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U. S. ASSISTANCE STRATEGY

FOR AFRICA

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<u>Contents</u>	<u>Page</u>
FOREWORD	
I. SUMMARY	1
II. NATURE OF CRISIS	2
III. PROSPECTS FOR RECOVERY	3
A. Short-term recovery prospects	4
B. Medium-term prospect for food security	4
C. Medium-term prospects for financial security	6
D. Long-term prospects for growth	7
IV. DEVELOPMENT ASSISTANCE REQUIREMENTS	7
V. BILATERAL ASSISTANCE STRATEGY	9
A. Overview and Current Emphases	9
B. Assistance Priorities for the Future	10
1. Economic restructuring	10
2. Agricultural development	12
3. Human resource development	15
C. Implementation	16
D. A.I.D. and PVOs in Africa	17
E. A.I.D. and Peace Corps in Africa	18
1. Current activities	18
2. Our future plans	20
VI. MULTILATERAL ASSISTANCE STRATEGY	20
A. Introduction and Overview	20
B. World Bank Group	22
C. African Development Bank and Fund	23
D. United Nations Development Program	24
E. International Fund for Agricultural Development	24
F. IMF	25
G. The Structural Adjustment Facility and Policy Framework Papers	26
VII. DONOR COORDINATION IMPROVEMENTS	27
VIII. CONCLUSION	28

FOREWORD

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

This report builds on the Africa Bureau Strategic Plan of April 19, 1984 and incorporates the Bureau's rethinking of development in Africa during the past several years. It is based on review of the causes of the food emergency, unmanageable debt, and economic decline which have affected a majority of countries south of the Sahara. It reflects the consensus A.I.D., other donors, and African countries have reached on how best to solve these interrelated problems. It also takes into account the recommendations agreed to at the UNGA Special Session on the Critical Situation in Africa during May 1986.

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

The whole report was submitted to the Senate Appropriations Committee in March, 1986, in response to its request for a report on long term development needs and approaches in Africa. It was updated in March 1987.

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

I. SUMMARY

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

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

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

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

The U.S. is providing \$778 million (FY 1987) in bilateral development assistance, which represents approximately 15% of total official development assistance to Africa. For FY 1988, the Administration is planning \$755 million for bilateral assistance to Sub-Saharan Africa. In addition, we provide relief and recovery assistance as needed (\$320 million in FY 1986). Our long-term strategy aims to lay a foundation for growth by supporting economic reforms, agricultural development, and human resource development (training, health, and population) as appropriate to individual country conditions. In the last two years we have been tightening the focus of our strategy by concentrating resources on key countries, expanding the use of policy conditioned non-project assistance, formulating plans to guide agricultural research natural resources management, and child survival activities, and stepping up efforts in population and innovative uses of food aid.

The recent progress in selected countries and donor experience in responding to the African crisis confirms the validity of the directions our assistance is taking. We need to maintain this

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

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

II. NATURE OF THE CRISIS

Africa faces a serious development crisis. Many African nations are experiencing continued economic disequilibrium and decline. The recent drought and resulting food emergency have been the most dramatic manifestations of these disturbing trends. The 1983-84 harvests were universally below the long-term average, more countries experienced food deficits, and 30 million Africans were seriously at risk of starvation.

The fact is development in most African countries has been interrupted over the past decade by a combination of external and internal factors. Domestically there is a growing gap between population, food production, and productive resources that is conditioned by inappropriate policies, misguided investments, and mismanaged resources. This is exacerbated by armed conflict, political unrest, and corruption. Some African nations have not been able to cope well with social and political cleavages, some of which stem from the colonial era and some of which have arisen in the post-Independence years. Internationally, worsening terms of trade, oil shocks, and worldwide recession have undercut African exports, raised import costs, and produced unmanageable debt burdens.

Over the past two decades per capita food production has declined by 16%. This is not surprising considering that most African nations have until recently neglected agriculture and stifled private

initiative through inappropriate government policies and overextended bureaucracies, while populations have grown rapidly. For example, prices to farmers have been kept artificially low to satisfy the politically-important urban groups' demand for cheap food. Overvalued exchange rates have also made nominal farmgate prices much lower in real terms. Inefficient state marketing monopolies have been slow to collect the crop or pay the farmer. These ill-conceived policies and flawed institutions have discouraged farmers from increasing production beyond subsistence levels, and have forced them to sell on the black market or to look for urban jobs to make ends meet.

