

Speeches of
Peter M. McPherson
USAID Administrator

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FOREIGN AID -- MYTHS AND REALITIES/DEMOCRACY AND DEVELOPMENT
Jay Morris, Deputy Administrator, A.I.D.

Most of us grow up with myths. Most of them are essentially harmless. Santa Claus, tooth fairies, ogres and Prince Charmings provide excitement and useful role models to generations of children.

But there are other kinds of myths as well--those that are harmful and need exposure to the light of simple truth.

For example, a perennial target of those who manufacture myths to serve political or personal ends, is the United States foreign aid program.

Unfortunately, the product of these myth-makers can be found in the perceptions many Americans hold about foreign aid. I'm sure you've heard them:

- the government is going to bankrupt the United States trying to support the rest of the world; or,
 - why are we spending all these billions on countries all over the world when we've got plenty of problems right at home; or,
 - why does our country lend millions of dollars to foreigners at 2.5 percent to 3 percent interest...and when I want a house loan it's at least 13 percent; or,
 - if I don't pay my debts the stores cut off my credit.
- But with developing countries, we just keep shoveling good money after bad; or,

- we can't do it all ourselves, why try?

These feelings about foreign aid are supported in the polls. For example; in a December, 1984 Roper poll, 61 percent said "too much" was being spent on foreign assistance. In 1983, 70 percent said "too much" was being spent. In 1976, the figure was 67 percent. Surveys show that a large part of the public believes we spend as much as 40 percent of the Federal budget on foreign aid. And, there are those who contend that foreign economic assistance to developing countries is growing by leaps and bounds--thus adding a significant drain on the Federal budget.

Well, the truth is that the total economic and military aid in fiscal year 1985 has been about \$15 billion...to be reduced further to \$14 billion in 1986. Foreign economic aid, which is administered by the Agency for International Development, accounts for about half of that amount...or less than one percent of the federal budget. It pays for A.I.D. development assistance programs, economic support funds, PL-480 Food for Peace assistance, and the Peace Corps.

Less than one percent of the Federal budget!

To those who believe that foreign economic aid is growing by leaps and bounds, I would point out that in the days of the Marshall Plan after World War II, foreign economic assistance absorbed roughly 11 percent of the Federal budget--more than 10 times where we are today!

Along with the perception that our foreign economic aid program is growing, is the belief that we're out there doing it all by ourselves

Nothing could be further from the truth.

While the U.S. does provide the largest absolute dollar amount of foreign aid--about 30 percent of the total--it is also true other nations provide relatively even more. For example, between 1979 and 1981, Japanese foreign assistance doubled; and Japan plans to double it again between 1982 and 1986. Many nations also support a far greater foreign aid program in proportion to the size of their economy than we do. Norway, Sweden, and the Netherlands, for example, provide an average of almost one percent of the Gross National Product to developing countries in the form of aid--more than four times the U.S. percentage!

Another myth is that foreign aid represents a heavy drain of dollars out of the U.S. The truth is that 70 percent of the money appropriated for bilateral foreign assistance is spent right here in America for goods and services.

Here are some little-known facts:

- third world countries are the customers for 40 percent of our exports. That's more than all of western Europe, and four times as much as Japan;
- over a million U.S. jobs are dependent on exports to the less developed world;
- these nations also represent a market for 35 percent of our agricultural products.

On the other side of the coin, we also must confess we need the strategic materials they provide. For example, we get more than half our tungsten, bauxite, tin, and cobalt from them.

So, you see, the prosperity, stability, and freedom of these people is really vitally important to our own economy and our national interests around the world.

Still another myth is that [PAUSE] our aid is some form of international give-away programs--or world-welfare.

We do make grants and we extend loans to some developing countries on easy terms--2 and 3 percent interest for up to 40 years. We don't do so out of any sense of altruism. We do it because it advances specific foreign policy aims. For example, we are providing Panama with \$30 million dollars in Economic Support Funds this year (FY-1985). This money will be used to help stabilize that country's battered economy and point it toward the goal of recovery and self-sustaining prosperity. We are conditioning our aid on the reform of economic policies that will make long-term gains possible through the encouragement of the private sector and private production for export markets.

Strong economies in Central America are in the best interests of the United States. I don't think any of us here today would argue with that.

The sale of American grain at low interest rates is another case in point. These sales are hastening the developing of those poor countries most likely to be our best future customers.

Twenty or thirty years ago, for example, Taiwan was struggling to feed its people and was a recipient of large amounts of American economic assistance. In 1950, Taiwan's per capita income was less than \$100 a year. By 1980, it was \$2,200. The country has become a major purchaser of American grain and other products--and, our seventh largest trading partner.

South Korea is another example. Following the Korean war, South Korea lay in ruins. The United States provided food assistance for 24 years as the country rebuilt its economy. Each year for the past few years, our annual cash exports of agricultural products to South Korea have exceeded the total food assistance we provided that country during long years devoted to its recovery and reconstruction.

As Korea illustrates, food assistance is a good investment in developing markets.

And then there is the familiar myth that the Third World doesn't pay its debts. Here are the facts: from 1946 to 1984, American economic loans and credits totaled over \$53 billion. Principal and interest payments to the United States amounted to \$28.8 billion by the end of 1984. Virtually all loans and credits disbursed early in this period have been repaid in full--with interest--and on time. With rare exceptions, the balances remaining reflect loans that have not reached maturity--payments that are not yet due. The repayment record has been excellent, with defaults a fraction of one percent since 1946.

So much for myths--myths that by design or by accident tend to undermine and weaken the resolve we must maintain if we are to help make this world a safer, more prosperous place for both ourselves and our children.

For the foreseeable future, the United States has an important role to fulfill throughout the developing world. As a matter of our most basic national security, we need the cooperation of these and other countries. If we expect them to cooperate with us in our security and trade programs, it is a matter of simple logic that we are going to have to cooperate with them in addressing their economic and security problems. This is especially true if their willingness to work with us exposes them to greater risks--as in the case of Pakistan, which is on the front line of resistance to Soviet aggression in Afghanistan; or Thailand which borders on Laos and Cambodia; or the Central American republics which are the constant targets of the Sandanista communists of Nicaragua and Castro's Cuba. Many of these countries are poor and can meet neither their security requirements nor their development needs solely from their own resources. With foreign assistance we can help--they will respond--and both sides will benefit.

Basic to the mission of the Agency for International Development in fostering world stability and peace is economic development and the relief of human misery. The abuse of human dignity caused by enduring poverty breeds instability and violence.

Our assistance programs attack the basic economic causes of poverty. We assist the recipients of our aid to release the natural economic energy of the people. To accomplish this, we have--during the past four years--restructured economic assistance programs to do two inter-related things:

- promote change in economic policy; and,
- give greater emphasis to the private sector and market forces.

Policy reform is essential to the effectiveness of our economic aid. Without appropriate policies, our resources may simply be consumed rather than invested in development. The costs of mistaken policies are huge. For example, in 1981, Mexico earned \$16 billion from oil exports--three times the total exports of just five years earlier. It also borrowed \$15 billion from banks. But Mexico still lost foreign exchange reserves because the incentive for capital flight outweighed the incentive for productive investment. In other words, the policy climate for employment-creating investment have been insufficiently present to encourage economic growth.

On the other hand, Costa Rica is an example of what can happen when policies are reformed to create a climate favorable to recovery and growth. In 1981, following the crush of skyrocketing oil prices, the world recession and a dramatic drop in the world prices of Costa Rica's principle exports, that country was nearing a state of complete economic collapse.

Unemployment and inflation rose sharply, the currency had devaluated by 600 percent, and the government was forced to suspend external debt payments. With the help of A.I.D. and the International Monetary Fund (IMF), Costa Rica bit the bullet. Policy reforms were instituted that, among other things, lowered protective tariffs, reduced artificially high internal subsidies, encouraged the growth of the private sector, and promoted production for export markets.

