

# NEW CHALLENGES NEW OPPORTUNITIES

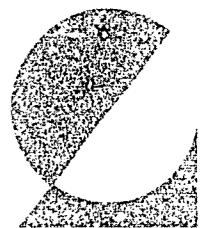
*U.S. Cooperation for International Growth  
and Development in the 1990s*

■ *Ralph H. Smuckler and Robert J. Berg with David F. Gordon*

■ *Michigan State University*

*Center for Advanced Study of International Development*

*East Lansing, Michigan*





## COOPERATION FOR INTERNATIONAL DEVELOPMENT *U.S. Policies and Programs for the 1990s*

A Project of  
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### *Cooperating Institutions and Organizations*

The following institutions and organizations have collaborated with Michigan State University by sponsoring or co-sponsoring colloquia and symposia on various aspects of development cooperation. The topics of these colloquia are listed in the preface.

- Association for Women in Development
- Board on Science and Technology for International Development,  
National Research Council
- The Futures Group
- Institute of International Education
- Johns Hopkins School of Hygiene and Public Health
- Midwest Universities Consortium for International Activities
- Overseas Development Council
- U.S. Council for International Business
- Virginia Tech College of Architecture and Urban Studies in cooperation  
with Washington Chapter, Society for International Development
- Winrock International Institute for Agricultural Development
- World Resources Institute

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## ■ PREFACE

This report draws upon a national project organized by Michigan State University to study and advise on U.S. policies of economic cooperation with the Third World in the 1990s. Michigan State University was fortunate in receiving support for this year-long effort from the MSU Foundation, the John D. and Catherine T. MacArthur Foundation, the Carnegie Corporation, and the Pew Charitable Trust and in being joined by a large number of leading scholars and experienced policy makers who contributed papers and other advice to this activity. A list of these papers and authors is provided on the inside of the back cover.

A number of leading U.S. institutions, with the help of other foundations, sponsored colloquia on specific development sectors as part of this major inquiry. These institutions and their topics were as follows:

Association for Women in Development: *Gender Issues in Development Cooperation*

Board on Science and Technology for International Development, Office of International Affairs of the National Research Council: *Policy for the 1990s: Science and Technology for Sustainable Development*

The Futures Group: *International Population Assistance in the 1990s*

Institute of International Education: *The Role of Education and Training in Development in the 1990s*

Johns Hopkins School of Hygiene and Public Health: *International Health in Development in the 1990s*

Michigan State University Center for Advanced Study of International Development: *The Changing Nature of Third World Poverty in the 1990s*

Midwest Universities Consortium for International Activities: *Role of U.S. Universities in the Development Task in the 1990s*

Virginia Tech College of Architecture and Urban Studies in cooperation with the

Washington Chapter of the Society for International Development: *Urbanization in Developing Countries: Potentials for U.S. Development Cooperation*

U.S. Council for International Business: *U.S. Policy for the 1990s: Promoting Private Direct Investment*

Winrock International: *Future of U.S. Development Assistance: Food, Hunger and Agricultural Issues*

World Resources Institute: *U.S. Policy in the 1990s: International Cooperation for Environmentally Sustainable Development*

The Overseas Development Council cooperated with MSU throughout the project, particularly in organizing several symposia in Washington to review papers commissioned for the project and a preliminary outline of this report. We have drawn extensively upon this excellent work.

We are also grateful to Tom Carroll, Director, and Doris Scarlett, Program Coordinator, and the staff of the Center for Advanced Study of International Development. We thank Gordon Rohman, Michael Schechter, and Tom Carroll of MSU for their commentary on this report. We also want to acknowledge the fine contributions of John Sewell, Norman Uphoff, Jerry French, and all of the colloquia leaders who offered comments on drafts of this report. Appreciation is also extended to the literally hundreds of people who commented on the first draft of this report during and immediately following a major national conference held at MSU in May 1988.

This report is the product of the authors and should not be attributed to their institutions nor to the numerous individuals and organizations that cooperated on the project by preparing papers and organizing colloquia. A variety of other publications will allow these contributing authors and institutions to speak for themselves and in greater depth on their respective topics.

# Summary and Conclusions

As we enter a new decade and look forward to a new century, the time is ripe for us to envision the better world we would want to leave our children. What, we ask ourselves, should we strive for? At least three cardinal objectives: *broadly based growth, an effective attack on poverty, and an end to the destruction of the environment.* More than any other nation in the world, we stand to gain from a global system that promotes these objectives.

To accomplish these objectives, we believe the United States must forge a new, a more mature relationship with the Third World. We need to shift from the old idea of aid to the new idea of *mutual gain through cooperation.* With developing countries as partners, we can progress together into the 21st Century. In this way, we serve both our political and economic interests and satisfy some of America's most basic humanitarian values. We also enhance our nation's long-term security in an increasingly interdependent world.

Why is now a good time to make major changes in our engagement with the Third World? Because the world has changed in the past several years – in global economics and politics, in our domestic economics as well as in the Third World itself. The Third World is no longer a single, homogeneous group of countries. Now they range from the very poor to the newly industrialized. Global environmental problems loom larger. All these changes *in the world* require us to change our way of relating to the world. It is time to reexamine and recreate our policies and programs for development, for progress in the developing countries is increasingly important to this country.

Depending on their needs and on their importance to us, different countries in the Third World will present different challenges. We especially need to move to a cooperative style with the strongly advancing countries. In those less developed, however, we will need to maintain aid while at the same time pointing toward new cooperative modes in the future. Ultimately, of course, all Third World countries must themselves be responsible for stimulating their own economic growth, for reducing their poverty, and for improving their environment. The U.S. can, however, help and hasten the process.

To this end, we should use our experience and skills:

- to enhance physical well-being through improved *health systems and population planning*;
- to work for *sustainable agricultural systems*, particularly emphasizing food supplies and forestry;
- to develop *environmental programs and policies* that will protect natural resources and, through emphasizing renewable supplies and conservation, assure better energy security; and
- to foster sound *urban development policies*.

The latter two are new themes, whereas the former are older and can be addressed now in more effective ways. We can approach all four through our strengths in:

- developing *human resources*, particularly at advanced levels, in order to improve managerial capabilities;
- using *science and technology*, especially to further local capacities and to develop joint research programs;
- fostering *policy and institutional development*; and
- mobilizing *diverse energies for development*, with special emphasis on the private sector, nongovernmental organizations, women in development, and human rights.

While we are doing this, we must at the same time pay special attention to three urgent problems: *Third World debt*, which endangers both growth and the international financial system; *Africa*, where the degradation of the environment and poverty imperil human life itself; and *global deterioration of the environment*, which requires global cooperation.

New U.S. cooperation requires actions well beyond what any one U.S. agency can do – actions that will be broader than international development policy alone. If we are to cultivate better our national interests, we need to coordinate better our national resources. The Treasury

Department, Trade Representative's Office, Department of Agriculture, Peace Corps, Environmental Protection Agency and others – all will play significant roles as we address new problems and opportunities in the developing world.

The Agency for International Development must change. Its structure and name ought to reflect the new theme and style of mutual gain through cooperation. To this end it should expand its analytical capacity and guide U.S. agencies toward a new U.S. relationship with developing countries.

The new Administration should:

- establish a council led by the White House to coordinate U.S. agencies' actions and policies on development;
- create a semiautonomous foundation to strengthen research and the use of science and technology for development;
- consider the size and number of overseas missions as new tasks and cooperative modes evolve; and
- involve intermediaries more often and use binational councils and boards in countries abroad.

Our funding of aid is low compared to that of other industrial countries and to our past contributions. As we move vigorously toward our goals with new modes of cooperation and greater effectiveness, progress will justify an increase in our official development assistance. In this process we should sort out development funds from short-term political and military aid so that cooperation for sustainable development can build its own constituencies.

*We should understand and evaluate development cooperation in terms of our own interest in our three primary goals – achieving broadly based economic growth, effectively attacking poverty, and ending the degradation of the world's environment. The President must lead; others will follow. It is essential that he provide the vision of the better world we can attain for the generations to come.*

# Introduction

The United States, more than any other nation in the world, stands to gain from a global system that promotes *broadly based growth, an effective attack on poverty, and an end to degradation of the world's environment.* We have the most to gain for the same reason that we would have the most to lose if, in the years ahead, we do not realize such goals. As the world's economic and scientific leader, and as the largest nation living in freedom and comfort, we cannot neglect playing a key role in an interdependent world facing profound global and domestic changes. In the decade ahead we must cooperate effectively with the nations and the peoples of the Third World to attain these ends.

The world of the 1990s, and that of the 21st century, will be substantially different from one in which a worldwide enterprise known as "foreign aid" was launched forty years ago. New circumstances make the concept of foreign aid less appropriate. To much of Asia and Latin America, the concept of "cooperation for development" fits better. If we are to address difficult issues successfully, we must encourage cooperation for mutual gain as an essential step toward maintaining a progressive global system. Furthering our own economic, humanitarian, and political interests in the world will depend increasingly on such cooperation.

By development cooperation, we mean that we share responsibilities widely and appropriately. The primary responsibility must lie with the developing countries themselves. But the people and governments of other countries, including the U.S., should expect to join in this endeavor by contributing resources and helping to shape policies.

Global progress will not come easily or cheaply. But experiences of the last forty years, both good and bad, have taught us how to proceed in more reliable and cost-effective ways. Among other things, we have learned the possibilities and the limits of

transferred technology, the need to mesh capital and recurrent costs, the need to develop human resources and institutions – and why we must avoid creating dependence; and, instead, foster self-reliance. We have seen countries transformed from receivers of aid to productive members of the global economy.

*We ask ourselves, what kind of world do we want to leave for our children? A world of diminishing opportunity? A world of slow economic growth or stagnation? A world filled with hunger and disease? A world of illiteracy? Of eroding soils and shrinking forests? Of pollution and other environmental deterioration? Of angry people and wasted human talent?*

If we stand by, if we take a short-sighted view, pursuing only narrow and immediate interests, we will allow the uneven progress of development in Third World countries to let hundreds of millions of people sink further from decent standards of life. Is that what we want to leave as our heritage?

Our ability to lead the world into a new century will no longer depend upon our economic dominance. Instead it will depend on the quality of our strategic thinking and our skill at forming cooperative efforts to attack complex problems. *Just as the new reality of our changing world opens new opportunities, so also, in the decade ahead, does it pose new challenges for our national leadership.*

In this report we will address three broad questions:

- ❖ Why should the United States have a leading role in development cooperation in the 1990s?
- ❖ What should be the main lines of U.S. development cooperation?
- ❖ How should we carry them out?

# Why Should the United States Have a Leading Role in Development Cooperation in the Decade Ahead?

As we review recent changes, both international and domestic, it is clear that we need to change our policies and programs. It is also clear that our national interests point to even more active participation in international development. The challenge will be to refine both our purposes and our operations to keep step with a new era.

## ■ CHANGES ON THE INTERNATIONAL SCENE

In the 1970s and 1980s, profound transformations in the world economy ended American economic supremacy. The economic order created at the end of World War II provided a remarkable engine of growth. Both the war-advantaged and war-damaged economies of North America, Europe, and Japan grew as did many of the developing countries, especially in Asia and Latin America. Joining the United States as major actors on the global scene were Japan, Canada, the nations of the European community, and a group of newly industrialized countries (NICs). Most have now become significant participants in international development assistance, an activity whose early years were dominated by the U.S.

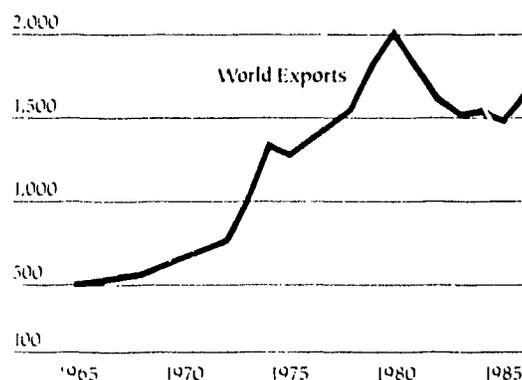
Not only does the world economy now have many more significant actors, but relationships among them are increasingly complex. Organizational, scientific, and technological revolutions have made international economic relationships ever more complicated. The rise of the multinational corporation and international money center banks created economic entities with global scope and the communications revolution facilitated split-second transfers of massive sums of money. *In the contemporary world economy, trade, international private investment, and global financial transfers are all inextricably linked and growing. Truly the global economy has arrived.*

**P**rofound transformations in the world economy ended American economic supremacy. ■

### World exports, 1965-1986

The real value of world exports increased four-fold between 1965 and 1980 and then declined 25 percent during the global recession of 1980-1983.

\$ billions, constant 1980\*



\*Deflated by the U.S. export deflator

	1965	1970	1975	1980	1983	1986
World exports	186.5	312.0	872.7	2,002.0	1,813.5	2,133.0
Share of world exports (percentages)						
Industrial countries	68.9	71.9	66.1	66.3	64.1	69.0
Non-OPEC developing countries	13.3	11.5	11.2	12.6	15.0	15.2
OPEC countries	6.0	5.8	13.0	15.3	9.9	5.6
Centrally planned economies†	11.7	10.5	9.7	8.8	11.0	10.2

†Includes Asian centrally planned developing economies as well as Eastern Europe

Source: Published by permission of Transaction Publishers, from *Growth, Exports, and Jobs in a Changing World Economy*, by John W. Sewell and Stuart K. Tucker, p. 208. Copyright © 1988 by the Overseas Development Council. The figure is based on data from United Nations, *Monthly Bulletin of Statistics* (July 1981 and June 1986), Special Table B, and GATT, *International Trade 85-86*, Table A1.

There have been other fundamental changes. The world has only recently acknowledged how fragile are the global commons and how threatened is the environment. Problems abound: acid rain, ozone depletion, desertification, and the destruction of rain forests. The speed of environmental change has taken much of the world by surprise. It poses a threat to the quality of life for

succeeding generations in all countries. We are just beginning to realize something new. Formerly, we felt that concern with the global environment could be addressed by successful economic development. Now, we are beginning to understand *we can attain development only by protecting the global environment and by balancing population and resources.*

Evolving patterns of global politics match the changes in the international economy and in the human and physical environment. A multipolar world has replaced the bipolarity marked by U.S.-Soviet rivalry; the ideological conflicts of liberalism and Marxism no longer dominate the contours of international relations. Two particularly important trends will have wide ramifications. First, Marxist ideology as an organizing principle for national development is declining. This is seen not only in Europe and the Third World, but most remarkably in the policy and ideological uncertainty gripping the Soviet Union and China, the Communist giants.

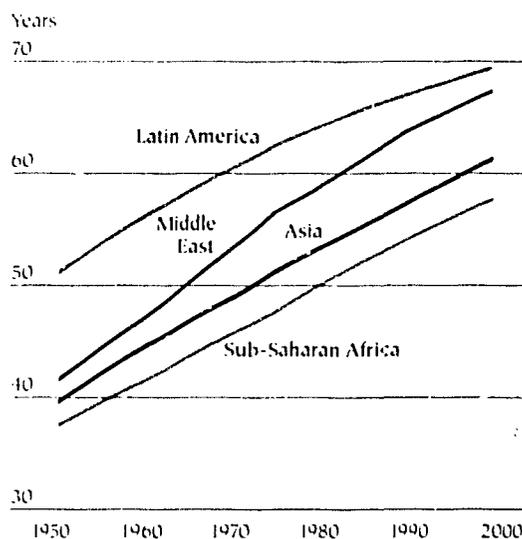
The second is the rise of Mikhail Gorbachev to leadership in the Soviet Union. The foreign policy implications of "glasnost" and the domestic imperatives of "perestroika" may open up possibilities for more pragmatic treatment of world issues and a wider agenda between the superpowers. This might include joint attention to the "backwardness, hunger, poverty, and mass disease" in developing countries to which Gorbachev referred in a response to President Reagan during the May 1988 summit in Moscow.