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

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

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

III. PROSPECTS FOR RECOVERY

The prospects for recovery and renewed growth are uncertain and vary from country to country and from short term to long-term. The immediate prospects for recovery from the food shortages and dislocations resulting from the prolonged drought are favorable. With the above average rains, farmers have planted their fields and a majority of drought refugees have returned to their villages to resume their livelihoods. The medium-term prospects for food security are promising if countries follow market oriented policies, liberalize trade, introduce sustainable, farmer-relevant technologies, invest in irrigation and marketing infrastructure, and build up capacities to respond to local food shortages. The medium-term prospects for financial security at home and abroad are bleak unless more resources are mobilized and better used, and effective debt management mechanisms are devised. Finally, long-term growth prospects are tempered by growing population

pressures, unemployment, environmental degradation, decaying physical and institutional infrastructure, and eroding human productivity for lack of basic health care and education opportunities.

A. Short-Term Recovery Prospects

The results of the 1985 and 1986 harvests in southern Africa and projected harvests in east, central/west and sahelian Africa have been substantial due to good rainfall. Reforms in pricing and marketing policies have also played a role (see next section). This augurs well for resumed crop and livestock production, assuming rainfall continues at normal or near normal levels. But localized drought and/or continued civil disorder mean that parts of Sudan, Ethiopia, Mozambique, Mali, Cape Verde, and Botswana require new emergency assistance in 1987.

B. Medium-Term Prospects for Food Security

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

In terms of individual countries, the goal of food security must address both production and distribution questions. Production increases can be either in food crops or in appropriate export crops with the export earnings being used to import sufficient quantities to assure an adequate supply of food. When the total supply of food is assured, then the distributional questions among regions, income groups and households become important. Appropriate strategies to address distributional questions should include rural income generating activities to increase the buying power of the lower-income groups. Meeting the growing demand for food implies a growth in food production of about 4% a year. Achieving and sustaining this rate of growth will likely be very difficult requiring substantial investment in agriculture and making the most of physical potentials.

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

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

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

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

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

Substantial parts of Africa have reasonably good food production potentials. Using existing technology, some countries should be able to meet their food requirements with improvements in policy, marketing and infrastructure. Other countries are not capable of being self-sufficient. Even so, technological breakthroughs coupled

with sound agricultural and trade policies can go a long way toward increasing agricultural output and food availability in these countries, raising rural incomes and increasing foreign exchange earnings.

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

C. Medium-Term Prospects for Financial Security

Over the next five years prospects for financial stability in Africa will be severely constrained by debt and balance of payments problems. In 1987 Africans are scheduled to pay \$12 billion to service debt obligations totalling over \$80 billion in 1984. This represents an average 22% of their foreign exchange earnings. Meanwhile per capita imports are declining. Imports are now at 63% of 1973 per capita levels. This financial crisis stems from Africa's borrowings in the 1970's to meet rising oil costs and shifting terms of trade which caused exports to decline precipitously (over 5% per year since 1973). Unless the financial crisis is resolved and imports are able to grow, renewed growth will be impossible for many countries. Without financial stability African governments will be unable to fund recurrent and development expenditures at minimum levels required to support growth.

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

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

Over the medium term, financial security will have to come from both increased domestic resources (e.g. export receipts and return

on investment) and greater efficiency in the use of available resources. Liberalized economic policies hold the key to more efficient resource allocation and sustained growth. There are two major sets of policy reforms that are needed: (1) policies to realign wage rates, interest rates, and product prices, and (2) policies to reduce the role of the State in the economy.

D. Long-Term Prospects for Growth

Long-term growth in Africa represents an enormous challenge. There are 46 countries in Sub-Saharan Africa with nearly 450 million people. By the year 2000 there will be 750 million Africans, with 45% or more living in urban areas. The urban population is growing at about 6% a year, twice the pace of population increase. African countries will need a minimum of 3% capita or 6% GDP growth rate per year to match the performance of low income countries in other regions and for GDP to double within 24 years.