The results have been impressive. Inflation has fallen from 100 percent in 1982 to a projected 1985 level of 12 percent; unemployment has been reduced from 9.5 percent in 1982 to a current level of 6.2 percent; the gross domestic product has risen from a minus 7.2 percent in 1982 to a positive 6.6 percent today. Exports outside the immediate Central American area have increase by 27 percent over last year's total. The bottom line is that Costa Rica has taken aggressive steps to reform failed policies and place much greater reliance on the private sector as the principal engine of recovery and growth--and it is succeeding.

Throughout Central America, our long-term goal is to help create self-sustaining growth from within. Our short-term goal is to stabilize economies and establish the basis for solid recovery.

This approach toward Central America is paying off. The economies of El Salvador, Honduras, Costa Rica, and Guatemala are looking up.

Democratic institutions in Central America are flourishing.

Encouraging building, and strengthening democracy in Central America and elsewhere is a central objective of U.S. development efforts. History clearly shows a strong link between political freedom and economic growth--between democracy and social progress.

Because of the reliance on free market forces and private sector initiative, democracies have demonstrated the efficiency and dynamism necessary to maintain economic strength and public unity in the ever-changing international environment.

Because they encourage competition and a built-in process of self-correction through accountability, democratic societies are better able to bend with the shifting winds of economic markets. And equally important, democratic societies provide their citizens with opportunity for improved standards of living.

A.I.D. encourages the growth of democracy in many ways. For example, we funded the study that led to the creation of the National Endowment for Democracy. It is a nonpartisan, private, non-profit corporation established in 1983 to promote the development of democratic values and institutions around the world.

As part of our regular economic assistance programs, A.I.D. actively encourages and promotes democratic initiatives by providing support for cooperatives, credit and labor unions, and local organizations.

These are important democratic institutions which provide the means for people to express their views, choose their leaders and lobby for needed policy reforms at the national level.

This is democracy at its core.

A.I.D. also conducts special initiatives through our programs to promote human rights, strengthen legislative bodies and judicial administration, and encourage free and fair elections. For example, in the 1982 elections in El Salvador, A.I.D. helped support a program of international election observers. In the 1984 elections there, A.I.D. funded a project for a computerized election registry as well as logistical support to an organization known as the Center for Election Promotion and Assistance located in San Jose, Costa Rica. This organization is providing training, technical advice, and research to encourage free and fair elections in Latin America--most recently, in Guatemala.

I would like to emphasize again that it is a firm policy of the Reagan Administration and A.I.D. to support democracy and democratic institutions throughout the world. Unlike the Soviet Union and its client states, we believe in freedom--individual freedom--the right of a person to use his or her initiative and energy as he or she sees fit. We believe in incentives--born of the free enterprise spirit--to provide growth and jobs that provide the real, lasting basis for social progress and political stability.

We believe in helping create the climate and the means by which people freely elect their leadership and determine the role the government will play in their lives rather than the government dictating the conditions of life to the people.

It's an exciting mandate, and one that we at the Agency for International Development are proud to serve.

In closing, I hope that what I've said will put to rest some of the myths about the U.S. foreign assistance program. I hope it has sufficiently underlined the importance we place on the spread of democratic institutions that form the underpinnings of economic and social development. And I hope I have been helpful in generating a better understanding of the policies the Reagan Administration has implemented to assure improved results from the dollars we invest in foreign development and security.

We believe--and we hope you agree that the ultimate goal of foreign aid is the achievement of a free, secure world--a world in which growth and development are self-sustaining.

As we move toward this goal, new markets open, political and social stability improve, and the world becomes a better, freer, safer place.

President Reagan put it so well recently when he said:

"Only when the human spirit can dream, create and build; only when individuals are given a personal stake in deciding economic policies and benefiting from their own success--only then do societies become dynamic, prosperous, progressive and free."

Thank you.

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TALKING POINTS
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
MEETING WITH
NATIONWIDE INSURANCE BOARD OF DIRECTORS
AUGUST 1, 1984

INTRODUCTION

I WOULD LIKE TO DISCUSS:

- O THE GENERAL PURPOSE AND SCOPE OF A.I.D.
- O THE PREMISES THIS ADMINISTRATION IS CONVINCED ARE BASIC
TO LOGICAL ECONOMIC DEVELOPMENT.
- O THE FOUR POLICY CORNERSTONES WHICH ARE FOUNDED ON THOSE
PREMISES.

- O THE IMPORTANT ROLE OF COOPERATIVES IN DEVELOPMENT.
- O THE NEED FOR THE ADVICE AND COUNCIL OF NATIONWIDE IN EXPANDING OUR COOPERATION.

1. THE SCOPE OF A.I.D.

- O ADMINISTER ECONOMIC ASSISTANCE PROGRAMS IN 70 COUNTRIES.
- O BUDGET IS CURRENTLY ABOUT \$6 BILLION INCLUDING \$1.5 BILLION IN FOOD FOR PEACE (30TH ANNIVERSARY).
- O OBJECTIVE: TO ASSIST COUNTRIES IN ACHIEVEMENT OF SELF-SUSTAINING ECONOMIC GROWTH...HELP PEOPLE HELP THEMSELVES.

0 CHOICE OF COUNTRIES: HUMANITARIAN NEEDS; INTERNAL
POLICIES.

0 WILLINGNESS TO ACCEPT POSITIVE GOALS.

0 OUR OWN FOREIGN POLICY CONCERNS.

2. PREMISES

0 SUSTAINED ECONOMIC PROGRESS DOES NOT COME AS THE RESULT
OF RESOURCE TRANSFERS OR WINDFALL OIL REVENUES ALONE:

- TOO OFTEN SPENT ON CONSUMABLE GOODS AND SERVICES

(NIGERIA, MEXICO EXAMPLES).

- MUST BE COMBINED WITH INTERNAL POLICIES WHICH PROMOTE SUSTAINABLE GROWTH (SOUTH KOREA, THAILAND, TAIWAN).

0 THE PRINCIPAL LIMITER TO GROWTH HAS BEEN THE GENERAL ENVIRONMENT IN WHICH THE POOR ARE OBLIGED TO LIVE:

- LACK OF SKILLS, EDUCATION, TECHNOLOGY, USEFUL INSTITUTIONS, DEMOCRATIC STRUCTURES, UNMANAGEABLE POPULATION PRESSURES, ACCESS TO HEALTH SERVICES...ALL LIMITERS.
- MOST CRITICAL LIMITER IS NEGATIVE INTERNAL POLICIES.

0 STATISM:

- THE OVERBUILDING AND RELIANCE ON POWERFUL CENTRAL BUREAUCRACIES HAS NOT WORKED...INEFFICIENT, DICTATORIAL.
- CONTROL OF SUCH THINGS AS AGRICULTURAL PLANNING, INPUTS, PRICING AND MARKETING HAVE WORKED AGAINST FARMERS AND RURAL SMALL BUSINESS.

O POOR PEOPLE WILL CHANGE WHEN PRESENTED WITH A CLEAR OPPORTUNITY TO IMPROVE PRODUCTION AND LIVES:

- IT IS A MISTAKEN IDEA THAT THIRD WORLD POOR ARE NOT CAPABLE OF MAKING RATIONAL CHOICES.
- GREEN REVOLUTION IS AN EXAMPLE.

O THERE HAS BEEN PROGRESS IN THE THIRD WORLD:

- JUST MENTIONED GREEN REVOLUTION.
- AFRICA SINCE INDEPENDENCE; PRIMARY SCHOOL ATTENDANCE UP FROM 36% TO 63%; LIFE EXPENTANCY UP 21% FROM 39 YEARS TO 47 (BETTER HEALTH DELIVERY AND NUTRITION).