## ■ CHANGES IN THE THIRD WORLD

In the Third World, the most striking development has been the rapid growth of the newly industrialized countries - South Korea, Brazil, Taiwan, and others. During the first thirty years of the postwar period, the Third World expanded its manufacturing capacity

faster than did the industrialized countries. At the same time, education and health systems were built not only in the more advanced Latin American states, but even in some of the poorest nations in Asia and Africa. Life expectancy increased dramatically with the taming of several major diseases. But many who reside in the Third World continue to live in poverty. *The promise of development has only been partially fulfilled.*

Life expectancy at birth, 1950-2000



Source: Data and projections compiled in 1987 by The Futures Group, Glastonbury, CT from UN and World Bank sources.

In the three decades following the end of World War II, the Third World profited both by the expansion of global trade and by substantial net resource flows from the industrialized countries to the developing countries. These took several forms: foreign private investment, commercial bank lending, multilateral public investment, and bilateral foreign

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**T**he 1980s have been years of development crisis. ■

assistance. The flow peaked in the latter half of the 1970s when Western banks recycled OPEC petrodollars back into the developing world at a rate of some \$100 billion per year. But in the 1970s major instabilities in the international economy hit the Third World – a free floating dollar, huge energy price hikes, and major unregulated movements of capital.

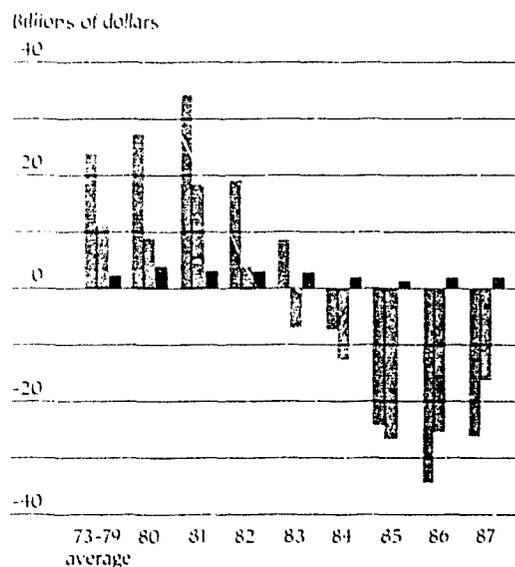
With the recession of the early 1980s, skyrocketing interest rates, and the appreciation of the dollar, the recycling of the 1970s became the debt crisis of the 1980s. As the cost of servicing old loans was increasing, the amount of commercial lending was decreasing drastically. At the same time, aid fatigue hit some donors, mainly the U.S. Net North-South resource flows have ranged from negligible to negative in the 1980s. Nonofficial financial flows have virtually stopped for the poor half of the developing countries. The global financial system began to contract as lenders judged some of the poorest countries too risky for new loans.

With some exceptions, the 1980s have been years of development crisis. Overall growth rates in the developing countries, with the exception of the newly industrialized countries, dramatically decreased. For many countries, this decade has produced economic stagnation and new human suffering. Per capita income fell appreciably in most of Africa and much of Latin America.

The international response to the development crisis of the 1980s has been programs of economic stabilization and adjustment supported by the donors. These have tried to help developing countries reorient their policies to face the constraints of debt and reduced resource flows. These programs were a necessary response to chronic balance of payments crises facing many developing countries, but they have not been sufficient to spur renewed development. At the same time, they have been the source of mounting tension concerning international economic policy among the developing countries, the

### Net resource transfers to developing countries, 1973 to 1987

□ All developing countries    ▨ Highly indebted countries    ■ Low-income Africa



Note: Net resource transfers are defined as disbursements of medium- and long-term external loans minus interest and amortization payments on medium- and long-term external debt.

Source: The World Bank, *World Development Report 1988* (Oxford University Press, New York, 1988), p. 30.

industrial countries, and major international financial institutions. There is a growing consensus: renewed growth is not possible so long as net capital flows are negative for many developing countries.

The problems of poverty remain pressing. But poverty itself has changed radically in recent years in the Third World. For some among the poor, conditions have worsened recently due to economic depression. The move away from farms has lessened food security for many, machines have replaced labor, and new technologies have replaced commodities. At the same time, many of the poor now live longer, have better access to basic health and education services, are easier to reach through improved communications systems, and in many areas are better

**P**overty itself has changed radically in recent years in the Third World. ■

organized. Aid donors and governments have learned a great deal about better antipoverty strategies. Nevertheless, these new approaches barely keep pace with the dynamic evolution of the problems of the poor.

During the past forty years one of the most radical transformations in history has gathered momentum: the transformation of women's roles and opportunities in society. Women today live longer, have fewer children, and are more likely to be literate, to work outside the home, and to have political and legal rights. *An international consensus has emerged that it is necessary to create opportunities for the full and equal participation of women in all sectors.*

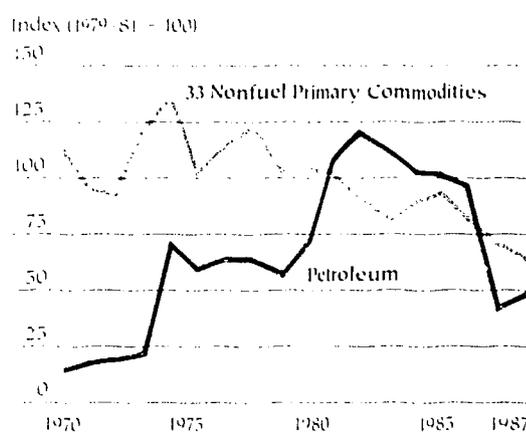
Another significant change in the developing countries is that *increasing numbers of nongovernmental organizations are emerging with capacity to plan and carry out programs in low cost, participatory ways that conventional programs have had difficulty attaining.* They can catalyze development as well as provide services, explore alternative approaches, and expand institutional capabilities.

*We have seen an increase in managerial, technical, and scientific capabilities and strong development-oriented institutions in some parts of the developing world.* The existence of this core of trained and skilled personnel necessitates new norms of equality between donors and recipients and opens up a range of potential relationships based upon more direct mutual benefit, lying outside of the purview of foreign assistance per se.

At the same time, rapidly changing technology in the industrialized economies has challenged the still relatively small scientific and industrial establishments in most Third World countries to keep competitive. The world is on the verge of a new Industrial Revolution. It is likely to weaken the demand for

traditional raw materials and put poor countries at an increasing scientific disadvantage in a more competitive global economy. The loss of markets to new technologies (for example, copper to fiber optics) is a likely result. This poses a difficult challenge to those countries relying strongly on international markets in the years ahead.

### Real commodity prices, 1970 to 1987



Note: Real prices are annual average nominal prices in dollars, deflated by the annual change in the manufacturing unit value index (MUUV), a measure of the price of industrial country exports to developing countries.

Source: The World Bank, *World Development Report 1988*, op. cit., p. 25

*The politics of the developing countries have also changed in several ways.* The concept "Third World" itself is losing force. It originally denoted a set of widely shared characteristics and a critical political movement. Both elements of the definition now have less cogency. How useful is it, for example, to group in the same category a newly industrialized state like South Korea, an impoverished African state such as the Sudan, and a Caribbean microstate like Barbados?

For many countries, the very success of development has led them to confront a new range of issues and problems quite different from those that the poorest and least developed still face. The idea of a "Third World"

*It is necessary to create opportunities for the full and equal participation of women in all sectors. ■*

*The concept "Third World" itself is losing force. ■*

**D**eveloping countries now have a rich legacy of experience, both in projects and policies, from which to draw... ■

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still has some political meaning, but it is not very useful for practical planning of development cooperation in the 1990s. We use the term in this report for lack of a better way to designate easily a large and varied group of countries that over the years have received U.S. development assistance.

In many developing countries, adjustment has caused a critical reevaluation of their own performance in promoting growth and development. There is also recognition of the degradation of the environment and the harm caused by high population growth rates. Many countries have ceased blaming the West for all failures and have accepted their own responsibility for shortcomings in development, including domestic policy failures and corruption. *In the varied regions of the developing world, there is a creative quest for pragmatic solutions to development problems. This attitudinal shift bodes well.*

Although the international context for development is less positive today than in the recent past, developing countries now have a rich legacy of experience, both in projects and policies, from which to draw in future planning. We can point out many internationally supported success stories: large-scale public health campaigns such as smallpox eradication and oral rehydration to treat diarrheal disease; broad-based improvements in agricultural productivity in much of Asia as a result of the Green Revolution's introduction of high-yielding grain varieties and related technology; and the vast experience of smaller-scale projects. In Asia and Latin America we can point to countries that have graduated as recipients to become potential aid donors. *This range of successful policies and efforts in all parts of the developing world offers lessons for the future. Demonstrably, development has a positive learning curve. One of the lessons is the need for patience; change is not an overnight process.*

## ■ CHANGES IN THE U.S. POSITION

In 1988, Americans have been engaging in a national debate concerning the status of American power in the contemporary world. Is America in decline? If so, what are the implications? These basic questions are under discussion more now than ever before.

*The role of the United States in the developing world is being questioned. There are those both here and abroad who have written off the United States as a force for development. We believe that this is wrong. To the contrary, the United States has both a large stake in international development and a wide range of strengths and capabilities that can contribute to the process.*

If power is defined in a purely relative manner, then any other nation's success diminishes ours. But the entire postwar experience challenges so narrow a concept of power. Our success contributed to the success of others and drew strength from it. As a result, we now live in a world that is both more competitive and more demanding of international cooperation as we respond to common problems and challenges. It is a world that demands more mature relations, both between the U.S. and the other industrial countries and with the nations of the developing world. Statesmanship in the 1990s must artfully blend the competitive elements of international relations with the cooperative ones. This will be as true in the area of international development as in other aspects of foreign policy.

In a dramatic change from past decades, the U.S. has now become the world's largest debtor. Budget, trade, and financial imbalances threaten both the long-term potential of the U.S. economy and the world economy at large. We need to make more efficient use of available resources in government and private-sector activities, including those involving the developing world. We simply must do better with what we have.

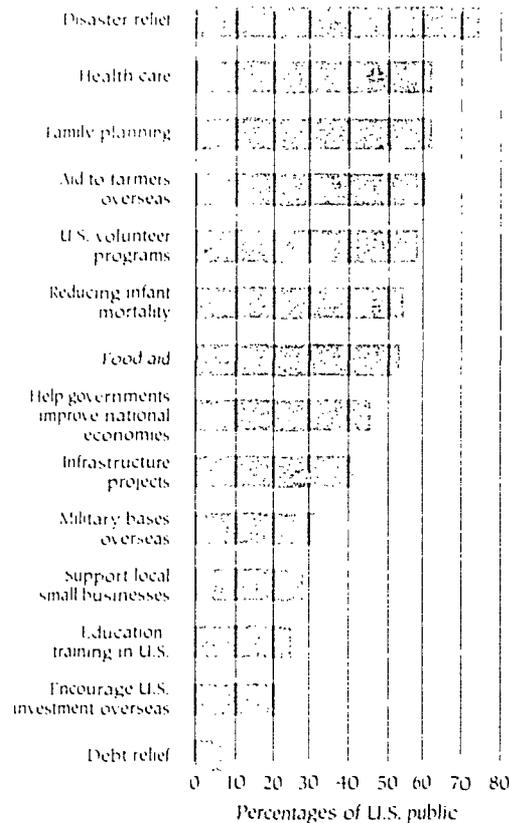
America's capacity to participate effectively in development cooperation activities with the Third World has increased. Particularly in areas of applied science and technology – i.e., in fields such as agriculture and farming systems, health, and environmental science – the range and depth of American capabilities to match Third World needs is greater than ever before. American universities, research institutions, and corporations are at the forefront, expanding scientific knowledge of direct importance to a wide range of developing countries. But the ability of the U.S. to harness this capacity has been constrained by our own indebtedness, the budget deficit, and waning support for foreign assistance.

A recent survey reconfirms that Americans are ambivalent toward Third World development. On the one hand, they are uncertain about foreign assistance; on the other, they support global humanitarian activities. In the 1980s, Americans reasserted their traditional commitment to improving global well-being, especially of the underprivileged and oppressed. The generous response by the American public to the African drought of the mid-1980s dramatically showed this. But more importantly, in the 1980s nongovernmental organizations expanded their roles in international development. And on university campuses across our nation, there is a renewed interest in the Peace Corps and in career opportunities in development.

### Kinds of aid programs favored by the U.S. public, 1986

"Now let's talk about what kinds of aid programs are important. On a scale where 1 means lowest priority and 10 means top priority, using any number between 1 and 10, where would you place these types of aid?"

Percentages of respondents giving high priority (rate of 8-10) to enumerated kinds of aid programs:



Note: The margin of error for responses to this question is 2.8 percentage points.

Source: Christine F. Contee, *What Americans Think: Views on Development and Third World Relations*, A Public Opinion Project of InterAction and the Overseas Development Council, New York and Washington, D.C., 1987, p. 28.

**W**e simply must do better with what we have. ■

## □ IMPLICATIONS FOR U.S. INTERESTS

These recent and profound changes must lead us to reappraise carefully our interest in the Third World and its development. Most broadly, our interest lies in the growth of a healthy global system that will help to sustain the values we cherish. By any measure, the Third World is now an important part of that system. What happens in Latin America, Asia, Africa, and the Middle East makes a substantial difference as we strive to build a world in which broad-based economic growth occurs, poverty lessens, and the environment improves. We do, indeed, have the largest stake in such a world, and conditions prevailing in developing countries are an important part of that world.

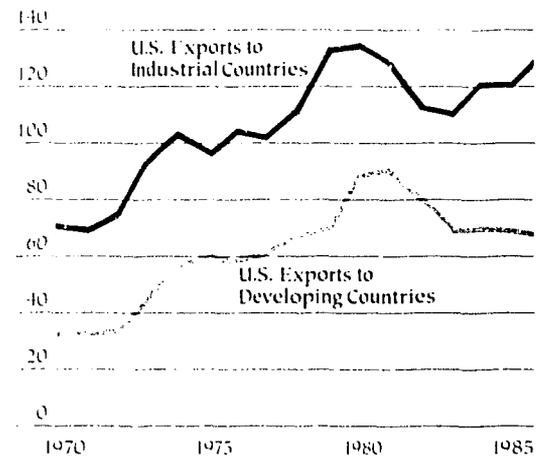
*If the U.S. is to play its role well, we must forge a new national consensus on the importance of Third World issues and international development goals; and we must chart our course sensitively, marshalling our capabilities in recognition of new circumstances. There are humanitarian, economic, and political interests at the base of such a consensus. What are these interests?*

The bywords of the late 1980s in the U.S. have been economic interdependence and the need for competitiveness. But few Americans, even among our leading policy makers, are aware of the degree to which this interdependence includes the developing countries. Before the debt crisis, which inhibited developing countries' consumption of American goods and services, the Third World was our most rapidly growing market. In the early 1980s, the Third World purchased forty percent of all American exports. In fact, investment in growth in developing countries has had a more rapid and positive impact on our trade than similar investments in the older

industrial economies. U.S. agricultural sales to South Korea, until recently a recipient of U.S. aid, in one year exceeded in value all of the P.L.-480 aid flow ever provided to that country. Thus, *as we approach a new decade, growing interdependence means that the U.S. has an increasing stake in a healthy global economy, in which the Third World plays a significant role.*

### U.S. exports to industrial countries and developing countries, 1970-1986

\$ billions, constant 1980\*



\*Deflated by the U.S. export deflator

Source: Published by permission of Transaction Publishers, from *Growth, Exports, and Jobs in a Changing World Economy*, by John W. Sewell and Stuart K. Tucker, p. 210, copyright © 1988 by the Overseas Development Council. The figure is based on data from U.S. Department of Commerce, *Highlights of U.S. Export and Import Trade*, December issues, 1970-1986.