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

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

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

IV. DEVELOPMENT ASSISTANCE REQUIREMENTS

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

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

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

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

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

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

In addition, there is a very real need to improve the effectiveness of donor assistance. The U.S. other donors and African countries have done a good deal of stock-taking triggered by the calamitous recent famine and Africa's deepening economic crisis. The most significant meeting of the minds concerning Africa's requirements occurred in May 1986, at the UNGA Special Session on the Critical Situation in Africa. At this international forum where the USG played an active role, a UN Programme of Action for African Economic Recovery and Development was debated and adopted resulting in a landmark consensus on Africa's priority needs.

Although it is too soon to offer final conclusions, we are refining our assistance to Africa in light of our lessons learned from recent experience and the recommendations adopted at the Special Session. Among the most important of these are the following:

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

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

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

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

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

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

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

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

V. BILATERAL ASSISTANCE STRATEGY

A. Overview and Current Emphases

The U.S. is providing \$778 million in regular assistance to 42 Sub-Saharan countries in FY 1987. We have been assisting most African countries for a relatively short time, with periodic interruptions in our relations with these countries. About 40% of our assistance is currently concentrated in seven countries: Kenya, Liberia, Senegal, Somalia, Sudan, Zambia and Zaire. Individual country programs range from \$500,000 to \$100 million.

In addition, the U.S. provides emergency assistance as needed. In FY 1986 in direct response to the Africa food emergency the U.S. provided over \$320 million in emergency assistance, including over 3 million metric tons of food, medicines, blankets, transportation, and other non food relief. This year we are continuing our efforts in supporting recovery activities to help drought victims resume their livelihoods. In recognition of the gravity of the Africa food emergency and to follow on the work of the U.N. Special Session on Africa held in May 1986, President Reagan has called for a U.S. Initiative to end hunger in Sub-Saharan Africa. The Presidential Initiative establishes a common long-term goal for all U.S. economic programs and policies: to end hunger in the region through economic growth, policy reform, and private sector development.

The Initiative forms the basis for the Development Fund for Africa, which creates a separate budget account for Sub-Saharan Africa and consolidates the major elements of the current U.S. assistance program into a new, coherent legislative framework. In addition, the Initiative calls for the following:

- Mobilization of the U.S. private sector including involvement of PVOs and corporations
- New efforts to address Africa's heavy debt burden.
- Improved U.S. food assistance programs e.g., by stressing production incentives to reinforce economic reform and productivity.
- Creation of a high-level interagency coordinating committee.

- Improved donor coordination on comprehensive structural adjustment as well as on assistance programs.

In support of the President's Initiative, the major long-term objective of assistance is to help African countries get economic growth started again. The major pieces of our strategy are: economic stabilization and reform, increased agricultural production, and human resources development. The relative contribution of DA, ESF, and PL 480 is approximately 40%, 30% and 30% of total resources.

In recognition of the diversity of conditions in Africa, our assistance programs are tailored to the specific needs of individual countries. In general, our programs support economic policy reforms to create incentives for growth and to enable African farmers as well as businessmen to play a more dynamic role. Increasingly, they rely on the private sector following a broad-gauged approach outlined in the Bureau's Africa Private Sector Policy and Strategy. At the same time, they help develop the technologies, institutions and human capital required for productive employment and sustained growth.

B. Assistance Priorities for the Future

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

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

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

1. Economic Restructuring

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

Our support for economic reform draws on the whole range of resources available to the Bureau: ESF-funded commodity import programs and cash grants; PL-480 Title I sales and Title II Section 206 as well as Food for Progress grants; and sector and project assistance. These resources combined constitute roughly 50% of our assistance in FY 87.

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

We will extend more flexible assistance to African countries undertaking critical policy reforms under the African Economic Policy Reform Program. In FY 85 programs totalling \$75 million were developed for Malawi, Mauritius, Mali, Rwanda and Zambia. In FY 1986, programs were developed totalling \$47.9 for Guinea, Senegal, Togo, and Zaire. In FY 1987, \$27 million will be utilized for the African Economic Policy Reform Program. All of the AEPRPs are aimed at either reducing government activity in the productive sectors of the economy, reducing or rationalizing government controls on the private sector, or both:

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

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

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

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

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

-- In Guinea, the major objective is the privatization of agricultural input delivery and elimination of parastatals involved in such delivery.