- INFANT AND CHILD DEATHS DRAMATICALLY REDUCED WITH
O.R.T.

3. POLICY CORNERSTONES: (FOCUS ON SYSTEMIC CHANGES RATHER
THAN DEPENDENCY)

0 POLICY DIALOGUE AND REFORM: (SUCCESS EXAMPLES PAST YEAR
AND A HALF)

- 16 AFRICAN COUNTRIES HAVE INCREASED AGRICULTURAL
PRODUCER PRICES (CREATING INCENTIVES).
- 15 AFRICAN COUNTRIES HAVE DEVALUATED ARTIFICIALLY
INFLATED CURRENCIES.

- 10 AFRICAN COUNTRIES ARE RESTRICTING PUBLIC SECTOR HIRING OR WAGE INCREASES (OR BOTH).
- BANGLADESH HAS TURNED MUCH OF ITS MARKETING OF AGRICULTURAL INPUTS (FERTILIZERS, ETC.) OVER TO THE PRIVATE SECTORS.
- SOCIALIST COUNTRIES--GUINEA, GHANA, MADAGASCAR, MALI--HAVE INDICATED WILLINGNESS TO TRANSFER A NUMBER OF ECONOMIC ACTIVITIES FROM GOVERNMENT CONTROL TO PRIVATE SECTORS.

- WE'RE WORKING WITH JAMAICA ON DIVESTITURE OF STATE-OWNED ENTERPRISES. RESULT--30 WILL BE TURNED OVER TO PRIVATE SECTORS. PRIVATE BUSINESSES WILL PARTICIPATE IN OVERSEAS MARKETING OF COFFEE FOR THE FIRST TIME.

0 TECHNOLOGY TRANSFER:

- A.I.D. WORKING WITH UNIVERSITIES, AGRIBUSINESS AND THE PRIVATE SECTOR INCLUDING COOPERATIVES IN RESEARCH, DEVELOPMENT, AND DISTRIBUTION.

- PRIORITIES; AGRICULTURE, FUELWOOD, BIOMEDICAL RESEARCH.
- A.I.D. TAKING THE LEAD IN MALARIA VACCINE RESEARCH, DISTRIBUTION OF O.R.T.

O PRIVATE SECTOR AND MARKET FORCES:

- STRONG PRIVATE SECTORS, INDIVIDUAL INITIATIVE ARE THE MOST POWERFUL ENGINES OF LASTING ECONOMIC PROGRESS.
- THE CARIBBEAN BASIN INITIATIVE BUILT UPON PRIVATE SECTOR JOB CREATION AND TRADE.

0 INSTITUTION BUILDING:

- STRENGTHENING INSTITUTIONS WHICH SERVE PEOPLE DIRECTLY AND IN WHICH THEY ACTIVELY PARTICIPATE.
- EXAMPLES: LOCAL SCHOOL BOARDS, DEMOCRATIC PARTICIPATION STRUCTURES, FARMER AND BUSINESS CONTROLLED CREDIT UNION AND COOPERATIVES.

4. COOPERATIVES:

- 0 ONE OF THE PROGRAMS WHERE ALL OF THESE POLICY OBJECTIVES ARE USUALLY MET IS IN THE COOPERATIVE PROGRAM.

O OVER 100 INDIVIDUAL OVERSEAS PROGRAMS ARE FUNDED BY
A.I.D. MISSIONS.

O EXAMPLES:

- COOPERATIVE LEAGUE OF THE U.S.A. (CLUSA) HAS HELPED
THE INDIAN NATIONAL DEVELOPMENT BOARD ESTABLISH MORE
THAN 12,000 COOPERATIVES TO PROCESS MILK FROM 10
MILLION PRODUCERS. USED A.I.D. FOOD FOR PEACE
COMMODITY PROCEEDS.

- CLUSA IS NOW HELPING SET UP A NETWORK OF 8,000 INDIAN VILLAGE-LEVEL COOPERATIVES WITH 330,000 MEMBERS TO PRODUCE OILSEED CROPS FOR VEGETABLE OIL.
- THE INDIAN FARMERS FERTILIZER COOPERATIVE HAS 28,000 SHAREHOLDERS. LAST YEAR SALES WERE \$270 MILLION AND EARNING \$20 MILLION.
- U.S. COOPERATIVES ARE ASSISTING IN THE DEVELOPMENT OF AGRICULTURAL PRODUCTION AND MARKETING COOPERATIVES THROUGHOUT THE WORLD. EXAMPLES: LAND O'LAKES IN EGYPT, JAMAICA, TUNISIA, TURKEY, COLOMBIA, EL SALVADOR, MEXICO, CHILE, AND KOREA.

- CREDIT UNIONS ARE FLOURISHING. IN AFRICA, LATIN AMERICA AND THE CARIBBEAN, MORE THAN 17,000 CREDIT UNIONS HAVE BEEN ESTABLISHED WITH 6.6 MILLION MEMBERS.
- I KNOW HOW IMPORTANT CREDIT UNIONS ARE TO SMALL FARMERS AND BUSINESS. AS A MEMBER OF PEACE CORPS. I HELPED SET THEM UP IN PERU.

OUTLOOK FOR THE FUTURE:

- O MARKETS IN DEVELOPED WORLD ARE SATURATED.
- O POTENTIAL FOR NEW MARKETS IS IN THE THIRD WORLD.

- o CLUSA, WITH A.I.D. SUPPORT, IS DEVELOPING A COOPERATIVE TRADE FACILITY USING THE NETWORK OF CONTACTS CLUSA HAS BUILT THROUGHOUT THE THIRD WORLD.

- o LAND O'LAKES HAS COMMITTED RESOURCES TO DEVELOPING INTERNATIONAL TRADE ARRANGEMENTS AS PART OF ITS MARKETING STRATEGY.

- o THE INVESTMENT NATIONWIDE HAS MADE IN THE INTERNATIONAL SMALL ENTERPRISE DEVELOPMENT CORPORATION OF XENIA (ZENIA), OHIO WILL FACILITATE WORK WITH COOPERATIVES IN LDC'S TO HELP THEM EXPAND EXPORTS.

- O IT WILL TAKE HARD WORK, A STRONG SENSE OF PURPOSE AND PATIENCE TO SUSTAIN EFFORTS ALREADY UNDERWAY AND CREATE NEW BREAKTHROUGHS.

CONCLUSIONS:

- O BUILT ON COMMON SENSE PREMISES, A.I.D. UNDER THE REAGAN ADMINISTRATION, HAS DEVELOPED SOUND DEVELOPMENT POLICIES.
- O COUNTRIES THAT HAVE SUCCEEDED IN DEVELOPMENT HAVE DONE SO ON THE STRENGTH OF MARKET-ORIENTED POLICIES THAT ENCOURAGE PRIVATE SECTOR LEADERSHIP.

- O WHEN INDIVIDUALS HAVE A "PIECE OF THE ACTION" SUCH AS COOPERATIVES OFFER, THEY ARE MORE PRODUCTIVE AND CREATE NATIONAL STABILITY.
- O THEY MAKE GOOD CUSTOMERS, SUPPLIERS, AND FRIENDS.
- O COOPERATIVES BLEND FREE ENTERPRISE BUSINESS INGREDIENTS WITH PEOPLE-ORIENTED DEMOCRATIC STRUCTURES AND INSTITUTIONS. THEY ARE AN APPROPRIATE VEHICLE FOR IMPLEMENTING DEMOCRACY.
- O THERE IS AN UNDERSTANDING THAT EXPANDED MARKET OPPORTUNITIES ARE IN THE LDC'S.