We have both an economic and a humanitarian interest in seeing that the world grows economically with minimum damage to the natural environment. In an ecologically interdependent global system, severe damage to the environment in one region affects other regions. Recovery from environmental devastation, if possible at all, will be costly to all countries, including the United States. So the attack on global environmental damage must include attention to what is happening in the Third World.

**O**ur interest lies in the growth of a healthy global system that will help to sustain the values we cherish.

**F**ew Americans...are aware of the degree to which interdependence includes the developing countries.

*With others, including developing countries, we share an interest in maintaining a global economic system that enables our type of market-oriented economy to continue and to prosper. We benefit and so do others, when trade is relatively open, when commercial transactions proceed through orderly rules of trade and finance, and when the rules for settling disputes and shipping goods are widely understood and accepted.*

We also have a national economic interest in the resolution of the Third World debt crisis. The massive debt in a number of Latin American countries, in particular, represents the Achilles heel of the global financial structure as well as a major constraint on our ability to expand exports in order to reduce the trade deficit.

*The United States also has important political interests in developing countries. Some are more politically and strategically important than others, but potentially we have at least some interest in all. This becomes apparent when one realizes the extent to which we have become involved militarily since World War II, not in the Western World (the industrial and economically advanced countries), but in Asia, the Middle East, and Latin America. Tensions in these areas have mounted to the political and military boiling points.*

In the world we wish to pass on to the next generation, we seek to promote and protect values of widespread citizen participation, respect for civil and human rights, and rule of law. Fortunately, as we approach the last decade of the century, the world is clearly moving toward more open societies that will pay more respect to these values.

*The U.S. has an interest in cooperating with the Third World in the resolution of a series of pressing contemporary problems. Some of these are domestic problems with an international dimension: drugs, crime, and diseases such as AIDS. Developing countries do not cause these problems, but cooperation with these*

countries must be part of our strategy for attacking the problems. Some problems are international but affect the quality of life at home: maintaining a livable global environment, controlling infectious diseases, eliminating locusts and other infestations, meeting the challenge of terrorism, and managing common property. All require a multinational approach as part of the solution. Since Third World countries are a majority in many international agencies that address these problems, they are, therefore, politically important to us.

Americans have always been willing as a nation and as individuals to help others. Our national self-image dictates that we do our fair share to alleviate famine and the worst aspects of poverty. The citizen response to the African drought reaffirms this view. Television pictures of gross inequalities and poverty prick our conscience and challenge our vision of what the world ought to be and our nation's role in it. Thus, the very *humane* values that form our nation's basic fiber dictate that we offer a hand and do what we can to alleviate poverty.

For all of these reasons, we have an important interest in a wide array of Third World countries and in their development. Just as the array includes the poor at one end and the more advanced at the other, our response must vary and the tools available must be numerous and well designed. In light of these national interests, what are the implications of the changes of recent years for U.S. development programs and policies in the next decade?

These changes make it clear that our nation must conceive these programs in a much broader context than has been the case in the past. *The Third World is too important a component of the global economy and environ-*

*The very humane values which form our nation's basic fiber dictate that we offer a hand and do what we can to alleviate poverty. ■*

**T**he concept of security...rests also on protecting the global environment, maintaining a viable global economic order, and dealing effectively with such widespread problems as drugs, crime, and disease. ■

ment to be analyzed in isolation. Thus, any serious U.S. approach to Third World problems in the 1990s must go well beyond the efforts of a single development agency, central as the Agency for International Development, for example, may be to the process.

Taken together, these changes – internationally, in the Third World, and in the U.S. – call us to rethink fundamentally the meaning of our national security. In an earlier era, strategic and military considerations dominated the concept of security. Today, it rests also on protecting the global environment, maintaining a viable global economic order, and dealing effectively with such widespread problems as drugs, crime, and disease. These could be as overwhelming to our societal well-being as military actions or confrontations. All call us to cooperate worldwide. Without such cooperation our future is, indeed, insecure.

An American President must develop a broad understanding of the Third World and its importance to us. To ignore these countries poses unnecessary risk. We must beware lest an episode that we little understand involves us in a major confrontation. What post-World War II President has not become seriously embroiled in Third World areas – in South Korea, Southeast Asia, the Middle East, or Central America? Is there a post-war President who did not suffer serious loss of reputation in the process?

Another advantage to our taking a leading role in development is this. We associate with people and forces in the developing world that are most likely to seek the type of global economic and political system that would support our own goals and values. At the very pragmatic level, our development cooperation programs open doors for Americans – both official and unofficial. American ambassadors to Third World countries can

cite numerous examples. At the more practical and competitive level, our aid programs have permitted us to match, or even push up, the contributions of the many others who are now investing in development programs. This has been to our political and economic gain. And at the more idealistic level, our role at the forefront of development thinking and action satisfies our needs to help others who at this time in history are less fortunate.

So the answer to "Why should we have a leading role in development?" is twofold: it is right to do so because it is in line with our values and it is practical to do so because it works to our national advantage. The concerns as we enter the 1990s are not "should" but "what" and "how"; the issues are those of effectiveness, scope, and style appropriate to the 1990s and a new century.

# What Should Be the Main Lines of U.S. Development Cooperation in the 1990s?

We now turn to consider the array of activities to encourage growth, to protect the environment, and to alleviate poverty. These goals will be difficult to realize; we can achieve none through simple actions. In our view, the U.S. in its own interest must be prepared to respond to varying needs, not to limit its response to only a narrow band of choices. However, in each country or region, depending on U.S. interests and our comparative advantages, different combinations of U.S. efforts should be employed. We will have to make hard choices in view of limited resources and concentrate on things we do well.

## THE CONTEXT FOR COOPERATION

Why are some Third World countries progressing and others not? The answer contains a bundle of virtues and sins. *Sound development depends on the ability and motivation of people, prudent policies, well functioning institutions, and sustainable use of natural resources.* Good development strategies must build on multiple talents within societies and take advantage of external as well as internal economic opportunities. Domestic political tranquility and a political dynamic that permits fresh thinking are essential.

Over the last decade recognition of the importance of these factors has increased markedly – and this is to the good. Unfortunately, financial constraints have sometimes prevented action based on this new wisdom. In other cases, local elites have siphoned off power and resources to nonproductive ends, inhibiting or stifling opportunities for widespread progress. On balance, the good news outweighs the bad, but it would be naive to ignore the difficulties. On the contrary, a sound policy of development cooperation will work through or around them; history has shown the difficulties should not be considered insurmountable.

*Contrary to the general impression, the Third World itself finances the vast bulk of development in the Third World. Aid programs contribute altogether only about 10 percent of the Third World's total development investment. (In many countries the proportion is much higher – as in Sub-Saharan Africa.) Foreign talent and financial resources often provide an impetus that would otherwise not be present. The primary contribution foreign donors can make is quality assistance, since quantity, by any measure, is modest compared to total investments and problems addressed.*

The quality issue is of special importance to the U.S. as we approach a new decade. There are many other bilateral and multilateral donors. The U.S. share is diminishing. If we wish to serve our purposes and the needs of development, we must pay particular attention to the quality of what we offer. Because of this, our project examined not only what Third World countries ask of us, but also the main strengths we can offer in response in the 1990s.

## GUIDELINES FOR COOPERATION

At the outset we stated three goals of a development cooperation program for the 1990s. They are interrelated but not equally applicable in every Third World country. As we move toward these goals, we should do so within certain guidelines.

Our programs should be cast in *long-term perspective*. Most tasks cannot be accomplished in three or even five years. In some cases we must consider the proper planning cycle to be ten years or more. In relatively advanced situations, we should encourage long-term linkages and networks.

Development cooperation between the U.S. and Third World nations should involve the *public, private, and voluntary sectors* both in

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**A** cooperative style must prevail and become the basis of our interaction with the Third World in the 1990s. ■

the U.S. and abroad. There will be considerable variance from one country to another in the balance. But a mix of the three will be the common pattern.

U.S. involvement must respond to *real needs and to informed voices* in developing countries. These voices will come from various sources. Not all needs can or should be answered by a U.S. bilateral response. But we should offer no response unless needs emanate from the country. With rare exception, we should not design bilateral programs on our own diagnosis or initiative, with only passive approval coming from the country.

Our program should be capable of *diverse responses*. The situation should guide our response. We should design program instruments and management arrangements with this flexibility.

We should work in ways that would strengthen the *growth of pluralism* in Third World societies. We should consciously include, therefore, a number of nongovernmental organizations, private-sector entities and other decentralized units as often as feasible in planning and implementing cooperation.

Our responses to developing countries should be *both bilateral and multilateral*. Both have advantages. Multilateral agencies are best in some circumstances (such as the World Bank for macroeconomic adjustment and the WHO for smallpox eradication); bilateral U.S. programs are best in other situations.

Finally and above all, our programs in the decade ahead must reflect a commitment to *cooperation for development*. This pervasive theme must guide our actions with the poorest countries, where certain assistance instruments will still be appropriate, including straightforward relief at times, as well as with those countries at a more advanced stage, where cooperative linkages and joint research on global problems may be the predominant pattern. We must be willing to plan jointly, establish goals together, and share financing and other responsibilities. This cooperative

style must prevail and become the basis of our interaction with the Third World in the 1990s. As countries progress, we should encourage programs providing mutual benefits.

*What do we mean by cooperation and mutual gain? What would be new in development cooperation programs based on mutual benefit?* First and foremost, both sides would expect results to further their own interests. The activities themselves, carried out by public or private agencies or institutions on each side, might include research, training, explorations of the use of technology, joint business or educational ventures, and a range of other possibilities. Each party would share in defining, planning, and operating. Each would share financing on some negotiated basis. As a part of such an approach, we would expect the formation of some multi-country endeavors and, perhaps, regional networks.

The role of the U.S. development cooperation agency would be to facilitate and encourage such projects at the outset, help to bring the parties together, and, in some instances, provide temporary support or contingency finances.

## ■ URGENT ISSUES

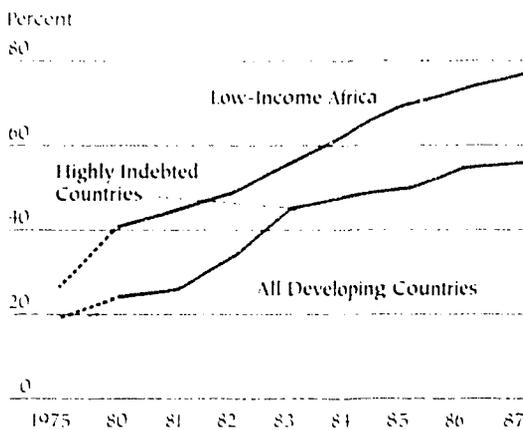
Before we suggest four important substantive themes for U.S. development cooperation for the 1990s and a number of approaches to them, we feel that urgent attention must be directed to three tasks. They concern development but go far beyond. They require more than U.S. action and, within the American official stance, far more than just development agency action.

### *Third World Debt*

In the summer of 1982, when the Government of Mexico announced that it would not be able to meet its foreign debt-service obligations, the Third World debt crisis

began. Since then, the debt crisis has been prevented from escalating into a crisis of the entire international financial system. But the debt strategy of the IMF and World Bank, in which loans have been disbursed in return for recipient government initiatives to stabilize and adjust their economies, have failed to resolve the crisis and, in particular, to restore acceptable rates of economic growth. *In many countries there is too much truth to Julius Nyerere's haunting question: "Must we starve our children to pay our debts?"*

**Debt-GNP ratios in developing countries, 1975 to 1987**



Notes: Data are based on a sample of ninety developing countries. The debt-GNP ratio is defined as the dollar value of outstanding medium- and long-term debt expressed as a percentage of dollar GNP.

Source: Figure based on data from The World Bank, *World Development Report 1988*, op. cit., p. 31.

In the 1990s, for a substantial number of Latin American and African countries, real development progress will depend upon reducing the burden of debt service. Politically, the debt is the source of increasing anti-American demagoguery. The Third World debt burden also hurts the global economy at large and the American economy because it restrains further expansion of U.S. exports to

the developing countries. Thus, there is a strong case for new initiatives to break the bottleneck of the Third World debt crisis.

We leave to others the writing of the prescription to ease this difficult, complicated problem. We do note, however, that in the past several years market forces have lowered the value of Third World debt. A secondary market, at large discounts, has developed, and stock values of those financial institutions with heavy Third World exposures have weakened. This market devaluation of Third World debt offers new opportunities for debt management. The task is to create mechanisms and opportunities for the indebted countries themselves to reap a share in the de facto market devaluations. Such a solution calls for U.S. leadership.

In recent months, we have seen a number of innovative plans tabled based on this general principal. Most see a vital role for the World Bank as the institution that has long combined financial acumen with a deep commitment to development. *Although not endorsing a specific proposal, we urge that the U.S. government thoroughly explore options with an eye on support for such initiatives.*

Why is the debt issue germane to consideration of U.S. development cooperation? Because it is fundamental to the prospects for development and, more technically, relates potentially to use of foreign assistance accounts and, possibly, to past foreign aid loan repayment. Failure to find viable solutions to the debt problem will mean another lost decade for development in much of Africa and Latin America as well as continuing limits on our ability to restore balance to our own external economic relations.

## Africa

Africa presents a second set of urgent issues. Although a handful of sub-Saharan countries have achieved and maintained development progress, Africa generally is in crisis. For two decades, population growth

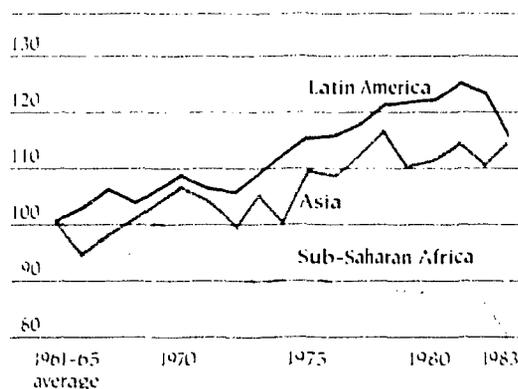
**F**ailure to find viable solutions to the debt problem will mean another lost decade for development in much of Africa and Latin America... ■

**T**he basic building blocks of societies – education, food, and health – are at risk in large parts of sub-Saharan Africa. ■

has outstripped agricultural productivity. During this time, two major famines have swept across the continent. Economic growth rates have plummeted. We do not exaggerate when we say that the basic building blocks of societies – education, food, and health – are at risk in large parts of sub-Saharan Africa.

**Per capita food production, 1961-65 to 1983**

(1961-65 average = 100)



Source: The World Bank, *Toward Sustainable Development in Sub-Saharan Africa* (World Bank, Washington, D.C., 1984), p. 15, as cited in *Compact for African Development*, Report of the Committee on African Development Strategies, A Joint Project of the Council on Foreign Relations and the Overseas Development Council, New York and Washington, 1985, p. 9.

