salvador, Honduras, Burundi, Zaire and China. During the 1982-83 period the U.S. met with more than 40 countries to explore the possibility of negotiating BITs.

U.S. Official Commitments and Disbursements: Type of transaction

(Millions of dollars)

Type of transaction	Disbursements				Commitments			
	1978	1979	1980	1981	1978	1979	1980	1981
Official Development Assistance: Gross.....	6,296	5,343	7,793	6,487	8,891	8,616	6,939	7,179
Bilateral.....	4,105	4,733	5,019	5,546	6,113	4,757	5,185	5,378
grants.....	2,189	2,506	3,017	3,235	3,772	4,417	3,280	3,495
(of which debt reorganization).....	--	--	--	--	--	--	--	--
Grant-like.....	51	128	134	86	144	134	145	112
Loans.....	1,865	2,099	1,868	1,698	1,630	1,562	1,760	1,771
(of which debt reorganization).....	(64)	(37)	(30)	(100)	(39)	(36)	(26)	(29)
Multilateral.....	2,191	610	2,774	1,468	3,345	2,503	1,993	1,086
Amortization received.....	453	476	479	548	564	543	555	555
Grant and grant-like recoveries.....	180	182	176	157	125	81	555	555
Official Development Assistance: Net.....	5,664	4,684	7,138	5,782	8,202	7,992	555	555
Other Official Flows: Gross.....	2,336	2,680	3,160	3,043	3,619	2,714	3,947	5,036
Bilateral loans.....	2,296	2,051	2,785	2,612	3,188	2,293	3,907	5,036
(of which debt reorganization).....	(89)	(230)	(327)	(195)	(272)	(190)	(134)	(264)
Bilateral equity participation.....	--	72	375	431	431	421	--	33
Amortization received.....	1,026	1,592	2,048	2,127	2,041	2,658	555	555
Other Official Flows: Net.....	1,288	1,087	1,112	916	1,578	56	555	555
Total Official Assistance: Gross.....	8,632	8,022	10,953	9,530	12,510	11,330	10,885	12,215
Total Official Assistance: Net.....	6,951	5,771	8,250	6,998	9,780	8,048	555	555
Amortization received.....	1,501	2,069	2,527	2,675	2,605	3,201	555	555
Recoveries.....	180	182	176	157	125	81	555	555

Note: All data in this table, and in the accompanying table by program, are from the U.S. original submissions, adjusted to include consistently transactions for Portugal, administrative expenses under the Foreign Assistance Act, and disbursements of capital subscription payments to multilateral development banks on an issuance basis.

Source: Compiled by Bureau of Economic Analysis, U.S. Department of Commerce, from information made available by operating agencies.

November 6, 1984

Table H

Structure of U.S. Official and Private Flows: Net disbursements

(Millions of dollars)

Type of transaction ¹	Calendar year			
	1982		1983	
	Amount	Percent	Amount	Percent
Total Official and Private Flows (I + II + III + IV).....	30,159	100	22,948	100
Total Official Flows (I + II).....	9,780	32	8,048	35
I. Official Development Assistance.....	8,202	27	7,992	35
Bilateral grants and grant-like flows...	3,791	12	4,470	20
Bilateral loans.....	1,070	4	1,023	4
Multilateral ²	3,341	11	2,499	11
II. Other Official Flows.....	1,578	5	56	(*)
Total Private Flows (III + IV).....	20,379	68	14,900	65
III. Private Flows at Market Terms.....	19,099	63	13,580	59
Direct investment ³	5,451	18	2,340	10
Multilateral portfolio.....	1,210	4	1,067	5
Other long-term assets, including export credits.....	12,438	41	10,173	44
IV. Grants by Voluntary Agencies.....	1,280	4	1,320	6

1. For details see DAC questionnaire table 1.

2. Disbursements of capital subscription payments to multilateral development banks are recorded on the issuance basis.

3. Includes net new direct investment and reinvested earnings.

* Less than 0.5 percent.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

July 20, 1984

Table I

Summary of U.S. Official and Private Flows: Net disbursements

(Millions of dollars)

Type of transaction ¹	Calendar year		Annual change
	1982	1983	
Total Official and Private Flows (I + II + III + IV).....	30,159	22,948	-24%
Total Official Flows (I + II).....	9,780	8,048	-18%
I. Official Development Assistance.....	8,202	7,992	-3%
II. Other Official Flows.....	1,578	56	-96%
Total Private Flows (III + IV).....	20,379	14,900	-27%
III. Private Flows at Market Terms ²	19,099	13,580	-29%
IV. Grants by Voluntary Agencies.....	1,280	1,320	+3%
Memo item:			
U.S. Gross National Product (billions of dollars).....	3,059.3	3,310.5	+8%
Percent of Flows to U.S. GNP:			
Total Flows.....	.99%	.69%	\$\$\$\$\$\$
ODA.....	.27%	.24%	\$\$\$\$\$\$

1. For details see DAC questionnaire table 1.

2. Includes net new direct investment and reinvested earnings, portfolio investment, and export and trade credits.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

July 20, 1984

Commitments of U.S. Official Programs

(Millions of dollars)

Type of transaction	Calendar year							
	1982				1983			
	ODA	OCF	Total	ODA grant element	ODA	OCF	Total	ODA grant element
Total.....	8,232	3,558	11,790	93.7%	9,482	1,173	10,655	94.4%
Excluding debt reorganization.....	8,197	3,413	11,610	93.8%	9,448	1,037	10,485	94.6%
Grants ¹	6,770	--	6,770	100.0%	8,106	--	8,106	100.0%
Excluding debt reorganization.....	6,770	--	6,770	100.0%	8,106	--	8,106	100.0%
Loans.....	1,462	3,536	4,997	64.4%	1,376	1,149	2,525	61.7%
Excluding debt reorganization.....	1,427	3,390	4,817	64.4%	1,343	1,012	2,355	61.7%
ODA.....	1,462	\$\$\$\$\$\$\$\$	1,462	\$\$\$\$\$\$\$\$	1,376	\$\$\$\$\$\$\$\$	1,376	\$\$\$\$\$\$\$\$
Excluding debt reorganization.....	1,427	\$\$\$\$\$\$\$\$	1,427	\$\$\$\$\$\$\$\$	1,343	\$\$\$\$\$\$\$\$	1,343	\$\$\$\$\$\$\$\$
OCF.....	\$\$\$\$\$\$\$\$	3,536	3,536	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	1,149	1,149	\$\$\$\$\$\$\$\$
Excluding debt reorganization.....	\$\$\$\$\$\$\$\$	3,390	3,390	\$\$\$\$\$\$\$\$	\$\$\$\$\$\$\$\$	1,012	1,012	\$\$\$\$\$\$\$\$
Equity participation.....	--	23	23	\$\$\$\$\$\$\$\$	--	25	25	\$\$\$\$\$\$\$\$
Grants as a percentage of total.....	82.2%	--	57.4%	\$\$\$\$\$\$\$\$	85.5%	--	76.1%	\$\$\$\$\$\$\$\$
Excluding debt reorganization.....	82.6%	--	58.3%	\$\$\$\$\$\$\$\$	85.8%	--	77.3%	\$\$\$\$\$\$\$\$

Table J

1. Includes grant-like and capital subscriptions to multilateral institutions.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

July 20, 1984