- o NATIONWIDE IS A LEADER IN THE COOPERATIVE WORLD...WE
NEED TO WORK TOGETHER TO DEFINE ADDITIONAL WAYS THAT
COOPERATIVES CAN WORK INTERNATIONALLY.

- o IN VIEW OF THAT, I WOULD LIKE TO ASK YOU TO JOIN WITH
A.I.D. FOR A JOINT PLANNING SESSION WITH SOME OF OUR TOP
PEOPLE AT A MUTUALLY CONVENIENT TIME. OUR INVITATION
AND A PROPOSED AGENDA WILL BE FORTHCOMING. I KNOW WE
CAN COUNT ON NATIONWIDE TO HELP.

THANK YOU.

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UN/NGO

"THE CHANGING CHARACTER OF DEVELOPMENT ASSISTANCE"
September 6, 1984

I have looked forward to participating in this conference for a number of reasons.

It provides a valuable forum for the exchange of ideas among people who share a concern, the concern for the poor of the world.

The location of this conference is a reminder of the equality of nations. These Nations seek answers to world problems as a group, while maintaining the sovereignty of its members.

And, the theme of the conference "New Approaches to Development," clearly recognizes the evolutionary nature of development.

For the United States, the ultimate goal of foreign economic assistance does, however, remain constant. It is the achievement of a free, secure world in which growth and development are self-sustaining, and the extremes of poverty have been eliminated.

It is the specific task of the A.I.D. to help poor people help themselves through the expanded availability of choices and opportunities.

Although the ultimate goal remains constant, the means of best achieving the goal does change as the world changes and we learn from experience. When this Administration came into office, we carefully assessed our programs. We examined what was working--and what was not working. We confirm the use of development practices which have withstood the test of time. Others required adjustment, and still others were found to be impractical and even counterproductive.

Specifically, we have restructured our program on five premises.

The first premises is: (1) Sustained economic progress does not come as the result of the transfer of resources alone. Nor does it come solely as the result of windfall wealth from new-found oil revenues. We look at the problems of Mexico and Nigeria in recent times and can understand this.

By contrast, countries such as Thailand and South Korea have judiciously combined some resources with wise internal policies and have produced substantial growth..

Premise 2. The principal limiter to growth has been the general environment in which the chronically poor are obliged to live.

The lack of skills, education, technology, a voice in the selection of leadership are all limiters. Unmanageable population pressures and the lack of access to health services are limiters to development. One of the greatest limiters are government policies that work against sustainable economic development.

Premise 3. Statism and central economic planning have not worked. The truth is, top-heavy government structures are inefficient and, in many cases, do not extend their influence beyond the limits of the major urban centers.

Premise 4. Poor people will change long-standing behavioral patterns when presented with a real opportunity to improve their lives.

The ability--even eagerness--to change was clearly the case in the Green Revolution. Whole areas of the world were introduced to those new strains of wheat and rice that dramatically improved yields. No elaborate extension systems were needed to get farmers to accept these new seeds and production methods. They quickly saw that more grain could be produced on the same amount of land...and the news and use spread like wildfire.

As a result, for example, India is virtually self-sufficient in grain production.

In short, when opportunity and technology present themselves, people will take advantage of them. You see, poor people are rational economic decision makers.

Premise 5. In spite of what we are often led to believe, there has been substantial economic and social progress in the third world.

Indian grain production is one example.

Other examples are found in education and health efforts since independence in many sub-Saharan African countries. For example, the creation of formal education systems have increased the number of children who have at least

attended school at some time from 36 percent to 63 percent. Secondary education shows an increase from three percent to 13 percent. Increased access to health care has brought a 21 percent rise in life expectancy from 39 years to 47.

Obviously, enormous ground is yet to be covered, but there has been progress.

With those premises in mind, we have established four pillars to guide our development efforts in this decade and beyond.

As I said earlier, the goal of our program remains to help poor people and poor countries. What has been changed from the past is the means to that end.

In brief, our four pillars involve LDC policies, institutions, technologies, and greater reliance on market forces. These are the fundamental tools for change without which development cannot occur.

The first pillar concerns policy change in LDCs: We work with a country's leaders to help fashion internal policies that will allow development to succeed.

The second pillar deals with institutional building.

Our approach during the past three and a half years has been to shift the emphasis from central government structures to those closer to the people affected. These include a wide spectrum of institutions including, but certainly not limited to, small farmer and business-controlled cooperatives, local school boards, and health delivery structures. It also includes the establishment of many institutions which we, in this country, take for granted such as systems for freely transferring title to property and free, democratic elections.

The third pillar addresses the need for private sector involvement and reliance on market forces. There are many things which government cannot do, or cannot do well: We reject the idea that government is the sole or best instrument for delivering the goods and services vital to the development effort. We seek the fuller participation of the indigenous private sector as a principal engine for growth.

A healthy private sector requires the free play of market forces. Too often government intervention is a disincentive for production.

Our fourth pillar deals with the research, development and transfer of useful technologies.

Let me give a few examples:

The development and wide-spread use of high yield rice and wheat seeds in areas where ample water is available has converted many parts of the world from poverty and hunger to virtual food self-sufficiency. I am pleased to note that new varieties of rice being developed by the International Rice Institute in the Philippines, greatly supported by A.I.D., show promise of high yields without the need for costly irrigation systems. It may be possible to extend the "Green Revolution" to millions of people in the 'dry land' regions of the world.*

The development of Oral Rehydration Therapy has brought about death reduction of small children from 40% to 80% when properly used. A.I.D. paid for much of the development and is now taking a lead in the introduction and distribution of this life-saving health technology.

Also, on August 2nd, I was pleased to announce that A.I.D.-funded researchers have achieved an important breakthrough in malaria research. We think we can produce a prototype vaccine against the most deadly form of malaria in human beings. Testing on animals will begin shortly, followed by human tests and hopefully eventual distribution. It is a giant step forward toward the reality of a vaccine which can combat malaria and save millions of lives each year. In Africa alone, it is estimated that one million people die each year from the disease. Over the years, A.I.D. has provided more than \$35 million to support malaria research projects. Our objective is to produce a highly effective vaccine at a cost within the reach of developing nations.

I should note that on many of these efforts, there has been a major or even leading role by WHO, UNICEF, and other organizations.

To summarize, we are using these four pillars as a focus in our program: (1) Policy Change in LDCs; (2) Institution Building; (3) Market Forces; and, (4) Science and Technology.

I would like to note that Non-Governmental Organizations have played a very important role in helping developing nations help themselves. At A.I.D. we channel the equivalent of nearly \$700 million a year through N.G.O.'s.

*New York Times, August 14, 1984, "New Varieties of Hardy Rice Hold Promise."

This includes grants and contracts, food commodities and emergency feeding projects, refugee assistance, and other goods and services. We think the N.G.O.'s do a very good job.

In closing, after three and a half years as Administrator of A.I.D., I am convinced that the premises and pillars which I have outlined today provide a sound basis for the U.S. to help poor people to help themselves.

Great progress has been achieved. But there is a long road yet before us. In traveling that road, we should always be mindful that there are those who will seek to put a gun in the hands of those who suffer. But we who choose to put the tools of economic development into the hands of those same people will ultimately realize the achievement of a world fed, secure, prosperous, at peace, and free!

Thank you!

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U.N. ASSOCIATION EDITORS SEMINAR
TALKING POINTS--NEW APPROACHES TO A.I.D.
AND DEVELOPMENT
(EMPHASIS ON PRIVATE SECTOR STRATEGY)
September 18, 1984

The ultimate goal of foreign economic assistance remains constant:

- It is the achievement of a free, secure world. A world in which growth and development are self-sustaining and the extremes of poverty have been eliminated.

The means, however, change with a changing world.