Africa also faces an immense environmental crisis including deteriorating soil fertility, vast areas where scrub brush and forest have been removed, rapidly advancing deserts, and diminishing groundwater supplies. Whole peoples, such as Africa's thirty million pastoralists, are in jeopardy.

Unless deteriorating conditions are turned around, an increasing number of African countries will suffer economic stagnation, increasing poverty, environmental degradation, and decay of their already fragile social and political institutions. Should this occur, not only will a major continent become increasingly marginal to the international

economy and society, but the lives of millions of Africans will be unbearably bleak. We cannot stand by and watch Africa move to widespread disaster. Our sense of humanity will not permit it.

What is to be done, and what role should the U.S. play? Sub-Saharan Africa's plight does not call for simple or cheap solutions. The subcontinent's complex problems must be attacked on a number of fronts. Basic policy, institutional, and infrastructure questions must be addressed. Long-term actions to cope with long-term agricultural, environmental, population, and human resource development problems are needed.

We must encourage attention on five fronts:

Sharply reduce debt burdens for many countries. Much of this debt is from official agencies rather than private banks, so the negotiations take on a special character.

Lay the base for locally relevant agricultural research. Africa's stockpile of agricultural scientists is the thinnest of any comparable area and is an unacceptably small legacy for its future.

Address health and population problems that are interrelated but demand both independent and joint action.

Confront Africa's environmental degradation directly. Africa needs sustainable agricultural practices and national and local projects to reforest and stop deserts.

Counter the devastation of continued warfare in Southern Africa. Prepare the region for cooperative endeavors, whether or not South Africa turns from apartheid in the 1990s.

These urgent tasks will call for African governments to carry out their responsibilities effectively. Since the last famine we have

**W**e have seen a new determination in Africa, a somber realism about the challenges to be faced. ■

seen a new determination in Africa, a somber realism about the challenges to be faced. With long-term external support, enhanced by strong U.S. participation, we can reinforce and accelerate this move to find African solutions to basic problems.

## Global Environment

Global environmental issues go well beyond what an American development cooperation program can handle. They call for concerted international efforts and a major role for the United States both in reforming its own domestic performance and in helping to construct effective international action. Without such an approach, the long-term viability of a good many international development strategies is open to serious doubt.

The international community must bring together sufficient scientific and political power to launch a credible global strategy commensurate with the global problems now becoming manifest. Among possibilities to be considered are an international summit meeting on the environment and an expanded mandate for the UN Environment Program. Such considerations *must proceed in a spirit of urgency and clear vision as to the potential scope of the problems.*

## ■ SUBSTANTIVE CONTENT OF FUTURE U.S. PROGRAMS

*In view of the wide array of conditions that prevail in Third World countries, we should be prepared to apply a range of approaches. In some of the poorest countries, our cooperation will focus heavily on alleviating poverty, expanding productivity, and building capacity for growth. In the more advanced countries, our attention should focus on mutually beneficial gain, including trade development, joint research, and energy efficiency. At whatever*

*level, our substantive efforts should draw on our comparative advantages within certain common themes.*

We are not suggesting that all four of the themes we are proposing provide an abrupt break with the past. *There is no reason to expect to identify completely new ways to approach problems that are, in most cases, not new in the world.* On the contrary, we urge building on the past, learning from our experiences, and applying these lessons in new ways and with sharper focus to gain greater effect. *In the process, we should stop doing what we are not doing well.*

The four themes that we suggest were drawn from the colloquia and analyses that have been part of this project. They are our best estimate of developing country needs in the 1990s and key on the areas that provide the most opportunity for the U.S. to contribute – and to gain. The first two are continuing themes of the past; the latter two are new major emphases and reflect the needs of the future. They are as follows:

Physical Well-Being: Health and Population

Sustainable Food Supplies: Agriculture, Forestry, and Agro-industry

Enhancing the Environment

Urban Development

Each of these four can proceed on a basis of cooperation for mutual gain. But each is important, also, for attacking poverty conditions. Historically, the alleviation of poverty and the expansion of opportunities for mutual gain go hand in hand as poor countries grow economically. We have already referred to the example of South Korea, but we can also cite other countries in Latin America and Asia. This progression has occurred often enough to justify some confidence.

Reducing poverty is difficult. If it were open to a quick fix, poverty would have been eliminated years ago. Poverty cannot be

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**F**or poverty to be alleviated, growth must be promoted and wise use made of the resource base. ■

**P**rofound economic changes combined with the global emergence of new health problems such as AIDS, substance abuse, and illnesses related to environmental degradation are causing a major reconsideration of health policies and strategies. ■

reduced for long without expanding production. For poverty to be alleviated, growth must be promoted and wise use made of the resource base. Economic opportunity must be expanded. The right incentives for growth and the basic physical and market infrastructures must be provided. There must be a sense of broad sharing of results as well. Finally, an investment must be made in people's health and education. People must have access to resources and technology and to the benefits of expanded productivity.

Our increasingly interdependent world provides daily illustrations that the actions of the North in general (and often the U.S. in particular) can greatly affect the prospects for the alleviation of poverty in the South. Thus, we call for an integrated set of policies, not just development programs, that address both international and domestic constraints to lessening poverty.

With this as background, we describe the substantive themes that we find to be appropriate to the situation of the 1990s. Relevant colloquia have produced more detail and substance than we can provide in the summaries that follow.

## *Physical Well-Being: Health and Population*

### *Health*

Since World War II we have seen dramatic improvements in human well-being and a remarkable increase in life spans, achieved in large measure by wide dissemination of biomedical technologies such as antibiotics and insecticides coupled with the development of basic health infrastructures. In recent years, however, profound economic changes combined with the global emergence of new health problems such as AIDS, substance abuse, and illnesses related to environmental degradation are causing a major reconsideration of health policies and strategies.

During the past decade, two key developments have led to important redirections and strategies for provision of health services. First, there is the *primary health care movement* that is producing a shift from the traditional emphasis on costly curative care services to vastly more cost-effective community-based interventions and affordable primary care services. Second, there are the *revolutionary developments in biomedical research* that offer promise of dramatic advances in dealing with many of the most serious health problems of mankind.

We believe the public health experts with whom we have consulted are correct in identifying the following strategic approaches for U.S. policies and programs in the decade ahead.

*Technology development and transfer.* Effective and inexpensive technologies are the keys to primary health care improvement. The new research tools in immunology and molecular biology offer the promise of a larger array of chemotherapeutic agents, vaccines, and diagnostic tests that have the potential of markedly transforming health conditions in tropical countries. To assure that potential benefits of biomedical advances reach developing countries, we must encourage a close liaison among basic scientists, epidemiologists, and social scientists. Research must be directed toward the production of the most appropriate tools for disease control in the developing country setting. This effort is severely hampered by a shortage of trained and experienced researchers both in the U.S. and the developing world, a shortage that we must address and help correct.

*Primary health care program implementation.* Effective PHC programs require strengthened leadership and management capacity in ministries of health to establish policies and define strategies to improve health. These activities will require vast improvements in professional and technical skills in fields such as epidemiology, opera-

tions research, economic analysis, and financial management. Furthermore, health programs must be operationally decentralized to assure that effective and affordable services are available to communities and families. There is a need to reorient health training to develop a new cadre of professionals with the requisite skills to meet these needs of primary health care programs.

*Strengthening the global effort.* Efficient use of tight U.S. funding will require strengthening capabilities to mobilize technical, managerial, and financial resources available nationally and internationally. *We must increase efforts to utilize these resources effectively.* Academic centers in the United States have substantial resources and potential for conducting biomedical research and extensive capacity for training and assisting researchers from developing countries. *Non-governmental organizations* are also sources of strength and are making innovative contributions in the health area. They are especially suitable for flexible action and creative research and training. *Commercial enterprises,* because of their long-term interests in countries where they operate, represent another stable resource base we should call upon. *Multilateral agencies such as the WHO, UNICEF and the UNFPA* bring strength in their ability to discern a worldwide strategy on issues that transcend national boundaries such as primary health care, child survival, population, and, most recently, the global AIDS program. We must devote far more attention to increasing the coordination of these U.S. and international resources to effectively address health problems on a global basis. We should also cooperate on vertical campaigns emphasizing targeted interventions such as UNICEF's campaign to reduce sharply the rates of infant mortality.

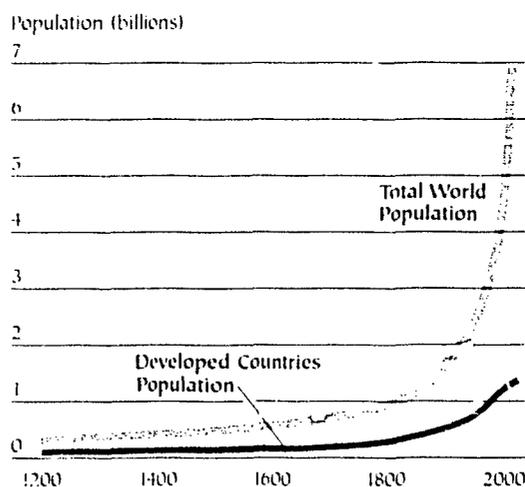
We must strengthen capacities to set priorities, plan strategically, and provide financial analysis in the developing countries

as well as in the donor community. In such matters, *the health community should study other successful and innovative organizational arrangements, such as the Consultative Group on International Agricultural Research, which is addressing international agricultural research and program needs.*

## Population

*The world's population will grow by another billion people in the 1990s. No one greets this as good news.* Nations cannot achieve the social and economic goals they seek with extremely high population growth. That is why some sixty-four developing countries have policies favoring lower rates of population growth. To implement these policies, nations are providing couples with the information and means to plan their families, are improving maternal and child health, and are linking population programs to the other key aspects of their planning, e.g., environmental issues, food policies, and educational services.

Past and projected world population, 1200-2000



Sources: The World Bank, *World Development Report 1984* (Oxford University Press, New York, 1984), p. 3, and *World Development Report 1988*, op. cit. pp. 2741, 289

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**H**unger results from poverty and environmental degradation, not just from a lack of production of food. ■

The number of couples in the developing world (excluding China) using effective family planning is expected to more than triple from 120 million at present to 390 million by the year 2000. To meet this demand requires rapid expansion of all aspects of service delivery.

*Successful population programs depend on the commitment and resources of countries themselves. But although this commitment is absolutely necessary, it is often insufficient. The support of the international community has been vital to bolstering national resolve and providing resources for successful long-term programs. The U.S. Agency for International Development has been the acknowledged leader in this effort. In the 1990s we believe it imperative to reaffirm the historic American commitment to family planning. Particularly, we should resume support of the two most widely connected and respected population agencies: the UN Fund for Population Activities and the International Planned Parenthood Federation.*

### ***Sustainable Food Supplies: Agriculture and Forestry***

Given the growth of grain production in the world in recent years, we know that hunger results from poverty and environmental degradation, not just from a lack of production of food. Deaths from starvation and malnutrition still outnumber deaths from all wars. Yet the war on hunger goes on at an intolerably slow pace in a world of substantial wealth.

Until early in the next century, most Third World people will still live in rural areas. Poverty alleviation will be necessary in rural areas where, by all indicators, the less well-off will continue to live in largest numbers. *Particularly for the poorer countries, agricultural growth will lead economic growth.*

In recent years policy makers have linked the term "sustainable" with recommended policies for agriculture and rural development. We need major policy changes, indeed new development strategies, to restore and protect the water, land, and forests on which the survival of the rural poor depends. If the poor are to benefit from new strategies, they will need access to low-cost technologies, information, and credit, as well as enhanced security for their lands. Policies must not only provide for sustainable production in often marginal, poorly watered lands but must provide for restoration of damage in many lands heavily eroded and degraded.

*The U.S. has traditionally placed food and agriculture programs in the Third World at high priority. We must continue to do so in view of the needs, the basic nature of the sector, and the knowledge and technology available in this country. Our attention should be given to research, to policy analysis that underpins programs to attain food security, and to training and institution building in selected countries and regions.*

Major gains in the production of food can be attained in the years ahead. Food security for practically all of the world's poor should be attainable in the 1990s, with the exception of those living in sub-Saharan Africa, which has a less beneficent climate and greater environmental degradation. This process will require a second Green Revolution, a gene revolution, which assures higher productivity to the marginal farmer and better protection of the resource base. Even so, not all areas will be food self-sufficient at all times. This means that many areas must foster nonfarm employment and nonagricultural productivity in rural areas, including agricultural processing, storage, and transport.

To have real meaning, the gains in rural areas must be sustainable and must reach the poor both as producers and as consumers. The poor must have more purchasing power if they are to improve their nutritional well-being. A start has been made through research focused on needs of the poor, agri-

cultural price policies beneficial to small farmers, and agricultural credit and extension services directed to women and men who farm on a small scale. We must do more in these areas.

*Agricultural research has consistently had one of the very highest rates of return to development, but it still suffers from serious underinvestment.* Some countries still need to build training and research capacities, and others need to sustain cooperative linkages and networks to assure continued quality and targeting of effort. The countries themselves and the donors need to renew their dedication to rapid development of national research capacities in the developing countries. The important role of the International Agricultural Research Centers must be maintained. Their research needs to be devoted increasingly to problems of marginal and degraded areas. We should encourage and support universities and other agricultural research institutions in the industrialized nations, especially those in the U.S., to give priority to research that addresses needs in developing countries. The Collaborative Research Support Program has been innovative and helpful in this respect.

*Forestry is important for several reasons: for rural development, through the production of fodder and housing materials; for production of renewable energy supplies; and for countering adverse global environmental trends.* In the years ahead planting of trees on farms will be one of the most efficient ways to restore and sustain local wood supplies, promoting reforestation and improved crop productivity. The U.S. has much to offer in these efforts, and an active program in the 1990s could have substantial impact.

At the same time that nations strive to provide food security for their peoples, we must continue to provide concessionally financed food to cover food deficits in the poorer countries. U.S. programs under P.L.-480 provide significant potential to supply food for particularly needy groups. Reform of

these programs (discussed below) may well be necessary if we are also to preclude disincentives to production, to reach targeted groups, and to expand secondary benefits, such as food-for-work programs.

## *Environmental Improvement*

Agriculture and all other programs in Third World countries should be environmentally sensitive. There are also other global environmental issues that merit special attention, especially the restoration and protection of tropical forests and the environmental problems associated with energy production including the greenhouse effect. Attention to these global concerns was singled out above as an urgent issue.

*People do not understand the scope of the environmental challenge facing the world. Although single trends are often seen, rarely do we grasp the cumulative nature of the adverse trends in temperature, radiation, pollution of the air, soil and water, desertification, deforestation, and species reduction.* They add up to a global environmental crisis rapidly gaining in intensity. The U.N. Food and Agriculture Organization predicts that, by the end of the century, 29 percent of the productivity of rain-fed croplands will be lost because the nutrient and organic matter in the soil are depleted or the land is degraded, polluted, or eroded.

In the developing world, ten trees are cut down for every one that is replaced (29 for one in sub-Saharan Africa), and forest animal and plant species are disappearing at an unprecedented rate. Fuel-wood shortages now affect an estimated 1.5 billion people in sixty-three countries. Often old strategies to attack these problems – settlement of fragile tropical forests, large dams, and continuous irrigation schemes – failed because they could not be sustained economically or ecologically over the long run. Although the scale

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*The U.S. can provide leadership in identifying and analyzing environmental problems and developing strategies to deal with them. □*

*The United States...should increase attention given to energy for development activities. □*

of these problems is beyond the ability of programs of U.S. development cooperation alone, the U.S. can provide leadership in identifying and analyzing such problems and developing strategies to deal with them.