-- In Senegal, reforms of tax system, including: (1) rationalization of tariffs; (2) reduction of import quotas; and (3) a study of direct taxation are the major thrust of this credit.

-- In Togo, the reduction of controls on agricultural exports should stimulate increased exports.

-- In Zaire, the program is designed to rationalize the tariff regime and to reduce the impact of the system on both investment and output decisions.

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

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

2. Agricultural Development

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

a. Agricultural Production

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

A.I.D. has been investing heavily in developing better agricultural technologies. During the 1980's A.I.D. has provided approximately \$80-100 million per year in support of agricultural research in Africa. Our assistance is being redirected at developing effective commodity programs with a farming systems orientation and at strengthening selected departments within schools of agriculture to develop the needed cadres of Master degree-level African scientists. In the very important process of transferring new technology to the farmers, appropriate measures must be taken to assure that women, who are responsible for well over half of the

food production in Africa, are fully knowledgeable of the improved technology.

We are following a two-pronged approach that recognizes that neither donors nor African nations can afford full-fledged national research systems in every country. This approach is spelled out in the Africa Bureau's Plan for Supporting Agricultural Research and Faculties of Agriculture in Africa (1985). In a selected group of high-priority countries where the conditions for effective agricultural technology development are most propitious, we want to help establish a significant technology generation capacity for major African food crops (maize, rice, sorghum, millet, cassava, sweet potato, beans, and cowpeas). In other countries our assistance is being oriented primarily toward development of the capacity to adapt technologies generated elsewhere. We see the International Agricultural Research Centers playing increasingly important roles in the establishment and growth of regional research networks, linking African scientists working at the national level to each other and to the international scientific community.

Agricultural inputs is an area deserving increased emphasis if we want to encourage greater intensification and market orientation of production. Irrigation is an obvious and so far little used input that in selected countries could significantly reduce vulnerability to drought, help even out production swings, and raise output. Africa has less than 2% of cultivated area under irrigation. Only a handful of countries are engaged in irrigation development, mainly involving major schemes. While irrigation development in Africa has proved difficult and costly, there is considerable untapped potential for irrigation development and water harvesting in many countries. We are approaching this sub-sector cautiously but with renewed interest. We are emphasizing rehabilitation of existing facilities, expanded support for locally managed irrigation systems, and improved water management. Fertilizer, improved seed, and pesticides are other critical inputs. We need to be prepared to support their expanded use. Policy reforms and private sector development may be the most effective means in many instances. But in others, development of technologies such as organic or biological approaches to fertilizer or pest control or institutional development may be appropriate.

b. Market Links Development

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

their business. Given the small size of their internal markets, many countries will have to rely on intra-regional trade to sustain expanding demand and supply.

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

c. Natural Resources Management

It is increasingly clear that better management of Africa's renewable natural resources, especially land, water, and fuelwood must be an integral part of our agricultural assistance efforts. The advance of the desert, the denuding of the forests, and the depletion of the soils in Africa are working to undermine agricultural production and increasing the vulnerability to drought. Better long-term management of Africa's physical and biological systems includes the provision of dependable energy sources, compatible with local needs and capabilities. There is a growing recognition that the degradation of the natural resources base is undermining both food and energy production, particularly among the rural poor.

The Bureau's Plan For Supporting Natural Resources Management In Sub-Saharan Africa (1987) and the Bureau's Energy Strategy Statement (1985) form the basis for our future activities in these two sectors. They both articulate and provide focus for addressing natural resource and energy concerns. We are currently providing about \$40 million per year in natural resource related activities. Our program will place emphasis on long-term management in support of sustainable agricultural productivity and rural development. Program support will also be provided to activities related to the maintenance of biological and genetic diversity as well as water resources management.

d. Drought and Famine Preparedness

This priority grows directly out of our experience with the recent African famine. Recognizing that drought, famine, and local

emergencies will continue to arise, we are helping Africans develop a system to predict and respond to these situations. We have put in place a Famine Early Warning System (FEWS) that can help predict food, nutritional and other incipient emergencies early and accurately, thus permitting preventive action and more timely relief assistance. This system combines high-tech satellite-based remote sensing with ground level information. The system has proved its usefulness recently in Sudan, greatly facilitating crop forecasting and estimation of emergency food relief needs for 1986. We hope this system will help avoid the massive dislocations witnessed during 1984-85, and alleviate the impact of famine in the future.