Premises upon which our policies are based:

- Sustained economic progress and development has not come to the third world as the result of transfer of resources alone.
- The principal limiter to growth has been the general environment in which the chronically poor are obliged to live.
- Statism has not, and will not, work.
- Poor people will change behavioral patterns when presented with the opportunity to improve their lives. They are universally good decision makers.
- There has been substantial economic and social progress. (Indian food production - African education, number of children in school up from 36% to 63%. Life expectancy from 39 years to 47, a 21% increase.)

Based on those premises, we have established the four cornerstones of policy to guide our development efforts. We are focusing on systemic changes that will generate long-term, self-sustaining development.

1. Policy Dialogue and Reform. Through our programs we work with a country's leaders to design and implement internal policies that will allow development to succeed.
2. The efficient transfer of practical technology. We work with U.S. universities, the agro-business community, and the private sector generally in the research and development of technology for third world use--plus, emphasis on the development of indigenous institutions with research and development capabilities.
3. We strongly encourage the building and strengthening of a variety of institutions which serve people and in which they are active participants.
4. Private sector involvement and reliance on market forces. We seek the fuller participation of these factors as the principal engines of growth in the third world.

Policy reform/private sector examples:

Bangladesh: Government paid fertilizer price subsidies to farmers as incentive to production and controlled distribution. The drain on the treasury forced cut-backs in government purchases which led to rationing, decreased production and high administrative costs. We worked with the government to design and implement policies that turned wholesale and retail distribution over to the private sector--and a phase-out of subsidies. Result: prices have risen, but so has supply. Rationing is no longer necessary, and fertilizer use is up 15% in the past year. Crop production up (1977-78 under 12 million tons; 1983-84 season 16 million tons).

Sudan: In the late 1970's, the Sudan government took over many private sector functions. One example, petroleum. Government (statist) controlled purchase and distribution with subsidies. Depletion of foreign exchange as a result of inefficient handling and subsidies forced purchases only when money was available and at high spot prices. The U.S. (through CIP program) joined with Sudan government, other donors and private sector, and are forming a dollar pool for the purchase of petroleum when prices are low. Policy reforms include the phasing out of subsidies and the turn back of distribution to the private sector. Savings in foreign exchange and subsidies, estimated \$60 million a year.

Africa (general): In the past year and a half:

- 16 African countries have increased real producer prices of agricultural products (farmer incentives).
- 15 have undertaken substantial devaluations of inflated currency.
- Countries such as Guinea, Ghana, Madagascar, and Mali are moving toward the transfer of economic activities from government control to the private sector.

Panama: Problem; low employment-generating capacity of economy. Solution: U.S.A.I.D. helped Panama design policies favorable to foreign private investment.

(Panamanian Investment Council formed in 1983.)

Action: helped build market research and salesmanship capabilities.

Results: Since October, 1983, nine operational investment projects have created over 1,000 new jobs with more on the way. 5,000 letter contacts, 595 direct personal meetings, 175 company visits to Panama.

Source of investors: Far East, other Latin countries, Europe.

Why is the private sector, A.I.D., and trade, good for the United States?

- Developing countries purchase 40% of U.S. exports (more than all of Western Europe, four times as much as Japan).
- Six percent (1.2 million) U.S. manufacturing jobs are dependent on exports to the developing world.
- Americans depend on developing countries for raw materials and commodities. They supplied nearly 45% of these imports last year (including significant percentages of strategic materials such as bauxite, tin, cobalt, and tungsten).
- Up to 70% of U.S. bilatateral economic assistance funds are spent on goods and services provided by U.S. suppliers (see attached pie chart).
- Over the past 12 years, more than 5,000 U.S. firms and suppliers received A.I.D.-supported orders totaling more than \$9 billion in sales.

The magic of the market place is the best economic development tool there is. It is working in the third world!

When an individual gets 'a piece of the action' such as:

- their own business;
- their own farm;
- the jobs they generate;
- the technology they can use;
- the freedom to buy, sell, and be trained;

- access to credit;
- the rewards of saving and investing;
- local control over institutions; and,
- government policies that make these rights possible.

When these factors are present you have the prescription for prosperity. New markets are opened; political and social stability flourish; and the world is a better, safer place.

A.I.D. policies adopted over the past three and a half years have been effectively focused on policy reform, the private sector, building useful institutions and the transfer of practical technology.

These policies work in tandem. They create self-sustaining development for the long-term benefit of the poor of the third world as well as the interests of the United States.

#

REMARKS

BY

JAY F. MORRIS

DEPUTY ADMINISTRATOR

AGENCY FOR INTERNATIONAL DEVELOPMENT

SECOND ANNUAL AGRICULTURAL MARKETING WORKSHOP

September 24, 1984

I'm pleased to be a part of this second annual Agricultural Marketing Workshop.

You know, My dictionary defines 'marketing' as "the act, or process, of buying and selling in a market."

In its simplest terms, then, "marketing" is an economic activity, which benefits both buyer and seller.

It's a partnership for progress, if you will -- mutual progress.

That same word - "partnership" - also accurately describes the intent of the Caribbean Basin Initiative.

As proposed by President Reagan, the CBI represents a new partnership between the U.S. and the Caribbean Basin countries. Enacted into law just a little over a year ago, the CBI has opened up dramatic new opportunities for investment, employment, and growth for the region.

As designed, the U.S. Government plays a supportive role to the private sectors in this country and throughout the Basin. The Administration sees this role as the proper alignment of players -- with Government as a catalyst and the private sectors taking the lead.

Part of our function as catalyst, then, is to provide incentives and seed money, and to act as a clearing house to bring people together to do business.

The incentives include duty-free treatment for virtually all exports from the region to the U.S. Another incentive is the duration of the program itself. It will run 12 years -- enough time to serve as an inducement for investors, even in those complex and somewhat risky enterprises. Its simplicity, scope and duration mean that smaller and less experienced exporters will now find it easier to take advantage of CBI trade benefits.

As for seed money, a total of over \$2 billion in U.S. Government funds have been committed. A.I.D. alone, through our 10 country missions in the basin, provided \$736 million in assistance last fiscal year. Support this year is budgeted at about \$593 million for balance-of-payments and specific development projects. Hopefully, Congress will also provide our supplemental request for \$400 million this year based on the recommendations of the Kissinger Commission.

I mentioned the role of Government as 'clearing house.'

An Inter-Agency group under the direction of the Commerce Department is charged with informing potential investors and traders in the U.S. of new prospects. Also, our embassies and A.I.D. missions in the Basin are heavily involved in helping the various private sectors from the U.S. and Caribbean countries take full advantage of all the opportunities available.

I think we each recognize that the CBI by itself is not going to lead to overnight success in terms of dramatic results.

It's going to take time;

It's going to take work;

It's going to require the creative genius of a lot of business people; and,

It's going to require sometimes courageous policy actions by government officials in the nations involved.

But I am here to say, it not only is going to work -- it already is working.

It's working because of the enthusiasm and action of people like yourselves. The examples are many, including the rapid rise in involvement through workshops like this one.

Another example is the Chicago Association of Commerce and Industry, which, through a grant with A.I.D., is linking Chicago area businesses with businesses in Basin countries. It is conducting research, promotion and technical assistance programs; it's offering advice on trading arrangements; it's assisting in obtaining financing and other specialized help.

The Atlanta Market Center recently held a successful fair involving hundreds of products from more than 75 producers in six Caribbean countries to bring buyers and sellers together.

Agricultural Cooperative Development International (ACDI) and Land O' Lakes have linked up with the Jamaica Agricultural Development Foundation in an exciting new program. It is promoting agribusiness projects through profits realized from the sale of PL-480 (Food for Peace) butter and cheese. The funds provide venture capital, loans, guarantees, grants for research and training to small farmers and agribusinesses.