There is a need to build capabilities to provide reliable analyses to Third World governments, to assure that programs supported by the U.S. government operate with environmental insight, and to help launch special programs in Third World countries of national or global environmental importance. Among the latter may well be multicountry programs to protect vital tropical basins and watersheds. Some special programs in poor countries may aim not only at their own environmental security but at that of their neighbors, e.g., Nepal vis-à-vis India and coastal West Africa vis-à-vis interior West Africa.

Some of these actions will defy conventional economics, conventional obligations of the state, conventional roles of multilateral institutions, indeed conventional notions of security. Fresh thinking and innovative action will be necessary. Business as usual would mean a virtual neglect of these issues, and that can be entertained as an option only at our long-term peril.

Every stage of the development process needs energy and every way we use energy affects the environment – in demand on forests, in health, and in the global atmosphere. Developing nations spend large proportions of their capital and foreign exchange on energy. Their poor spend large portions of their income and time on household fuel and energy for basic agricultural and industrial processes.

The United States, already active in this area, should increase attention given to energy for development activities. This is especially important for household fuel and rural development where the requirements of the poor and the environment are so intimately linked and where large savings can be realized. This would include developing and promoting more efficient cook stoves;

improving kilns, boilers and other equipment using traditional fuels; developing village woodlots, on-farm tree growing and other agro-forestry techniques. The U.S. also has much to offer developing countries in improving their analytical and planning techniques for low-cost energy programs and introducing renewable sources where practical.

Developing countries will need large amounts of energy for industrialization, agricultural development, and residential use by rapidly growing populations. But if they are to use energy at the rate of the industrialized countries, five times the present global use would be required. Clearly, the planet's ecosystem cannot sustain an increase of this magnitude. In the decade ahead, therefore, all energy programs, not just those in Third World countries, should adhere to sound principles.

Energy issues will become more urgent in the 1990s. The U.S. should continue its leadership in promoting sustainable energy strategies and programs within the multilateral agencies. We must avoid treating energy issues as a fad linked only to the prices OPEC is able or not able to set for oil. For Third World countries as for the U.S., the issue is far more significant and requires long-term, consistent approaches.

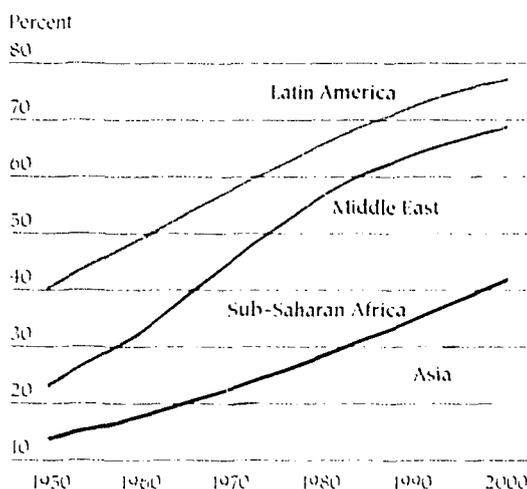
## *Urban Development*

In the past, U.S. programs in developing countries have largely ignored urban issues. In the decade ahead we urge attention and cooperation to promote growth, lessen poverty, and to seek mutual gain.

We cannot stop the growth of Third World cities. Eighty-five percent of the Third World's population growth in the 1990s will be in urban areas. Although there can be many positive benefits to orderly urban growth, the world's health and environmental

problems will increasingly exist in cities. Rather than working to retard urban growth, we should help shape policies to maximize the economic contributions cities make, to maximize their residents' well-being, and to minimize the impact of the concomitants of urbanization such as air and water pollution. We should encourage job creation as a central objective of urban policy. The urban people of the Third World are and will be our best customers. Thus, we have a stake in their prosperity.

Percent of population in urban areas, 1950-2000



Source: Data compiled and projected by The Futures Council from UN and World Bank sources.

International financial resources will be needed, particularly to respond to massive urban infrastructure needs. There is a significant opportunity for new housing to be built through private initiatives. International donors can help by drawing upon their comparative advantages in urban policy, assisting in financial and management analyses, and training those who will set the courses for all these areas of concern.

Working with others, the U.S. should play its part. Initially we should be cautious as we build linkages with sources of U.S. expertise, promote policy research, organize dialogues with Third World authorities, and help with policy development. Our contribution to urban development must be tactical and should not contemplate large investments; but it should be far more active than at present.

We see mutual gain resulting from this sector. Those working on these programs should learn how Third World experiences may be relevant to the U.S. Comparative urban research and training institutions could assist in these efforts.

## APPROACHES TO THESE SUBSTANTIVE AREAS

What approaches should be followed in addressing these four substantive themes? We believe that the United States can help most by drawing on our national strengths and our comparative advantages in the following crosscutting activities:

- Human Resource Development
- Science and Technology
- Policy and Institutional Development
- Mobilizing Diverse Energies for Development

In each, there are strong Third World interests where our talents can complement local resources. For the most part, these cut across all of the substantive areas.

### Human Resource Development

Human resource development applies to each of the four substantive areas. People are the bottom line, both as contributors and recipients of any successful development strategy. Raising general education levels and expanding the number and diversity of specialists and trained people is central to the

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outcome of a wide range of development objectives. More broadly, education lies at the base of fostering participation and innovation in society. The degree to which development programs have effectively mobilized and used trained people goes far to explain success and failure of development strategies.

*To strengthen a nation's human resources requires three complementary elements.* The first is the *commitment to raise general education levels.* The core of this commitment is to schooling for children. The second is the *vocational and advanced training capacity* for adolescents and young adults, expanding in diversity and in quantity as the country advances. The third is the *institutional and policy environment* capable of mobilizing and using the nation's talent productively and equitably.

Most developing countries face major difficulties in meeting the demand for expanding amounts and types of education and training. They suffer from shortages of resources and lack of sound policies. For the United States, the pioneer both of high quality public higher education and of an uncompromising commitment to universal access to schooling, education is a natural area for emphasis in programs of cooperation. Yet for over a decade there has been ambivalence resulting in uneven support for our educational assistance programs. During the decade ahead we should end the ambivalence.

The importance of *basic education* to development is not debated. What the U.S. can do and should do is debated. We believe it is now time to *confirm unambiguously our support for basic education* for all children and for the school as the basis for any system of such education. Second, we would emphasize dialogue on educational quality, policies, and institutions. We would stress high-impact educational inputs. Third, in the poorest areas, we would emphasize the expansion of basic social infrastructure, including but not limited to schools. Finally, we would encour-

age (through advocacy, coordination, or other means) the efforts of other donors to assist basic education even where our programs are not able to assist financially.

*Advanced training* is a key to practically every aspect of development. It is essential to build capacity for advanced training in many fields in a number of countries. We particularly call for new institution-building efforts in Africa and, in a few cases, for strengthening selected institutions in Asia and Latin America through bilateral efforts.

Third World students are obviously attracted to U.S. schools for advanced training. A large number seek advanced degrees here. The vast majority are sponsored privately or by U.S. or home institutions. Some get help from the U.S. government; their number should increase in the 1990s. But Third World institutions must also be strengthened so that, in the future, these countries will depend less on foreign higher education. *The U.S. has a great deal to gain from innovative and mature cooperation in higher education and should find ways to encourage it.*

Finally, we see the building of management capacities as an important component of a human resource development strategy in the 1990s. Each of the numerous groups of experts we consulted as part of this project said that better management was a key way to improve development prospects. *In each of our four recommended substantive areas, better management capacities will be crucially important.* Virtually everywhere good managers are needed to provide general administration, better analysis of policy and finance, and support for rapid change. This is true in both private and public sectors. In some instances, particularly in poorer countries, we should help to establish institutions to manage key development functions.

We have strong training and technical assistance resources to improve management in the Third World. Increasingly these American strengths should operate as peer supports to Third World managers through networking and long-term linkages.

## Science and Technology

The science and technology (S&T) gap between the richer countries and the Third World accounts for a substantial share of the income gap. The Third World, with over two-thirds of the world's population, has a mere 13 percent of its scientists. This limits Third World ability to create wealth. S&T will undoubtedly grow as a factor in future U.S. cooperation with the Third World. In the four areas identified, S&T is essential to progress. But S&T also requires separate discussion because policy questions surrounding it can be lost if it is merely seen as a part of everything else.

What does S&T involve? Most see S&T in terms of physical and biological sciences and regard the breakthroughs provided by the Green Revolution and new vaccines as typical. But the contribution of S&T has been much broader, is generally incremental, not spectacular, and involves many different fields. The social sciences should also play a role by helping to develop strategies that introduce new technology, assess barriers to change, and measure impact on people.

*The U.S. has major public and private sector strengths in S&T that Third World nations recognize and frequently desire. These cover a wide range of fields. Biotechnology in its various forms now offers much promise. The rapidly growing areas of informatics and communications are central to many development tasks and will certainly contribute in the 1990s. U.S. bilateral programs should tie U.S. strengths to Third World opportunities and needs.*

Third World countries need to mobilize and enhance S&T around key national problems; and they need to create or improve national policies in ways that productively link S&T knowledge to development needs. Some should develop better means of fostering public and private cooperation to encourage applications of S&T to growth. Furthermore, Third World scientists, as all

others, must participate in larger S&T networks to avoid isolation.

The United States can help with some of these tasks through traditional modes of assistance and cooperation. They will vary from one situation to another and will require action well beyond the aid agency. For most developing countries the process will require more than short-term consultations and should also include collaborative research and application of findings. We see a number of U.S. government agencies involved in the process. The private sector can also play a productive role. Balancing development and commercial interests will require sensitive management. Increasingly, we see the need for new mechanisms such as binational foundations, agreements, and other special linkages to foster long-term relationships. The U.S. has much to draw upon from experience with creating such linkages, for example those that exist in India and in Israel and the relationships being discussed in Thailand.

For the poorest countries, we should help increase capacity through training and institution building. But often these countries will have to be shown how to use S&T more efficiently and practically. In the more advanced developing countries, S&T has progressed to the point where we can pursue mutual gains, working together on problems such as global ecology, alternate energy technologies, diseases, agricultural research, as well as industrial technology issues.

## Policy and Institutional Development

The adjustment crisis of the 1980s will continue into the 1990s for most developing countries. With support from donors, many countries undertook economic policy reforms aimed at improving the setting for development at the macro and sectoral levels. In the 1990s, we must build upon the lessons, both positive and negative, of these experiences.

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*The United States should continue to engage in active policy discussions with a broad range of governmental and private sector leaders in the Third World. These activities need to recognize the lessons of thirty years of policy-based assistance. There have been both successes and notable failures. A general lesson is that only if countries wish to undertake policy changes will they do so.*

*A second lesson is that only where institutional growth has been commensurate with policy changes have these changes been sustainable. Successful U.S.-Third World policy dialogue has occurred where the U.S. has put substantial manpower resources into understanding the economic, social, and political complexities of the local situation. Often policy changes are not adopted because sensitive and factually backed options are not known. This is where the U.S. can contribute well in areas in which it possesses and can mobilize real expertise.*

*The U.S. should emphasize its support of policy-relevant research in developing countries. It should support the strengthening of autonomous policy research centers and encourage governments to use the technical expertise resident in such centers. Experience has shown that success in policy dialogue depends upon shared analytic capacity on both sides of the dialogue.*

*Policy and institutional development provides an approach that varies from one country to another and is an important element in each of the four substantive themes. The U.S. should also play a role in discussions of macro policy issues. But in such situations, the U.S. should be joined by other donors and by multilateral agencies, in consideration of political sensitivity and to strengthen credibility.*

### ***Mobilizing Diverse Energies for Development***

*The most fundamental principles involved in our own national life – the creation of a land with liberty and justice for all –*

*also turn out to be sound economics. Over the longer term, nations that encourage freedom and open opportunities for economic participation (coupled with rules that assure that private actions are socially responsible) progress further than those that restrict participation. These nations also create politically more sustainable growth. Thus, Americans can foster our own proven value of pluralism with confidence that it is harmonious with the aspirations of people in most of the world. Indeed, the world is undergoing a liberation of the human spirit, and we must be sure that, in the words of some, we are on the right side of history and are viewed as such. The program of development cooperation can contribute to this broad end by sensitively employing means that will engage and strengthen various groups in society.*

*Mobilizing diverse energies means fostering decentralized development and selecting local initiatives (local government, private groups, individuals) over central initiatives. More pointedly, we mean the expansion of the role and participation of a number of organizations and segments of society in addition to government agencies. We place special emphasis on four categories: the private sector, nongovernmental organizations, women in development, and human rights.*

### **Private Sector**

*In emphasizing here the role of the private sector, we do not imply that other points of emphasis belong to the public sector. Indeed, there are strong private sector roles within each of the four substantive themes we have emphasized. But here we point to the policies, rules, and financing necessary for a robust private sector per se.*

*American foreign economic cooperation has long stressed the role of the private sector. Often we emphasized using the U.S. government to promote overseas investment by U.S. firms. More recently this has changed. We*

correctly shifted to enhancing the prospects for domestic enterprise and strengthening the market system.

*Our bilateral economic cooperation should focus particularly on helping to establish fair rules of the game for domestic and international investment.* This has far more to do with the flow of foreign investment than do specific subsidies and incentives. Most often American firms can do well if local enterprises are treated well, with reasonable rules of entry and fair settlement of disputes. Barriers to new formal and informal enterprises must be reduced, and access to easier credit, especially for small enterprises, must be provided. This should be a major focus of our policy dialogue. The U.S. can also assist in organizing capital markets and in promoting the role of financial intermediaries within Third World countries.

To help in this overall process, we would recommend that three institutions expand significantly: The International Finance Corporation, in funds; Multilateral Investment Guarantee Authority, to full international membership; and Overseas Private Investment Corporation programs, to serve a broader range of firms, particularly in the mid to smaller size, which often need help.

Fair rules of the game are also needed internationally. The U.S. should promote the establishment of agreed-upon rules for investment under either the General Agreement on Tariffs and Trade (GATT) or the Organisation for Economic Co-operation and Development (OECD). The U.S. also has much to gain under bilateral and multilateral trade regimes.

### **Nongovernmental Organizations (NGOs) in Development**

American NGOs receive from private contributions upwards of \$1.5 billion per year (some 60 percent of all private contributions among the OECD nations) and manage an additional \$1-1.2 billion/year in U.S. government funds. Collectively, and in several cases

individually, NGOs are significant development actors. In addition, the U.S. has directly fostered Third World NGOs through funding from USAID (often via American NGOs), the Inter-American Foundation, and the African Development Foundation.

It should be a more prominent part of U.S. policy to foster these local NGO centers of program initiative. *In the years ahead, we should help American NGOs both to strengthen their links with local NGOs and to foster the development of local NGOs.* So too, official U.S. programs should more fully assess the lessons of the NGO community to help shape future U.S. programs and policies.

### **Women in Development**

It is now widely acknowledged that traditional development assistance programs have overlooked and insufficiently supported women's productive roles. We need to understand better the constraints on women's productivity and the ways to relieve these constraints. Analysis is needed that is sensitive to the sexual division of labor and differences in men's and women's access to and control over resources.

Viewed through the lens of such gender analysis, the development problems discussed in this report take on a new reality. Women are central in each of the substantive themes discussed above. For example, in terms of health and population, women are the key actors in health education and practices within the family and key to effective family planning programs. In terms of hunger and food, women produce, process, and prepare much of the world's food. In terms of economic growth, women's roles in production and marketing are under-appreciated and could expand greatly if credit and other services were assured. In terms of environment, women are primarily responsible for the collection of fuel, fodder, and water and are, therefore, much involved in prevention of environmental degradation.