During the recent emergency most countries organized drought relief and coordination mechanisms. A.I.D. intends to help strengthen and maintain these organizations in readiness to respond, when needed. An important aspect of our work is documenting the lessons learned, instituting the best procedures for handling food and non-food emergencies and training Africans in use of relevant procedures. We are also working on improving transportation linkages and circumventing or removing the bottlenecks identified during the emergency. An improved transportation infrastructure serves not only relief needs, but accelerates economic growth as well. Improved transportation will serve not only relief needs but also fuel economic growth.

Following the African drought and famine in 1983-85, many African nations became seriously infested with locusts/grasshoppers. Recognizing the implications of such an event, the U.S. worked with the United Nations Food and Agriculture organization and other international donors and the affected African countries to carry out an emergency control campaign in 1986. Crop losses were held to less than 40% in the infested areas. Nevertheless, the 1986 emergency campaign was late in starting, and the amount of eggs that will hatch during 1987 and 1988 is expected to be vastly greater.

In 1986, U.S. provided almost \$9 million to a highly successful international effort, costing about \$38 million in total, to reduce potential crop losses. In 1987, A.I.D. will provide approximately \$10 million through the Office of Foreign Disaster Assistance and the Africa Bureau, Office of Emergency Operations, to some 20 African countries, primarily in the Sahel, Sudan, and Southern Africa (Botswana). A three year, medium-range Africa Bureau project--Africa Locust/Grasshopper Emergency Assistance--is being developed for recovery and rehabilitation activities. The Africa Bureau Locust/Grasshopper Strategy Paper includes the details of A.I.D.'s short, medium, and long-term approaches to the problem.

3. Human Resources Development

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

To increase human productivity and to help balance population, food, and resources, we will continue providing focused assistance in the priority areas of training, child survival, and family planning, emphasizing low cost technologies, improved management, and financially viable approaches to service delivery. Currently our assistance to these areas, including centrally-funded programs, amounts to about \$185 million.

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

In FY 87 we are allocating about \$50 million (excluding PL 480 Title II maternal/child health feeding programs) for health. The portfolio has been re-oriented in accordance with A.I.D.'s Child Survival Strategy. Our development efforts are focused upon the treatment of childhood communicable diseases, diarrhea and malaria through immunization, oral rehydration therapy and nutrition programs.

In population, we are providing about \$55 million in 1987. While population programs continue to be a sensitive topic in much of Africa, many leaders are becoming increasingly aware of the devastating consequences of continued growth at current rates. Seven countries now have official population policies encouraging the voluntary reduction of birth rates. Many other governments are sponsoring family planning through their maternal and child health care programs. Demands for AID assistance in this area are growing and we are now supporting voluntary family planning activities in 40 African countries.

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

C. Implementation

In implementing this strategy we must live within very strict budget guidelines and adhere to effective program management principles. A.I.D. resources for Africa are unlikely to increase significantly over the coming years. In fact, the Gramm-Rudman-Hollings deficit targets may mean a significant reduction in current levels. This

will force even more selectivity and concentration in the use of our resources. To preserve maximum impact in an era of resource limitations, we will continue our strong adherence to these important program management principles:

1. Individual country strategies will be tailored to country realities and programs will be concentrated in a few priority areas following country priority guidelines.

2. Country resource allocations will increasingly take into account country performance in restructuring and managing the economy.

3. Non-project assistance and fewer projects with longer life of project will be increasingly favored.

4. Programs building on lessons learned about successful and unsuccessful approaches and promising short and medium economic returns will be emphasized.

5. Throughout our programs, we will seek to reinforce the growth-creating capacity of the private sector, broadly defined. This will permit governments to focus the role of the public sector on those limited areas which it is best suited to manage.

6. A closer partnership with private voluntary organizations and the Peace Corps will serve as the primary means for continued support for critical local level project activities in support of this plan.

7. Improved donor coordination, especially at the sectoral level and in-country, will be actively pursued in accord with the complexity of the country economy and our program.