Business International Corporation has done an important study entitled, "Agribusiness and the Small-Scale Farmer" that we consider very valuable. It was completed earlier this year under a grant by our Bureau for Private Enterprise. It is based on case histories in nine countries, including the Dominican Republic and Mexico. It describes successful efforts in organizing small farmers around a "core" private company that buys their output. The company provides services such as

managerial, marketing and technical expertise and, at times, credit. The farmer enjoys an assured market, high income and a stimulus to production. The core companies involved range from large multinationals to very small agribusinesses. They include domestic firms, U.S. and other foreign companies and joint ventures between the two.

In the event you have not seen this study, the A.I.D. Bureau for Private Enterprise will provide it to you gladly.

Another organization, the Joint Agricultural Consultative Corporation, - known as JACK - is helping U.S. business invest for profit in projects that expand agricultural resources. The corporation is involved in the Caribbean (Jamaica), helping develop small and medium sized businesses which are not yet large enough to afford foreign-based offices or foreign investment scouting missions.

An American company -- Seafood Commercial Trading, Inc. -- is investing nearly \$6 million in a shrimp farming project in Guatemala. It will increase Guatemala's shrimp export business by about \$15 million a year. I would point out there is an unlimited demand for shrimp on the international market.

Caribbean Basin Corporation -- yet another U.S. investor -- is ready to go with a winter season vegetable project in Jamaica. It will produce vegetables during the season when climate prevents their production on U.S. farms.

MacGregor Sporting Goods will employ 200 workers in Haiti to make basketballs. This operation is being moved to Haiti from Taiwan -- not from the United States. I fully expect a number of U.S. and other firms with light manufacturing facilities in the Far East to follow suit swiftly.

So, what we are seeing here is clear evidence that the Caribbean Basin program is working by correctly placing the emphasis on self-help and the development of private sector partners -- Partners for Progress.

In some ways, it is appropriate to acknowledge it is also a Partnership of Patience. For -- time -- time will be required to overcome the problems of low levels of private investment, production and employment. But at least the process has begun.

In Central America, the spiralling decline in production and living standards is ending. We now expect positive economic growth rates in all of the countries in which we are working. Capital flight, which was high in the 1979-1982 period, appears to have stopped. Private sector confidence has begun to return. In most of the Caribbean Islands also, there are real grounds for optimism.

But many tough challenges do remain.

Their solutions will have to be pursued relentlessly.

They are there. Oh! They are there, make no mistake about it; they are there.

For example, we are confident that the problem of financial instability can be solved in the next two-to-three years. It will require appropriate stabilization measures by the Caribbean countries - a hard political decision - and adequate balance of payment support from the IMF, World Bank and other donors. For the longer term, as I have pointed out, recovery will rely on the strength of market oriented policies and vigorous participation by us all in the international economy. This has been the vital key to successful development in nearly all of the less developed countries of the world that have achieved economic stability and progress over the past thirty years.

There are several factors that underly the optimistic forecast of a turn-around in regional economic prospects I offer you today.

-- First, most of the countries we have assisted have already taken many of the difficult measures needed to deal effectively with their long-term economic problems. We are seeing increased attention to production and efficiency, including the elimination of government bureaucracies and even the sale of government-owned operations to the private sector. Government policy has also given greater emphasis to exports, simplifying

regulations: creating better incentives, and promoting inflows of private investment to export industries.

-- Second, the U.S. economic recovery under the Reagan Administration is providing a better external environment for development throughout in the region. Prospects for exports to the United States have, thus, improved.

Commodity prices for traditional exports, such as coffee, have also begun to recover.

-- And, Third, I again emphasize, the high levels of support provided by both the private and public sector in the United States have helped create renewed confidence in the future.

The United States Government -- which is to say, us - the taxpayers -- is putting a lot of money and effort in helping achieve economic progress in the Caribbean Basin.

And, in view of that fact, it is entirely proper to ask, "what's in it for us."

The answer, I'm happy to say, is, -- A LOT!

To begin with, it means a much larger and growing market for our exports and new job opportunities for our workers.

But more than that, a stable, democratic and prosperous Caribbean Basin means a safer hemisphere for everyone. It means the removal of the vacuum of poverty that provides such an attractive lure for mischief by the forces of the far left.

So, development is good business.

Development is also good foreign policy.

And we are convinced, that the best economic development and foreign policy tool we have, is the magic of the market place!

Because, when an individual gets 'a piece of the action'; such as:

A business;

A farm;

A good job;

Useful technology;

The freedom to buy, sell, and choose training;

Access to credit;

The rewards of saving and investment,

And the democratic means to chart their own destiny -- under Government policies that make the exercise of those rights possible...

When all these factors are present -- they constitute an environment in which economic, social and political stability flourish -- one in which, peace and a better life for all of us becomes -- and remains -- a reality.

In pursuit of this goal, I ask for your continued support and your suggestions, in making our Agency for International Development programs and the Caribbean Basin Initiative

more productive in the months ahead. The economic opportunities you perceive, dovetailed with our support, looks to me to be an unbeatable Partnership for Progress, trade, and peace.

AN INVESTMENT IN AMERICA

ADDRESS BY

M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

TO

THE WORLD AFFAIRS COUNCIL OF WILMINGTON, DELAWARE

October 3, 1984

Thank you. It's good to be here in Wilmington.

More than three and a half years ago, it was evident to this administration that a major shift in the focus of U.S. foreign economic aid was long overdue.

With some notable exceptions, U.S. efforts and policies were not providing acceptable results.

The American public wanted to know that foreign economic assistance gets results. They wanted to be sure that foreign assistance is mutually beneficial to the developing country and to us.

Tonight, I'd like to discuss three areas of particular interest to this administration--and to you.

The benefits, purposes and policies of U.S. foreign aid.

As businessmen and Americans, you are properly concerned about how foreign economic aid benefits you.

We believe it's important to build stability and economic growth in Third World countries. Foreign aid is, in fact, an investment in America. Let me explain:

- the third world buys 40% of our merchandise exports--more than all of Western Europe; they buy four times as much as Japan.
- 6% or 1.2 million jobs are dependent on exports.
- the third world is a market for 36% of our agricultural products. Last year, more than half of our wheat exports and more than 60% of our rice exports went to less developed countries.
- put another way, one out of five farm acres in the U.S. produces for third world markets.
- 25% of all U.S. private investment abroad is in the third world. We expect this to increase as more developing nations become more stable as a result of our foreign assistance policies and programs.

- 70% of our bilateral outlays are spent on U.S. products and services.

We should also bear in mind that:

- Americans depend on developing countries for many raw materials and commodities. Less Developed Countries supplied nearly 45% of these imports last year. This includes significant percentages of tungsten, bauxite, tin and cobalt. These, as you know, are strategic materials directly related to our national defense.

In short--they need us and we need them.

Properly directed and administered, foreign economic assistance is an investment in America.

As I mentioned at the outset, we came to the early conclusion that policies governing our actions were, in many cases, overdue for correction.

Now, the process of policy re-alignment has been established. It is based on a series of common sense premises arising from experience.

These premises are:

Premise 1. Sustained economic progress and development has not come to the third world as the result of the simple transfer of resources from the developed nations. Neither has it resulted from wind-fall oil and mineral profits alone.

In the absence of broad-based development policies and programs, these resources have too often been squandered on consumer goods and services.

Premise 2. Statism--the reliance on huge central bureaucracies--has not worked.

It has most often resulted in a grossly inflated government payroll. Services frequently do not extend beyond the limits of large urban centers. Policy actions generally favor city dwellers who have a concentrated political strength at the expense of rural and village people.

Premise 3. The principal barrier to broad-based growth has been the general environment in which the chronically poor are obliged to live. The lack of education, skills, useful technology and health care are barriers. This is also true of the lack of government policy environments that encourage incentives, opportunity and a voice in government.