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**T**oo often development has not benefited minorities within developing countries. ■

As we develop strategies within each substantive area, we should take these basic facts about women seriously into account. In the decade ahead, rhetoric and token projects will not do. Whenever possible, we must shift to stronger action. Enhancing the participation of women in technical assistance programs must become one of the starting points in development, not a minor afterthought. Mobilizing the energies of women becomes an important means of attacking a number of basic constraints to development.

*What is required is not only strong commitment, but an effective strategy that acknowledges gender differences and is based on principles of equity.* Such a strategy depends upon sufficient resources and the authority to assure the development of analytic tools sensitive to gender differences; the training of staff in the use of these tools in planning, implementation and evaluation; and the introduction of incentives to ensure their effective use.

## Human Rights

For over a decade the U.S. has fostered human rights as a matter of national policy. This is not a new concern, but one that calls for continued attention and support, especially in view of positive trends observable in much of the world. Too often development has not benefited minorities within developing countries.

In South Africa, USAID is providing support to empower black organizations in a range of self-help types of activities. In other selective situations, *we could organize a positive approach to help peoples and groups, currently discriminated against because of race, religion, or gender, become more directly involved in development activity.*

In these four areas – the private sector, NGOs, women in development, and human rights – we see the mobilization of diverse energies as important to attaining the goals we endorse. Moreover, they provide insurance that this country has multiple links with the Third World that can survive the vagaries of short-term political problems. *In both style and substance U.S. development cooperation should promote human rights and encourage groups and individuals to make use of opportunities.*

We recognize the sensitivity of dealing with these issues bilaterally, and that doing so may be perceived as strengthening alternatives to existing governments or elites; nevertheless, we believe the U.S. should not ignore bilateral programs. They will require careful thought, sensitive dialogue, and long-term planning. It appears as though there will be increasing opportunities to encourage this evolution in the next decade.

*In summary, we believe that the four substantive programs and suggested crosscutting approaches will serve well the three goals of broad-based economic growth, the attack on poverty, and sustaining the environment. But are they sufficient to attain the goals? They are not. The efforts of Third World countries themselves will be the key. We should seek to help their efforts become increasingly effective, not to impose our own ways. Genuine cooperation for development will be important; and coordination with others, especially with multilateral banks and organizations, will be essential if we are to meet these goals.*

# How Should U.S. Development Cooperation Be Carried Out?

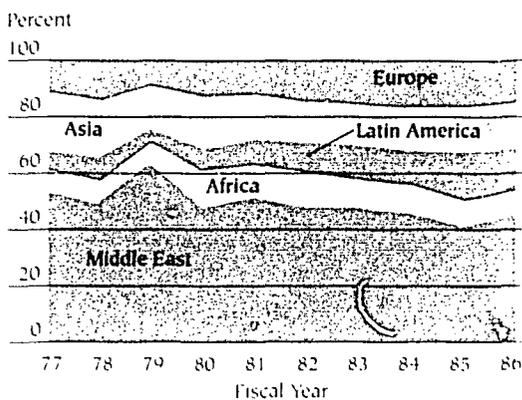
Administrative form should follow substance and function. A combination of new functions and the continued assault on old problems calls for new administrative forms and styles to engender new relationships and coordinate complex programs. In general, we should carry out relationships with the Third World in ways that reflect the transition from an aid relationship to one of cooperation for mutual gain.

## REGIONAL BALANCE

Bilateral programs designed to meet national circumstances and interests should continue to be the building blocks for the U.S. development program in the decade ahead. However, both U.S. interests and Third World needs call for distinctly regional approaches and differentiated commitments. These regional variations should be noted and clarified in program planning; they are treated only summarily in this report.

### Regional allocation of U.S. total bilateral aid, 1977-86

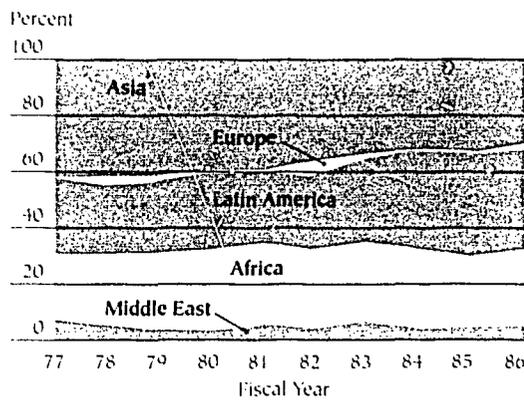
Includes military aid, economic support funds, food aid, and development assistance.



Source: *Trends in Foreign Aid, 1977-86*. Study prepared by the Foreign Affairs and National Defense Division, Congressional Research Service, for the Select Committee on Hunger, U.S. House of Representatives, November 1986, p. 13.

### Regional allocation of U.S. bilateral development aid, 1977-86

Includes food aid and development assistance.



Source: *Trends in Foreign Aid, 1977-86*, op. cit., p. 14.

We have a great deal at stake in our ties with *Latin America*: large economic interests, security concerns, and the disruptions to our own society that result from poverty at our doorstep. The U.S. must adopt three broad priorities in this region: help relieve debt burdens so that growth can be accelerated; help reconstruct postwar Central America; and assure an effective Caribbean Basin Initiative. Our policies and actions on debt and trade and our pursuit of avenues of cooperation for mutual benefit will be far more important than bilateral concessional assistance. Aid will be useful in some situations but is likely to be largely wasted without supporting finance and trade policies.

We have discussed *Africa's* special needs and see a large role here for development assistance, a much different balance of activities than in the case of Latin America or Asia.

*South Asia* presents a complex and bifurcated picture; it is at once the area in which the largest number of impoverished people live, and in which there is a large and expanding middle class eagerly seeking opportunities for mutual gain. Generally, South Asia is

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**T**he way we carry out programs in Third World countries can be as important as the substance itself. ■

institutionally capable of putting large amounts of foreign resources to good use. We should respond with programs that address both South Asia's poverty and its trade and investment opportunities. A combination of aid and programs of mutual gain are in order with variation among countries.

We have practically no programs in *India*. Here the nonfood aid level is down to about \$24 million/year. The net flow of aid resources is negative due to India's repayments of past aid loans. This is inappropriate. India is a large democratic country with massive poverty. Yet it has the world's tenth largest industrial base, a large science and technology manpower pool, and a middle class rivaling major European countries in size. There is clearly room for innovative programming including cooperation for mutual gain.

*East Asia* also offers complexities for the U.S. Investment, trade, and other activities for mutual benefit should be the order of the day with the Four Tigers and, increasingly, Thailand. Long-term development cooperation efforts will be appropriate for the Philippines and Indonesia.

For the *Middle East*, existing obligations must stand political tests, but these obligations should not be exempt from economic-effectiveness tests as well. It would be preferable to find ways of expressing our deep commitment to the area so that the proportion of bilateral development aid going to the region, virtually half of the total U.S. aid appropriation, is reduced or treated in a manner that will more accurately present our overall development fund level.

## ■ MODE AND STYLE OF OPERATION

*The mode and style of U.S. development cooperation must reflect changed global circumstances, defined goals for the 1990s, and individual country situations. The way we carry out*

programs in Third World countries can be as important as the substance itself. Our policies and programs in the 1990s should build on the lessons we have learned in sensitive situations – careful attention to collaborative style, consultation, and emphasis on shared gains.

We have already referred to the need to base our programs for the 1990s on long-term relations and partnerships. The emphasis on capacity building within the developing world calls for long-term vision and plans. Long-term commitments are expressed through institutional linkages, joint planning and partnerships, and some insulation from the ups and downs of political relations. If authority existed to carry over funds from one year to another, the program could avoid the year end crush of activity that now prevails and could gear to longer-term programming.

*Development cooperation programs in the 1990s must emphasize high quality.* Many of the new relationships will involve people on both sides with expert knowledge of advanced technology. The tasks will not be easy. We must draw our very best scientists, agriculturalists, environmentalists, and social and economic analysts into the challenge. The U.S. program must provide vigorous evaluation, intensive staff training, and streamlined management as it proceeds. Comparatively small in size compared to past years, it must make up in quality what it has already lost in quantity.

Some development cooperation programs will be in areas where risks of failure exist, such as in aspects of environmental research and programming where we do not always understand the forces at work. We are fortunate that we have much experience to draw from, but we cannot expect all programs or experiments to succeed entirely. If this fact were acknowledged more widely, we would find more candor generally and more willingness to be innovative.

As another aspect of the mode for the 1990s, development cooperation should work increasingly through cooperating organizations and institutions. The balance of effort should rest with intermediate organizations. *The U.S. development agency itself should emphasize analysis and policy.* The intermediaries should provide talent needed within various sectors for the long term. They should be vehicles for planning and carrying out agreed-upon broad programs of cooperation. They themselves may link with parallel institutions in other developed countries. But above all, we would expect them to know how to attract high quality staff, directly or through contracts, and operate with sensitivity in Third World countries. There are a number of examples or possible models already in place – the Board on Science and Technology for International Development (BOSTID) of the National Research Council in the case of science and technology, the Consultative Group for International Agricultural Research (CGIAR), the Population Council, and university general-purpose international consortia.

Such intermediate organizations would demonstrate in practice the pluralistic approach we propose. The medium itself becomes a message to countries abroad as they themselves move in the direction of pluralism. U.S. policy should encourage growth of intermediaries within countries abroad, especially units that can generate ideas and operate as nongovernmental organizations, independent of direct government control. Such intermediaries provide an excellent means of encouraging pluralism. We must take special steps to assure a long-term but light hand in administering this kind of program.

Our policies and programs abroad should encourage the growth of local foundations and binational and multinational commissions. Some might well be set up on a jointly sponsored basis during the closing years of the more traditional development assistance activity. In this way we might per-

petuate strong mutually beneficial linkages between U.S. and local institutions. In general, we should encourage exchanges in educational and scientific fields, including those in which we learn from persons abroad as much as they learn from us.

We should strengthen and expand the scope of the Peace Corps as a vehicle for encouraging cooperation on development matters, and as a way for Americans to experience life in a broad range of countries, even in some where we may not have development assistance programs. Other U.S. agencies can also help plan and execute programs of cooperation.

Finally, as we work with relatively advanced developing countries in new relationships, we should involve them more actively in development activities with the less advanced nations. In the near future, we should consider sponsoring some of them, such as South Korea, to membership in the Organization for Economic Cooperation and Development and its Development Assistance Committee. Working together as equals, we could sharpen our means of cooperation and coordinate our contributions to the development process.

## ■ ORGANIZATIONAL CONSIDERATIONS

A temporary agency, the U.S. Agency for International Development (USAID), has managed the U.S. development assistance program since 1961. Its predecessors go back, by some definitions, to as early as 1946. *USAID has served the nation and the development process well.* It has pioneered assistance programming, advanced new technologies, helped to set priorities, and, in some cases, provided a model for other donors. However, *as we move from an era of aid to a period stressing cooperation for development and mutual benefit, we need to change.*

**O**ur policies and programs abroad should encourage the growth of local foundations and binational and multinational commissions. ■

**T**he Development Cooperation Agency should become known for the quality of its ideas and expert analysis of development issues. ■

**I**t is time to consider creating a new foundation-like entity, one which would promote research on issues and technologies of broad consequence to the U.S. and to developing countries. ■

It is timely and appropriate now to rename the agency and to redesign some aspects of its structure in order to say to all, at home and abroad, that different goals and operational style now prevail. *Development Cooperation Agency* would be a good new name. Other kinds of changes are more complicated. But they can be achieved without dramatic time-consuming moves to create a new agency in place of the present USAID or to separate the agency from the Department of State.

The Development Cooperation Agency (DCA) should operate through a policy center plus regional counterparts to the State Department's regional bureaus. It would take full advantage of advanced communications technology to reduce field vs. head office friction and to increase the role of the Washington headquarters as a policy setting and backstopping entity. Through enhanced use of intermediate institutions and other means, we would expect the number of long-term personnel based in Washington to decline.

*The Development Cooperation Agency must strengthen its ability to do economic and macropolicy analysis.* As a result of this change, it should become known for the quality of its ideas and expert analysis of development issues. This is essential if it is to play a central role in coordinating Washington agencies, influencing policies in multilateral agencies, and developing policy dialogue and bilateral programs. It should spend more time on the larger issues and strategies of program, less on budget and management.

*The administrator of the agency should have a single high-level advisory council that would integrate key sectors of interest,* now often operating in isolation and to the detriment of good policy and broader program advice. The council should draw top people from the private sector, academia, the NGOs, and the environmental community. The aim would be to build bridges between key sectors that must work together more successfully. There

would be ample room for effective subgroups at the operational and professional level under the umbrella of such a council.

*The future of USAID country missions needs review as development programs shift to mutual benefit and cooperation.* Such review should take into consideration the changed style and function of the program, the costs of maintaining personnel abroad, the implications of modern communications technology, potential expansion of regional missions, greater use of local expert talent, and an expanding role for intermediate agencies. Field missions have been an important and distinctive aspect of U.S. programs in the past; their role in the 1990s and onward should be reviewed with these past contributions in mind.

It is time to consider creating a new foundation-like entity, one that would promote research on issues and technologies of broad consequence to the U.S. and to developing countries. This foundation would fund the U.S. share of multicountry, jointly planned lines of research. Although it would work easily with the more advanced nations, it would not be limited to them. Its use of the best in science and technology would apply across the range of developing countries.

*The foundation could be a new semiautonomous unit within the renamed and changed Development Cooperation Agency, or it could operate parallel to DCA.* In either case it would provide easier access to U.S. talent and a healthy balance to the country and regional programming approach. It would be strongly allied with those in the DCA involved in planning and managing programs of development cooperation.

There are good reasons to separate out the research function in this way. They are the same that industry uses when it creates semi-autonomous research wings. Domestically, the U.S. government has built up separate research units such as the National Science Foundation and the National Institutes of Health. They follow different operating rules and priorities than line or action agencies. In

our development work, we need some means of sheltering research from operational pressures. Research is an extremely important function and at the very core of some programs across the entire agency. One model on the international scene is the widely respected International Development Research Centre in Canada.

## ■ THE COORDINATION IMPERATIVE

Whatever changes may occur in the organization and structure of the development cooperation agency in Washington and in the field, we must improve coordination, both abroad and at home.

### *Coordination in the Field*

There are the classic problems of coordination among donors in countries where the assistance mode prevails. It is not unusual for ten or fifteen bilateral programs and those of numerous other organizations and multilateral agencies to operate in one country. With an increasing number of participants in the process, problems arise. Everyone would gain from cost-efficient coordination.

Ideally, the developing country itself will coordinate these efforts. We should consider it part of the job to build management capacities to handle coordination. *In some countries a formal coordinating council might do this, headed and chaired by a high-level local official.* In this way, participating donors can more easily justify and balance their individual efforts. Peer pressure could stimulate a higher quality of work. One could make a good case for multilateral agencies such as the World Bank or United Nations Development Program (UNDP) to be first among equals in any such coordinating council.

*Whatever the arrangement, the U.S. must have a clearly delineated active agenda.* It must know what it wants to accomplish within the needs that have been defined and in which it has a comparative advantage. In specific fields, the U.S. should agree to provide leadership among donors; indeed, it will be expected to do so. For example, in certain areas of environmental concern, in science and technology, agriculture, advanced training, and in some aspects of management training, the U.S. might well be asked to take the lead.