8. Evaluation and research efforts will be maintained and results used to refine current strategies and programs.

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

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

A.I.D., through its Africa Bureau, maintains close linkage and communication with the PVO community. We meet regularly with the community, participate with InterActions (an association which

represents over 100 PVOs) in meetings for PVOs, sponsor day-long meetings with the PVO community, and maintain individual communication with PVOs to enhance their participation in Africa programs.

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

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

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

In recent years, A.I.D. and Peace Corps have made a special effort to achieve greater cooperation in order to make more effective use of U.S. resources in development efforts throughout the developing world, including Africa. The principal elements of our joint effort are reviewed below.

1. Current Activities

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

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

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

Mali, Zaire, Niger, and Lesotho have been selected as pilot countries for the Initiative. These countries were chosen because they represent a broad spectrum of agricultural systems, because the Peace Corps has earned a solid reputation for effective rural development programs in these countries and because the national governments have demonstrated a recognition of the macro-level policy issues that have contributed to Africa's food problems. We believe that by linking local-level action programs to macro-policy reform efforts we are developing a program that promises greatly increased impact for both A.I.D. and Peace Corps development efforts.

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

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

-- Approximately 1,400 Peace Corps volunteers are now working on A.I.D. projects world-wide.

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

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

community on expanding such cooperation, and A.I.D. has included language in project proposals to encourage A.I.D./Peace Corps/PVO cooperation in child survival and community-level development activities.

2. Our Future Plans

We believe that we have established during the past few years a very firm foundation for active, mutually reinforcing collaboration between A.I.D. and Peace Corps. Our collaboration will improve the effectiveness of our programs in Africa by capitalizing upon the distinct but complementary strengths of each agency. In the future our intent is to build on this foundation by refining the SPA program, by ensuring continuing cooperation in the development of individual country programs, and in drawing increasingly on the talents and resources of the PVO community. The complementary resources of A.I.D., Peace Corps, and PVOs will allow us to develop effective programs to address Africa's long-term development needs in food production, employment generation, and other priority areas.

VI. MULTILATERAL ASSISTANCE STRATEGY

A. Introduction and Overview

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

The table below summarizes administration requests for multilateral funding in FY 1988, and indicates what percentage of the assistance is expected to go to Sub-Saharan Africa (SSA).

Multilateral Assistance Funding Requests

<u>Institution</u>	<u>FY 1988 Request (in millions)</u>	<u>% of Funding to SSA</u>
World Bank Group	(1,198.2)	
IBRD	204.9	7%
IDA	958.3	45-50%
IFC	35.0	9%
African Development Bank	(83.9)	
AfDB	8.9	60%
AfDF	75.0	100%

United Nations Development Program	102.5	39%
International Fund for Agricultural Development	26.6	42%

The largest amount of funding is requested for the World Bank group (IDA, IBRD, IFC) which is key in providing policy advice and promoting required structural and sectoral reforms, and which also finances investment projects in agricultural development, infrastructure, and human resource development. In addition, the Bank is assuming leadership of donor coordination efforts in more and more African countries.

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

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

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

The International Monetary Fund (IMF) also plays a significant role in Africa, assisting African countries in dealing with temporary balance of payments difficulties. Almost every Sub-Saharan African country made use of IMF financing over the 1979-1986 period.

The IMF Structural Adjustment Facility and associated Policy Framework Papers provides a new means to address the region's economic problems. Based on closer coordination between the IMF and World Bank, and supported by bilateral assistance, this approach will enable the IMF, the Bank, and host governments to work together on a comprehensive policy framework to improve prospects for economic growth.

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

B. The World Bank Group

The World Bank is the premier multilateral development institution operating in Africa. It lends on nonconcessional terms through the International Bank for Reconstruction and Development (IBRD) and on concessional terms through the International Development Association (IDA). IBRD and IDA draw on worldwide experience, strong economic and sectoral expertise, and a large resource base to provide policy advice and promote required structural and sectoral reforms.