Premise 4. Poor people will change behavioral patterns when they have the opportunity to improve their lives. They are good economic decision makers. Through decades of experience they know there is little, if any, margin for error.

Premise 5. There has been substantial economic and social progress. In those cases where policies and well-directed assistance have been present, progress has been significant. I would cite the effective transfer of rice and wheat seed technology that sparked the Green Revolution in India.. In Africa, the number of children in school has risen from 36% to 63% since most nations achieved independence. Life expectancy on that continent has risen from 39 years to 47 years--a 21% increase in that same time span.

Based on those premises, we have established our four cornerstones of policy to guide our development efforts.

We are focusing on systemic changes that will generate long-term, self-sustaining development.

Let me briefly outline the policy positions we have established.

1. Policy Dialogue and Reform. Through the vehicle of our development programs we work with a country's leaders to help them design and implement internal policies that will allow development to succeed.

We do not impose our ideas or our policies on other people. However, we do feel obliged, as President Reagan said recently, to point out that no nation can have prosperity and successful development without economic freedom. During the past couple of years, especially, we have seen progress in this regard.

2. The transfer of appropriate technology. We have worked successfully with U.S. universities, the agribusiness community, and the private sector generally, in the research and development of technology for third world use. We have placed emphasis on the building of indigenous capacities to conduct their own research, development and distribution of technology.

3. Institution building and training: We strongly encourage the building and strengthening of a wide variety of institutions which serve people and in which they are active participants. These include everything from grass-roots educational and health institutions to those that provide the framework for democratic participation in decision-making.

4. Private Sector involvement and reliance on market forces.

Here again, through policy dialogue, we have experienced significant success. As a matter of development policy, we seek the fullest exercise of free market, private sector factors as the principal engines of growth.

I'd like to focus on the emphasis we have placed on private sector development.

When I was appointed Administrator of A.I.D. in early 1981, I established the Bureau for Private Enterprise. I did so to revive attention to the private sector as a vital part of the U.S. foreign aid program.

Because it was a new office with a limited budget, I needed a strong and knowledgeable person to get it started and make it work.

I asked Elise DuPont to join the Administration as my Assistant Administrator in charge of the new bureau.

I couldn't have made a better choice.

During her tenure, Elise established the four key objectives of the Bureau for Private Enterprise:

1. To clear roadblocks to productive private business investment;
2. To provide credit, not locally available, so small and medium-sized business can start up or expand;
3. To support agribusiness, health, rural manufacturing and financial institution-building which are vital to developing countries;
4. And, to help our field missions design their own private sector projects.

Elise was the point person in our dealings with Congress on private sector issues as they relate to the agency. Perhaps her most outstanding contribution was negotiations with Congress which lead to the successful passage of the administration-proposed Private Sector Revolving Fund.

Briefly, this fund is financing specific projects. The funds are disbursed through developing country intermediate credit institutions or directly to small businesses. Some loans are co-financed with U.S. or foreign banks and donors.

For example, just nine days ago we used the fund to provide a \$2.5 million loan to help establish Pakistan's first private equipment-leasing firm. It was matched by other lenders to create a \$5 million credit pool for small Pakistani businesses seeking to replace or modernize equipment. Business activity generated is expected to exceed 8,000 new jobs a year by the fourth year of operation.

AID's \$2.5 million will be used to set up a collateral account in a U.S. bank to guarantee borrowings by the Pakistani group in foreign exchange markets.

In Ecuador, two private development banks are involved in a similar loan guarantee credit pool.

Working with the Delaware Technical and Community College, AID's Bureau for Private Enterprise has joined with Peruvian business leaders to start a vocational school in Lima. It is structured to be self-sustaining through local business contributions. \$1.2 million in AID funds is seed money to help get it off the ground. The Peruvian school will use courses designed with business input. This assures relevancy and is structured along U.S. models. Training will focus on jobs in mining, refining, construction and other appropriate industries.

At the end of September, AID granted a loan to assist a private U.S. venture firm. The \$1.2 million loan will be matched at least dollar-for-dollar by the Caribbean Basin Corporation and other private investors. It will provide an equity pool for start-up, or expansion of, small enterprises in agriculture, health and non-traditional export production.

The Caribbean Basin Corporation is a Delaware corporation based in Bedford, New York and Washington, D.C.

We find the revolving fund a very effective, self-regenerating tool for responsible development.

The people of Delaware can be very proud of the contribution made by Elise DuPont to the success of our private sector initiatives.

The establishment of the Bureau for Private Enterprise has had the effect of illustrating our commitment to this approach to development. It has made clear to our own employees and to recipient government officials that we are serious about it.

And we have experienced a great deal of success in our discussions leading to reforms of policies relating to private sector development. For example:

In Bangladesh: The Government paid fertilizer price subsidies to farmers as incentives to production. It also controlled distribution. The drain on the treasury forced cut-backs in government purchases which led to rationing, decreased production, and high administrative costs. We worked with the government to design and implement policies that turned wholesale and retail distribution over to the private sector--and a phase-out of subsidies. Result: prices have risen, but so has supply. Rationing is no longer necessary, and fertilizer use is up 15% in the past year. Crop production is also up (1977-78 under 12 million tons; 1983-84 season, 16 million tons).

In Sudan: In the late 1970's the Sudan government took over many private sector functions. One example was petroleum. The Government of Sudan controlled all purchases and distribution and provided subsidies. The depletion of foreign exchange because of inefficient handling and subsidies forced the government to make purchases only when money was available and at high spot prices. The U.S. (through the Commodity Import Program) joined with the Sudanese government, other donors and private sectors. A dollar pool is being formed to allow the purchase of

petroleum when prices are low. Policy reforms include the phasing out of subsidies and the turn back of distribution to the private sector. Savings in foreign exchange and subsidies are estimated at \$60 million a year.

In Africa: In the past year and a half:

- 16 African countries have increased real producer prices of agricultural products (farmer incentives).

- 15 have undertaken substantial devaluations of inflated currency.

- countries such as Guinea, Ghana, Madagascar, and Mali are moving toward the transfer of economic activities from government control to the private sector.

In Panama: The problem was the low employment-generating capacity of the economy. The solution: A.I.D. helped Panama design policies favorable to foreign private investment. (Panamanian Investment Council formed in 1983.) We helped build market research and salesmanship capabilities.

The results: Since October, 1983, nine operational investment projects have created over 1,000 new jobs with

more on the way. There have been 5,000 letter contacts, 595 direct personal meetings, 175 company visits to Panama. The source of investors: the Far East, other Latin countries, and Europe.

We're convinced that the 'magic of the market place' is the best economic development tool there is. It is working in the third world.

In closing, we see the ultimate goal of foreign economic assistance as the achievement of a free, secure world--a world in which growth and development are self-sustaining and the extremes of poverty have been eliminated.

As we move toward this goal, new markets open; political and social stability flourish; and the world becomes a better, safer place.

We believe we have set the proper course to achieve these goals.

In his address recently to the joint annual meeting of the I.M.F. and World Bank, President Reagan put it best when he said:

"Only when the human spirit can dream, create and build; only when individuals are given a personal stake in deciding economic policies and benefiting from their own success---only then do societies become dynamic, prosperous, progressive and free."

Thank you.

PRESS CONFERENCE
(AWARD WINNERS ON
PAGES 9+10

NOTES

M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
PRESS CONFERENCE AT KENNEDY CENTER
WORLD FOOD DAY--OCTOBER 16, 1984

THE WORLD FOOD DAY OBSERVANCE IS AN IMPORTANT OCCASION FOR
ALL AMERICANS.

IT UNDERSCORES OUR TRADITIONS OF VOLUNTEERISM AND OUR
CONCERN FOR THE NEEDS OF THE POOR OF OUR WORLD.