In many developing countries, the U.S. contribution has diminished when compared to other bilateral programs and, certainly, with respect to the World Bank. Therefore, the U.S. is not in a position to impose coordination as it may have been in the past, but must consciously work with others. In more advanced countries where cooperation for mutual benefit is the rule, coordination is not an issue.

### *Coordination within the U.S. Government*

*Coordination among U.S. government agencies is also a serious task.* The issues in development cooperation are becoming far more complex and are of greater importance to the U.S. Global issues, such as the environment, must be addressed in the next decade. Our interests and effectiveness are not well served when trade policies operate at cross purposes from development programs and when goals to increase agricultural productivity are countered by subsidized food sales. Furthermore, we need expanded coordination because of the involvement of new domestic actors, such as the Environmental Protection Agency, the Food and Drug Administration, and various other agencies.

Some have suggested that the International Development Cooperation Administration (IDCA) of the late 1970s should be

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**I**n view of the importance and complexity of development issues, some form of a council for international development policies would be appropriate and timely. ■

revitalized to achieve policy and budget coordination. Others believe its design as an administrative superagency was flawed and that some new form of coordinating structure or pattern would work more effectively. Because of the many actors on matters pertaining to developing countries, the State Department must provide foreign policy guidance; however, the actual coordination of policy formation and implementation would be best managed through White House leadership directly, not through a revitalized IDCA.

In view of the importance and complexity of development issues, some form of a council for international development policies would be appropriate and timely. In such an effort the White House would appoint the chairperson; members would be the heads of the critical agencies involved in trade, finance, development cooperation, agricultural sales, and so on. We would expect the agency principally devoted to development, the redefined Development Cooperation Agency, to be very active in the council to assure a strong development voice. The Office of Management and Budget would also be important in this process to assure that funding recommendations would follow critical decisions made by the council.

*The White House must lead such a council because only at that level can overarching national interests be articulated well, providing both a single voice and the strength to follow through. But to be effective the council must have clear policies and, of critical importance, the active interest of the President. Without such interest, we can expect a continuation of inadequate coordination.*

*More effective coordination between the Executive Branch and the Congress is also needed. Within Congress, which plays a critically important role in development assistance policy, the interest in trade, agriculture, foreign aid, debt, and science and technology are spread over a number of committees.*

House and Senate leaders should work out greater cooperation between committee chairs to coordinate policy guidance and oversight on these interlinked matters.

## *An Agenda for Domestic Coordination*

The U.S. greatly influences Third World development prospects. The greater impact does not come from government programs of development assistance. Rather it comes from non-aid policies — trade, finance, interest rates, investment rules, patent rulings. We must, therefore, see these as having both domestic and global implications and consequent responsibilities. This is not the place to analyze and recommend what those policies should be. But it is appropriate to note the connection and to argue for greater coordination among policies. Although they are seen as domestic, non-aid policies are also international in their implications.

*The U.S. agency charged with the main responsibilities for development should be in a position to command respect in high-level discussions of such issues. Policymakers should at least know when a proposed domestic action will undermine a Third World development policy being pursued by the U.S. so that the issues can be weighed within a broadened perspective. Interest rates are a clear example of such an issue. No longer of concern only to homeowners and business managers holding variable rate mortgages, fluctuating interest rates also affect Third World nations in debt to consortia led by our banks. Federal Reserve Bank authorities are clearly moving to a more international view of domestic interest-rate policy, and this should be encouraged.*

Third World nations, including some of the poorest, have increasingly argued that improved trade access to U.S. markets would permit them to forego development aid. The American market is the prime goal for many Third World nations in search of hard cur-

rency. It is important in the 1990s that U.S. trade negotiators listen to those who hold development policy responsibilities. Many Third World nations depend on U.S. leadership to maintain an open international trading system.

We have singled out only a few among many domestic policies that strongly affect development progress. In an increasingly interdependent world it is harder to identify purely domestic matters. More and more the ripple effects of our domestic policies toll overseas. We are judged by our actions, rather than by the rhetoric we direct to other shores. *The Voice of America is not a substitute for America's voice.*

## ■ MULTILATERAL AND BILATERAL BALANCE

The need for coordination is one of many reasons the U.S. must continue to play an active and supportive role in the multilateral agencies devoted to international development cooperation. Given the financial challenges facing developing countries, U.S. interests and those of the Third World are served well by a strong International Monetary Fund and World Bank. These institutions should continue to finance stabilization and adjustment programs in the Third World. These programs must be growth oriented. Wherever possible, they should insulate the most vulnerable groups from bearing the burden of adjustment.

Regional development banks (RDBs) are a natural outgrowth of the increasing multipolarity of the international system. The U.S. should continue to support the enhancement of both the financial scope and creativity of these institutions and their institutional capacities. The RDBs need to maintain a balance between using Western financial resources to expand their operational capacities, and maintaining their character as regional organizations.

Key UN agencies, such as the World Health Organization, the Food and Agricultural Organization, International Fund for Agricultural Development, the United Nations Development Program, and the United Nations Children's Fund, also deserve expanded American support. The increasingly global nature of economic and environmental problems will require effective multilateral organizations and cooperative attitudes by sovereign governments.

The multilateral system, in spite of its difficulties, remains a major resource in international development cooperation. A strong multilateral system will not be subject to the U.S. dominance that may have existed in the past. But it is an essential component of a global assault on serious issues, including development, that affect all of us.

*In the mix of bilateral and multilateral efforts, we would stress our comparative advantages. Thus, in our bilateral endeavors we would avoid doing some things we currently do not do well. In our view, U.S. bilateral cooperation would only rarely initiate high-cost activities such as large infrastructure projects or the creation and financing of large social and economic projects and programs. We should also, in general, avoid taking the lead in attempting to leverage changes in macroeconomic policies, although continued involvement in dialogues on these issues is appropriate. The special circumstances in sub-Saharan Africa may lead to exceptions to these guidelines.*

One key to an effective U.S. role in multilateral organizations in the 1990s is upgrading the coordination system in Washington. Another is increasing the status within the personnel system for U.S. government employees on loan or assignment to multilateral agencies. The positions should attract top-flight people. Americans in these organizations should get full credit, and their service should contribute importantly to their career advancement.

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**U**.S. food aid supplies  
60 percent of the world's  
total. ■

While supporting a strong multilateral system, the U.S. cannot limit its development cooperation activities to the multilateral approach, as some have urged. We need a strong bilateral program to assure our interests and to gain access to top expertise and capacity within the U.S. that cannot be fully harnessed in the multilateral system. Both types of programs serve our interests as we move toward our three broad goals.

### ■ REFORM OF FOOD AID

For over thirty years the U.S. has made available our agricultural commodities through food aid. Now amounting to a little over \$1 billion per year, these programs have a complexity of their own with purposes ranging from relief to export subsidy. Although comprising less than 2 percent of our food exports, this food aid supplies 60 percent of the world's total.

We have learned how to target food aid to have more educational and nutritional impact, but a number of basic reforms would make food aid more effective.

De-emphasize the allocation of food aid to keep up dollar levels of foreign aid to selected countries; and emphasize more the targeting of food aid to countries where there is a genuine need for food imports on a concessional basis.

Increase repayments in local currency, rather than foreign exchange, for food aid provided under loan agreements.

Include policy dialogue toward attaining food security in large food-aid programs.

Use food aid to bolster local agencies, such as NGOs, as a normal process.

If predictions for sub-Saharan Africa turn out to be true, there will be very large demands for food aid for that region. We will need ongoing mechanisms to assure the institutional and policy environment for an effective program there. The increasing unpredictability of weather patterns might well create larger food-aid needs elsewhere, too, in the 1990s.

### ■ FINANCIAL IMPLICATIONS

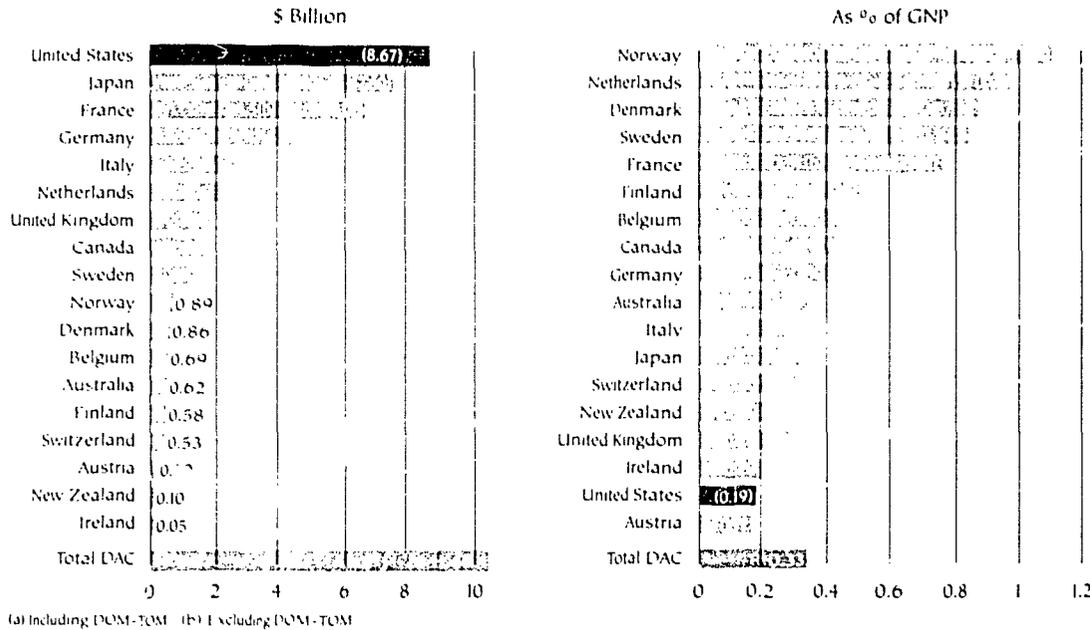
#### *Trends in Financial Contributions*

Polling data confirm that Americans think of themselves as almost uniquely generous international citizens. That image was justified at the time of the Marshall Plan (which at today's prices would represent about \$70 billion a year concentrated in aid to one continent) and into the 1950s when the U.S. led in providing resources to the Third World and when we had an explicit policy fostering multilateral institutions and the growth of other bilateral donors. This is no longer the case today.

By the 1970s the number of other donors had grown significantly and so had the flow of private and bank investment. By 1980 private flows were 50 percent higher than official flows (\$60.9 billion versus \$42.1 billion), reflecting the substantial recycling of OPEC funds. The 1980s have brought many changes: private flows have shrunk; official aid has held steady in absolute terms; and the growth of other OECD donors has made up for the declines in OPEC aid. *The biggest change is that Japan is replacing the United States as the largest donor of official development assistance (ODA).*

In the comparison chosen by Western donors to gauge their performance, i.e., percent of GNP allocated for official development assistance, the U.S., which had been first

## Net official development assistance from OECD/DAC countries in 1987



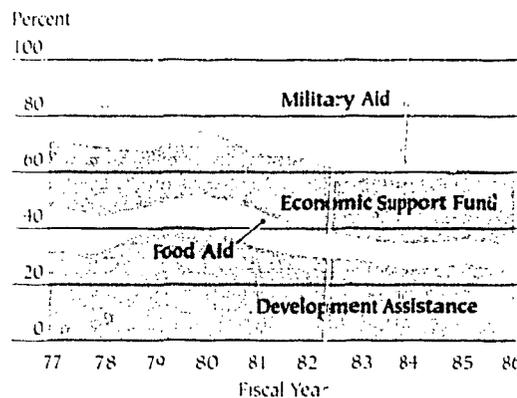
Source: Organisation for Economic Co-operation and Development, Development Assistance Committee, 1988 (based on preliminary reports from member countries and subject to modification with later data. Amounts in parentheses have not been officially reported to the OECD by the member country concerned.)

among the donors, now ranks almost last and is also outpaced by a number of OPEC donors.

Trends in official U.S. aid are shown in the accompanying tables: high growth in the period 1977-85 with military and security assistance receiving sharp increases and development assistance (including P.L.-480 food aid and financing of the multilateral institutions) becoming a smaller part of the total. In constant dollars, nonsecurity aid actually declined over the period.

Economic Support Fund (ESF) and military aid constitute 60 percent of the total. Of the total bilateral economic package 49 percent goes to the Middle East (mainly Israel and Egypt), 7 percent goes to Europe in exchange for base rights for American forces, and 6 percent goes to sub-Saharan Africa.

## Composition of U.S. foreign aid appropriations, 1977-86



Note that ESF appropriation levels also include other security-related aid funded within the bilateral economic title of foreign aid appropriations. This includes amounts provided for peacekeeping operations, antiterrorism programs, and for humanitarian aid to the Nicaraguan contras.

Source: Trends in Foreign Aid, 1977-86, op. cit., p. 7

**T**he U.S., which had been first among the donors, now ranks almost last and is also outpaced by a number of OPEC donors. ■

**B**udgetary pressures should not blind us to the need for development cooperation or to the benefits...that are to be derived from it. □

**Composition of U.S. foreign aid appropriations, 1977, 1980, 1983, and 1986**

	1977	1980	1983	1986
Millions of current dollars				
Development assistance	2,487	3,710	4,302	4,147
Food aid	1,169	886	1,028	1,299
Economic support funds	1,735	2,007	2,993	3,741
Military aid	2,022	2,058	5,336	6,027
<b>Total</b>	<b>7,413</b>	<b>8,661</b>	<b>13,859</b>	<b>15,214</b>

Source: Department of State, Office of Development Cooperation.

**Total U.S. foreign assistance for FY 1988, estimated obligations**

	\$ Billion	%
<b>Official bilateral aid</b>		
Development assistance	2.4	15
Food aid	1.5	11
Economic support funds (security-related economic help)	3.2	24
<b>Subtotal</b>	<b>7.1</b>	<b>53%</b>
<b>Official multilateral aid</b>	<b>1.5</b>	<b>11</b>
<b>Cumulative subtotal</b>	<b>8.6</b>	<b>64%</b>
<b>Military aid</b>	<b>4.8</b>	<b>36</b>
<b>Total</b>	<b>\$13.4</b>	<b>100%</b>

Source: Agency for International Development, Congress and Performance FY 1989, Washington, D.C., March 1989, pp. 308-311.

**Future U.S. Financing of Development Cooperation**

In the 1990s the need for funds to sustain development cooperation efforts will not diminish. Private flows are likely to remain weak and are unlikely to be directed to the poorest countries. The United States will have to adjust to its own financial constraints and put its own economic house in order. Thus it looks like tough times abroad and tough times at home. But budgetary pressures should not blind us to the need for develop-

ment cooperation or to the benefits, both to the U.S. and the Third World, that are to be derived from it.

We believe a scenario that works for the growth of both the Third World and the U.S. should be possible. Substantial mutual progress, not gloom and doom, can occur but will depend on statesmanlike actions on trade issues, a continuing thaw in East-West relations, and improved debt management.

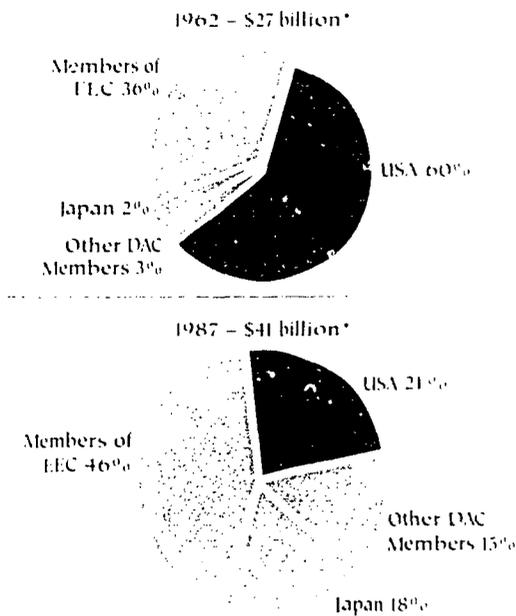
Although the immediate future will require level financing and sorting out of priorities and opportunities, our goals are sufficiently important to our future to justify increases during the 1990s. It would be foolish to argue that more resources go into ill-defined and poorly executed programs. But with sharper definition of goals and effective programs to meet them, we would expect to see a higher priority for development cooperation in the 1990s.