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

Total IBRD and IDA commitments to Sub-Saharan African between FY 82 and FY 86 totaled \$9.6 billion, of which \$5.5 billion represented IDA commitments. The share of IDA funds going to Africa will increase from 36% under the \$9.0 billion IDA VII replenishment (FY 85-87) to a target of 50% (45% minimum) under the \$12.4 billion IDA VIII replenishment FY (88-90), in response to strong U.S. and other donor urging.

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

In spite of the poor business environment prevailing in most of the region, IFC invested \$91 million in Sub-Saharan Africa in FY 86, mobilizing an additional \$186 million in private capital. IFC anticipates investing roughly \$448 million in the region from FY 85-89 and is pursuing a number of initiatives to stimulate private sector growth. Since much of the local private sector is not fully developed, the IFC is designing new experimental programs which are intended to expand private sector opportunities as rapidly as possible. Specifically, in October, 1986 the IFC launched the African Project Development Facility with offices in Abidjan and Nairobi. Funded in cooperation with other donor organizations, it will promote small African ventures through business counseling. The IFC is also currently seeking funds for an African Management Services Corporation which would place expatriate managers with African organizations for extended periods of time in order to "turn-around" certain potentially profitable ventures.

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

The Bank's "Joint Program of Action," submitted in 1984, recognized that Africa's current economic crisis is embedded in longer-term structural problems. It called upon the African governments to undertake national programs of policy reform and for the donors to provide additional assistance to help implement the process of restructuring.

In order to mobilize additional concessional resources to support the Joint Program, the Bank organized the Special Facility for Sub-Saharan Africa. The Facility, which will run from FY 86 through FY 88, has received pledges of \$1.85 billion from bilateral donors, including \$136.6 million from the United States. Between July 1985 and June 1986, the Facility provided 22 fast-disbursing credits totalling \$782 million to 15 Sub-Saharan African countries.

C. African Development Bank and Fund

The African Development Bank (AfDB) and Fund (AfDF) are also making a significant contribution to promoting economic development in Africa. The African Development Bank plays a unique role molding African opinion on economic issues and training the continent's future development leaders. For example, it has hosted a number of conferences and symposia on key development topics--such as one that took place in April 1986 on the environment and development. It has concentrated on financing agricultural and infrastructure projects (generally on a smaller scale than those financed by the World Bank).

The African Development Bank's and Fund's strength lies in areas of traditional development bank project lending. Sectoral priorities over the course of the Fund's Fourth Replenishment (FY 85-87) are: integrated rural development projects aimed at meeting basic food requirements; human resource development through education and health projects; and lending for basic infrastructure, primarily water supply and sewerage projects. Most countries in Sub-Saharan Africa borrow on concessional terms from the AfDF. AfDB and AfDF lending to Sub-Saharan Africa from CY 1983-86 totaled \$4.6 billion, 30% of which was on concessional terms.

In discussions for the 1987-91 capital increase, the AfDB, management has expressed its intention to prepare country strategies to guide lending, strengthen coordination with other donors in Africa, and engage in non-project lending generally in cooperation with the World Bank. While the AfDB does not presently have a strong expertise in policy-based lending, it would like to work toward developing that capability.

D. United Nations Development Program (UNDP)

UNDP is the central funding and coordinating body for UN technical cooperation. Through its network of 115 field offices world-wide, the UNDP assists host governments in defining their development goals and determining the most appropriate donor to assist with specific activities. The UNDP is able to use its particularly broad political acceptability to developing countries to finance technical assistance in such sensitive areas as funding advisors in finance and planning ministries.

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

Within available resources UNDP is taking a number of steps toward longer-term solutions for Africa through both its current and planned programs. Sub-Saharan Africa program planning figures for the 1987-1991 programming cycle are expected to total \$1.2 billion, of which \$1.0 billion is for country programs and \$200 million for regional programs. More has been spent in each successive year: \$161 million in 1984, \$180 million in 1985, \$200 million in 1986. Additionally, assistance is channelled through special contributions from bilateral donors as well as through resources from cost-sharing and parallel financing for UNDP projects, which attracted nearly \$15 million in third-party support in 1986. For 1987, UNDP anticipates a projected level for Sub-Saharan Africa of \$220 million for country and regional programs supplemented by \$15 million in cost-sharing.

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

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

E. International Fund for Agricultural Development (IFAD)

IFAD is a U.N. specialized agency which focuses exclusively on the agricultural development needs of the small farmer and landless poor. Sub-Saharan Africa is the largest regional recipient of IFAD

projects, with 84 out of a total of 198 projects (1978-1986) going to this region. Between 1978 and 1986, IFAD channeled \$658 million to Africa, which mobilized another \$900 million from other donors in project co-financing.

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

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

IFAD has launched a Special Program for Sub-Saharan African Countries Affected by Drought and Desertification. Voluntary contributions totaling \$200 million of the \$300 million target have been pledged to this four-year special program. The U.S. contributed \$10 million in FY 1987. The program is entirely separate from IFAD's regular program activities both in terms of contributions and staff support.

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

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

F. International Monetary Fund (IMF)

The IMF provides member countries with financial and technical assistance to support economic adjustment measures designed to deal with temporary balance of payments problems. IMF programs seek fundamentally to establish better balance between domestic production and consumption, and focus primarily upon basic macroeconomic variables such as fiscal and monetary policies, external borrowing, and exchange and interest rates. In many cases,

however, it is necessary to supplement these measures with microeconomic policies affecting, for example, agricultural prices. The U.S. has consistently supported this broad policy approach as an effective means to both encourage prompt economic adjustment and protect the monetary character of the IMF and the revolving nature of the IMF's financial resources.

Virtually every country in Sub-Saharan Africa made use of both high- and low-conditional IMF financing during the six year period between 1979 and 1984. During the period, the IMF approved 78 adjustment programs, including successive programs for numerous countries. A total of nearly SDR 7.8 billion was committed under these programs, of which SDR 4.7 billion was ultimately drawn. The Fund also approved 45 Compensatory Financing Facility (CFF) loans, and numerous Buffer Stock Facility, Oil Facility, and Trust Fund loans, under which a total of SDR 3.2 billion was disbursed.

G. The Structural Adjustment Facility and Policy Framework Papers

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

As a result, in October 1985 at the IMF Interim Committee meeting in Seoul, Treasury Secretary Baker proposed that repayments flowing back to the IMF Trust Fund might be used with resources from the World Bank and other sources to provide balance of payments support to IDA-eligible countries with prolonged balance of payments problems and a willingness to undertake comprehensive economic reforms. Most such countries are in Sub-Saharan Africa.

This proposal led to the IMF's creation of the Structural Adjustment Facility. Funding resources derive from \$2.7 billion in Trust Fund reflows through 1991. The essence of the approach is to remove structural impediments to production, savings, investment and non-inflationary growth, through the development of medium-term growth-oriented programs aimed at stabilization and structural reform. The focus of action by the Bank, Fund and host countries is to develop a comprehensive "policy framework" within which the two institutions develop individual policy-based programs. Fund and Bank staff also reach general agreement with the countries involved on financing needs and possible sources of financing to support the comprehensive program.

These frameworks are approved by the Bank and Fund Boards of Directors and are shared with other donors. It is intended that the frameworks can increasingly serve as the basis for other donors besides the Bank and Fund to provide assistance to low-income LDCs.

VII. DONOR COORDINATION IMPROVEMENTS

The issue of donor coordination is particularly important in Africa due to the magnitude and variety of donor assistance and the complexity of that continent's problems. In recent years donors have collectively committed around \$12 billion annually in Official Development Assistance (ODA) to Africa, and almost \$13 billion in 1985. The U.S. has been the second largest bilateral donor in recent years, with aid amounting to about 15% of the total. In 1985, our relative share of OECD contribution was higher, with the U.S. committing over 19% of the total. There are many significant sources of assistance to the continent. Nine OECD countries provided bilateral aid commitments of over \$200 million each in 1985, while OPEC donors gave \$645 million bilaterally. IBRD/IDA, AfDB/F, EEC, UN agencies including IFAD, and OPEC multilateral funds were all sources of substantial assistance.

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

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

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

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

and much expanded the emphasis placed on borrower policies. A similar effort is also underway to improve the analytical quality of documentation and the policy focus of UNDP-led Roundtables.

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

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

VIII. CONCLUSION

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

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Clearances:

A/AID:MPMcPherson 2 April 1986
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AID/GC:BLester 17 March 1986
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DAA/AFR:ARLove 25 March 1986
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