Currently the U.S. with 36 percent of the GNP of the OECD nations provides only 21 percent of official development assistance. The U.S., which used to provide as much as 2 percent of its GNP for foreign aid, now provides .19 percent of its GNP. The larger Western European nations provide an average of .42 percent and several key countries, e.g., Italy and Japan, are rapidly increasing their aid programs. It would be reasonable to consider our fair share to be closer to the middle of the major Western donors, as measured by percent of GNP devoted to official development assistance, by the mid-1990s. This would be an increase of some 80-100 percent above current levels.

The reasons to increase our financing, however, are based not on what others do, but on the critical importance of meeting the goals we have suggested. If proposed new programs and modes are effective and the nation can see progress toward economic growth, an impact on poverty, and environmental improvement, it will be natural and desirable to provide increased U.S. funding.

**I**f proposed new programs and modes are effective and the nation can see progress...it will be natural and desirable to provide increased U.S. funding. □

## Share of official development assistance by OECD/DAC member countries



\*at 1987 prices and exchange rates

Source: Organization for Economic Co-operation and Development, *Official Development Assistance*, 1988, p. 102

To accomplish the gradual funding increase we recommend will require a new agreement between the Executive Branch and the Congress on the shape of our future programs of economic cooperation with the Third World. The primary way of obtaining increases in these programs is for the President to work for them. If they become important for the President, they will generally become important for Congress.

## Additional Ways to Finance Development Cooperation

The influence of our future programs will be far greater if we can help to channel the growing sources of finance around the world. In the official community, the new resources are from Japan and Italy. In addition we should be

actively encouraging the NICs, particularly South Korea and Taiwan, to commence sizeable programs of economic cooperation. The U.S. has influence with these nations; we should use that influence to pursue common aims on selected problems and areas of the Third World. In addition, there are immense new sources of capital surplus in banks in the Far East that could be leveraged to serve development purposes.

Currently, the U.S. is owed \$73 billion by Third World countries for past economic and military aid. Some of this debt should be stretched out. Some repayments could be accepted in local currency and devoted to bilateral development purposes. But the rest should be used to finance future development cooperation programs. For many years these monies did flow into the aid account, so the precedent exists. In a sense it is a ready-made endowment.

*Our relations with the Third World present a difficult dilemma: the contrasting needs of development progress, on the one hand, and traditional security considerations, on the other. Both are legitimate; but together the two can confuse goals.* Historically, we have called on bilateral aid appropriations to serve our military-security tasks such as those in South Korea, Vietnam, and more recently, in Central America. Aid funds also finance payments on base rights and underpin our approach to Middle East issues. As a result, the majority of funding for foreign assistance is based heavily on political or security needs and definitions and is mainly directed to advanced developing countries.

*It is now desirable to separate development cooperation funding and management. Separating military from development program funds would clarify the goals of the United States abroad and for the American public. It would also make clear that certain trade-offs are necessary and that payments are to be made for activities that are very closely tied to U.S. military needs. It would help to clarify just what we are spending, in comparison with*

*S*eparating military from development program funds would clarify the goals of the United States abroad and for the American public. ■

others, to bring about growth, to attack poverty, and to attain other development cooperation purposes.

The clearest case for separation can be made for Base Rights payments. There are now few bases in developing countries (the Philippines being a notable exception), but expenditures for this purpose are still Economic Support Fund allocations. We should consider shifting these payments into the Defense Department budget. We should also initiate discussion on moving at least some of the payments out of the U.S. budget and converting them to a burden-sharing arrangement with our NATO allies and others who benefit. It would also be reasonable to use our defense budget to pay for any remaining Base Rights obligations. *Our allies benefit considerably from the bases we maintain in various parts of the world. Why should they not now, at this stage of new economic and commercial realities, begin to share the burden of such rental costs?*

Our share of defense expenditures markedly exceeds that of our Western European partners and Japan, whereas their proportion of development aid is increasing and ours is diminishing. The balance is disadvantageous to the U.S. What we are paying for (defense) is immensely more expensive than what they are paying for (aid). And, in any case, the immediate beneficiaries of much of our defense expenditures are our European and Far Eastern allies while the beneficiaries of their aid are often tied to their own political, economic and commercial interests. In addition, whereas we associate with military leaders, they talk to commercial and civilian leaders. For our relations with the Third World, this arrangement costs much and gains little. Any new burden sharing arrangement ought to permit benefit sharing for the U.S. as well.

The largest funding area in which confusion persists is the Middle East where Economic Support Fund allocations totaling over \$2 billion are provided to Egypt and to Israel. In order to provide more clarity in this situa-

tion and to provide more focused oversight, we should consider certain changes. In the case of Egypt, we might shift to direct budgetary support in the same way that Israel receives its funding. The U.S. contribution to these two countries should be placed in a separate account to cover Middle East peace programs.

There is also a logic to merge remaining ESF monies into development assistance, as was done in Africa program funding within the last year. If the Middle East and Base Rights programs are separated out, it will be seen that most of the remaining ESF monies already are used for development purposes. The realignment we suggest will clarify and reinforce this and in the process will enhance the image and respectability of U.S. cooperation — and its effectiveness.

Finally, a variety of financial mechanisms need further exploration for possible use in programs of development cooperation: use of blocked currencies, debt conversion for development purposes, loan reflows, leveraging the international private and public sectors, and joint financing. The U.S. Development Cooperation Agency should have the necessary in-house or consultant talent to develop these resources. It may well be that additional legislative authority will be necessary to take advantage of these possibilities, e.g., in establishing intermediaries (such as local foundations) that can be endowed by using a variety of funding mechanisms.

These and related steps would provide a new stability and mandate for U.S. programs. Some of our current programs will gradually switch to the mutual-gain mode and be reduced in budget terms. But a basis is needed for the long-term challenges that exist in countries still moving more slowly and in the poorest countries. For such areas and for our support of the multilateral institutions, we need a long-term vision and financial structures to match that vision.

# The Next Steps

Many decisions face a new administration in 1989. We urge that the new President clearly enunciate the important priority he attaches to international cooperation that will stimulate broad-based growth, attack poverty, and put an end to environmental degradation. In short, we need the President to champion the vision of the better world we all hope to pass on to our children.

## INITIATIVES BY THE PRESIDENT AND THE CONGRESS

*The key initiative by a new President will be his projection of a new global vision. We would also urge the announcement of major efforts by a new Administration on the three urgent issues discussed in this report: a new approach to Third World debt; steps to reverse Africa's economic crisis; and a new priority for addressing global environmental problems. These initiatives will send dramatic and important signals of U.S. leadership, setting a course for the key issues of the 1990s.*

*We urge that in the first year, the new President put the Third World on the U.S. political map. During the year, the Secretary of State and other high officials should visit key developing countries, and toward the end of the first year, the President should also travel to leading Third World states. We urge that developing country leaders be invited for early consultations in Washington and that the new Administration meet regularly with important groups of Third World ambassadors. In all these meetings, it should be made clear that new levels and forms of partnership are envisaged.*

We know that in the first months of the first year, a new U.S. Administration will select key people and set new directions. It will be tempted to try to do everything in the first ninety days. But the issues are complex, and many require study and review. So a new administration should allow time to evolve

new approaches. And it must pay careful attention to attracting well qualified people to lead our development cooperation programs. Both parties have demonstrated ability to do so – and also the contrary.

*We welcome the major review of the Foreign Assistance Act of 1973, as (often) amended, now underway in the Committee on Foreign Affairs of the U.S. House of Representatives. Covering 600 closely worded pages, the basic legislative mandate for our economic-aid programs lacks coherence and direction while at the same time imposing micromanagement on the foreign assistance program.*

*Instead of micromanagement, Congress should move toward broader policy review and a focus on strategies and results. The changes in style and substance we have recommended will require greater trust by Congress. We urge that creation of that trust be a priority target of the new Administration and the new Congress. Current aid legislation should be examined carefully for such elements that inhibit the cultivation of a long-term working relationship in a spirit of confidence. Specifically, Congress could begin by reducing its notification procedures.*

We offer suggestions in this report in the hope that they will be useful both to the new Administration and to the Congressional studies now underway. Greater trust is needed on both sides. A new global vision and ways to add coherence to basic policies are needed both in Congress and the new Administration. But it is up to the new President to set the tone.

## BUILDING A NEW CONSENSUS

We believe the policies and programs suggested in this report can help regain broader public support. Current programs of U.S.-Third World economic cooperation are considered special interest matters of public

*The President should champion the vision of the better world we all hope to pass on to our children. ■*

*The changes in style and substance we have recommended will require greater trust by Congress. ■*

Americans must be educated to the changed world of the 1990s and beyond. ▀

policy. Few support the totality of the program. But there is support from specific groups and interested parties for each section or earmark. What is frequently lost is the whole picture. In truth, we need both broad general support and special interest support. Both could be invigorated by the broad vision we have proposed, based on the global legacy we all wish to leave to future generations.

*To start the process of building a new consensus, there is absolutely no substitute for an active White House. Silence is the wrong signal. These issues require an active President and support from the White House communications infrastructure.*

Beyond this, Americans must be educated to the changed world of the 1990s and beyond. There is a rebirth of dynamic efforts in public schools and among citizen groups to foster more understanding of emerging global challenges and opportunities. But the pace of change from insular to broader perceptions must accelerate. Here our needs for a more competitive society and one that acts as a good global citizen merge around educational issues of geography, language, area studies, and study of international issues.

We cannot quickly and cheaply refurbish school and adult education about the world and our nation's role in it. Our country must invest in enlarging the base of public knowledge over a considerable number of years with special efforts over the next decade to make up for past lapses. These are tasks and challenges for local school leaders as well as state and federal officials and agencies.

A number of citizen groups have been expanding nonformal education on these important issues. We urge major sectors of American society (business, labor, civic groups) to consider strategies in their councils to educate their constituencies on these issues. Federal support can also be helpful. A small USAID grant program currently sup-

ports this kind of education. It is miniscule in comparison to the size and complexity of our country and in comparison to similar programs among our Western allies. Expanding it ten-fold would still make it no more than a footnote in the program, but would be a very wise investment. Other agencies that can be supportive also must rethink their roles.

In this report we have explored serious problems and opportunities facing the U.S. in its economic relationships with the Third World. We have stressed broad-based growth, lessening of poverty, and improvement of the environment. We have urged a new cooperative stance. *We believe that interdependence means that their poverty and our poverty are linked with the demonstrated fact that their growth and development are ours as well. Their environmental crisis is our environmental crisis. Finding a sustainable environment for them provides one for us.*

Some will object to this formulation, saying work either for poverty alleviation or for your own gain, but don't mix the two. What does their condition of life mean to us? To that we reply by paraphrasing a statement made by the religious sage Hillel some 2000 years ago:

*If we are not for ourselves and our peoples, who are we?  
But if we are not for other peoples, what are we?  
And if not now, when?*

## Publications

Each of the cooperating institutions and organizations commissioned research papers on the aspects of cooperation with the Third World on which it is most expert. Those papers will be published under the auspices of the individual organizations and institutions.

In addition, Michigan State University directly commissioned papers from a number of other leading authorities. These papers are listed below.

Those who wish information regarding publication plans and the availability of individual papers are encouraged to contact the Center for Advanced Study of International Development, Michigan State University, 306 Berkey Hall, East Lansing, Michigan 48824-1111; Telephone: 517-353-5925.

### ■ *Symposium on U.S. Development Assistance: Retrospective and Prospects, East Lansing, May 1-2, 1986*

Hamilton, John Maxwell (Public Affairs Specialist, The World Bank). "Foreign Aid: Mirror of American Culture."

Hoben, Allan (Director, African Studies Center, Boston University). "AID: Organizational and Institutional Issues and Effectiveness."

Smuckler, Ralph H. (Dean of International Studies and Programs, Michigan State University). "Development Assistance as a Component of U.S. Foreign Policy."

Tinker, Irene (Director, Equity Policy Center). "Equity for Women and Men: A Basic Need for USAID."

### ■ *Symposium on The Context for Development in the Next Decade, East Lansing, June 1-2, 1987*

Chandler, William U. (Senior Researcher, Worldwatch Institute). "Development and Global Environmental Changes."

Lim, Linda Y.C. (Research Director, Southeast Asia Business Education and Resources Program, Center for South and Southeast Asian Studies, University of Michigan). "The Impact of Changes in the World Economy on Developing Countries."

Stover, John (Vice President, The Futures Group). "Social, Economic, and Political Trends in the Developing World: The Context for U.S. Development Cooperation in the 1990s."

### ■ *Symposium on Defining the Issues and Assessing the Needs, Washington, D.C., November 12-13, 1987*

Bradford, Colin L., Jr. (Associate Director, Yale Center for International and Area Studies, Yale University). "Cooperation with the Newly Industrialized Countries in the 1990s."

Gordon, Lester (Institute Fellow, Harvard Institute for International Studies). "U.S. Development Assistance in Retrospect: Lessons Learned."

Maynes, Charles William (Editor, *Foreign Policy*). "U.S. Foreign Policy Interests in the Third World in the Years Ahead."

Mistry, Percy S. (Senior Fellow, Queen Elizabeth House, University of Oxford). "Financing Development in the 1990s" and "Reforming the Development Financing System."

Streeten, Paul (Director, World Development Institute, Boston University). "Accelerating Development in the Poorest Countries."

### ■ *Symposium on U.S. Institutional and Policy Responses, Washington, D.C., April 14-15, 1988*

Hamilton, John Maxwell (Public Affairs Specialist, The World Bank). "Development Cooperation: A Public Commitment."

Lyman, Princeton N. (U.S. Ambassador to Nigeria). "Beyond Aid: Alternative Modes of Cooperation."

Shear, David (Senior Vice President, International Management and Development Group, Ltd.). "U.S. Delivery Systems for International Cooperation and Development to the Year 2000."

Weihe, Ted (Executive Director, U.S. Overseas Cooperative Development Committee). "Congressional Strategies."

Williams, Maurice I. (Senior Fellow, Overseas Development Council). "Organization for Development Cooperation: U.S. Institutional Policy Responses."

### ■ *National Conference on Cooperation for International Development: U.S. Policies and Programs for the 1990s, East Lansing, May 15-17, 1988*

Grant, James P. (Executive Director, United Nations Children's Fund (UNICEF)). "Putting Crises to Work for People: Challenges of Global Development in the Years Ahead."

Soedjatmoko (former Rector of the United Nations University). "Cooperation for International Development: Perspective from the Third World."

Speth, James Gustave (President, World Resources Institute). "Poverty and Environmental Degradation: Basic Concerns for U.S. Cooperation with Developing Countries."

Wharton, Clifton R., Jr. (Chairman and Chief Executive Officer, TIAA-CREF, and former Chairman, Board for International Food and Agricultural Development (BIFAD)). "A New Era of Development Assistance."

Wheeler, Joseph C. (Chairman, Development Assistance Committee, Organisation for Economic Co-operation and Development). "Opportunities for United States Leadership in a New Development Partnership."

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