THIS YEAR'S WORLD FOOD DAY COINCIDES WITH THE 30TH
ANNIVERSARY OF THE FOOD FOR PEACE PROGRAM.

DURING THOSE 30 YEARS, THE AMERICAN PEOPLE HAVE PROVIDED
NEARLY 653 BILLION POUNDS OF FOOD VALUED AT MORE THAN \$32
BILLION TO THE HUNGRY OF FIVE CONTINENTS.

EVEN TODAY, THE PEOPLE OF THIS COUNTRY ARE EXTENDING THE
HAND OF HELP AND COMPASSION TO OUR NEIGHBORS IN
DROUGHT-STRICKEN AFRICA.

DURING THE PAST FISCAL YEAR, THE U.S. HAS SENT 505-THOUSAND
METRIC TONS OF EMERGENCY FOOD AID VALUED AT \$173 MILLION TO THE
HUNGRY OF THAT CONTINENT.

IN THE PRESENT FISCAL YEAR--JUST SINCE THE BEGINNING OF
THIS MONTH--WE HAVE APPROVED OVER 158-THOUSAND METRIC TONS OF
EMERGENCY FOOD AID FOR AFRICA.

ON OCTOBER 9TH, I ANNOUNCED THE FORMATION OF AN INTER-AGENCY TASK FORCE ON THE AFRICAN FOOD EMERGENCY. THE TASK FORCE IS CHARGED WITH THE RESPONSIBILITY OF ASSURING THAT OUR EMERGENCY FOOD ASSISTANCE TO AFRICA IS COORDINATED AMONG ALL INVOLVED FEDERAL AGENCIES AND MAINTAINS THE HIGHEST LEVEL OF EFFICIENCY.

THE AGENCY FOR INTERNATIONAL DEVELOPMENT HAS BEEN GREATLY ASSISTED IN DISTRIBUTION OF EMERGENCY HELP BY THE PRIVATE VOLUNTARY ORGANIZATIONS OF THE UNITED STATES.

WE HAVE FORMED A CLOSE WORKING RELATIONSHIP--INDEED, A PARTNERSHIP--WITH THESE FINE HUMANITARIAN GROUPS.

WE VALUE THIS PARTNERSHIP HIGHLY, AND HAVE INCREASINGLY SOUGHT TO BUILD UPON OUR PARTNERSHIP.

FOR EXAMPLE, AID'S FINANCIAL SUPPORT TO PRIVATE VOLUNTARY ORGANIZATIONS HAS RISEN FROM AN ESTIMATED \$35 MILLION IN 1971 TO MORE THAN \$350 MILLION IN 1983. THE FOOD FOR PEACE PROGRAM REPRESENTS ADDITIONAL \$340 MILLION IN PROGRAM SUPPORT OF THESE ORGANIZATIONS.

-8-

TO RECOGNIZE OUTSTANDING PERFORMANCE BY INDIVIDUALS AND ORGANIZATIONS CONCERNED WITH HUNGER, PRESIDENT REAGAN HAS INSTITUTED THE PRESIDENTIAL "WORLD WITHOUT HUNGER" AWARDS. THESE ARE TO BE PRESENTED TODAY.

THE AWARD CATEGORIES INCLUDE: —

WINNERS

- LIFETIME ACHIEVEMENT. — C. PAYNE LUCAS
EXECUTIVE DIRECTOR, "AFRICARE"
WASHINGTON, D.C.

- PRIVATE VOLUNTARY ORGANIZATION OR COOPERATIVE.
MEALS FOR MILLIONS / FREEDOM FROM HUNGER
FOUNDATION
DAVIS, CALIFORNIA.

- GOVERNMENT / LEGISLATIVE:

HONORABLE BENJAMIN A. GILMAN, M.C.
22ND DISTRICT. NEW YORK



- CELEBRITY.

EDDIE ALBERT, ACTOR
HOLLYWOOD, CALIFORNIA

- EDUCATOR/SCIENTIST. AND

DR. ARTHUR T. MOSHER
ITHICA, N.Y.

- ~~CORPORATE.~~
CORPORATE

RODALE PRESS
EMMAUS, PENNSYLVANIA

IN THE AWARD PROCESS, OVER 3,000 INDIVIDUALS AND ORGANIZATIONS INVOLVED IN HUNGER ISSUES WERE CONTACTED FOR NOMINATIONS. JUDGES WERE SELECTED BY THE END HUNGER NETWORK. NO ONE FROM AID OR THE WHITE HOUSE PARTICIPATED IN THE JUDGING.

THE RECOMMENDATIONS OF THE JUDGES WERE GIVEN TO THE PRESIDENT AND AID.

THE PRESIDENT AND AID CONCURRED WHOLEHEARTEDLY.

-12- OFFICIALLY

THE AWARD WINNERS, WHICH WILL BE ANNOUNCED AT NOON, WERE TRULY SELECTED BY THEIR PEERS.

IN ADDITION TO THEIR OWN OUTSTANDING ACCOMPLISHMENTS, THEY ARE LIVING SYMBOLS OF THE COMPASSION AND GENEROSITY OF EVERY AMERICAN.

THEY ARE ALSO SYMBOLIC OF WHAT A GREAT DEMOCRACY OF FREE PEOPLE CAN ACCOMPLISH WHEN OPPORTUNITY AND ENTERPRISE ARE A WAY OF LIFE.

#

OCT. 16 1984

TALKING POINTS
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
USDA PATIO CEREMONY AND WID SYMPOSIUM

WOMEN -- THE SECRET WEAPON IN THE WAR ON WORLD HUNGER

I AM ESPECIALLY PLEASED TO PARTICIPATE IN WORLD FOOD DAY
1984. I HOPE THIS WILL BE THE FIRST OF MANY SUCH INTERNATIONAL
EFFORTS TO RECOGNIZE THE FACT THAT WOMEN ARE A VALUABLE
RESOURCE IN THE DEVELOPMENT PROCESS--AND A KEY ELEMENT IN
ADDRESSING WORLD HUNGER.

THE ROLE OF WOMEN AND AGRICULTURE, IS AN ISSUE OF
CONSIDERABLE IMPORTANCE TO THE U.S. IN ITS ECONOMIC ASSISTANCE
PROGRAMS IN THE THIRD WORLD.

AS ADMINISTRATOR OF THE AGENCY FOR INTERNATIONAL
DEVELOPMENT (AID), I AM A STRONG PROPONENT OF EFFECTIVE
INTEGRATION OF WOMEN IN THE DEVELOPMENT PROCESS.

TEN YEARS AGO, CONGRESS INTRODUCED THE SUBJECT OF WOMEN IN DEVELOPMENT INTO AID'S PROGRAM. TODAY, AID HAS AN EXPLICIT POLICY TO INCLUDE WOMEN IN THE DESIGN, IMPLEMENTATION, AND EVALUATION OF MAJOR ECONOMIC AND SOCIAL DEVELOPMENT PROJECTS OVERSEAS.

A PRIORITY FOR AID IS TO DEVELOP FIELD INITIATIVES WHICH INSTITUTIONALIZE THE INVOLVEMENT OF WOMEN BOTH AS AGENTS OF CHANGE, AND AS BENEFICIARIES, IN AGRICULTURAL DEVELOPMENT EFFORTS.

IN MY TRAVELS THROUGHOUT THE WORLD, I COULD NOT HELP NOTICING THE LARGE NUMBERS OF RURAL WOMEN WORKING IN THE FIELDS. INVARIABLY, THEY ARE BENT OVER A HOE, OR SMALL PLOW, OR JUST A STICK, WITH A BABY TIED ON THEIR BACK.

THEIR WORK IS OFTEN UNNOTICED IN THE LARGER VIEW OF THINGS,
YET IS IS THEY WHO FEED THEIR FAMILIES DAY AFTER DAY. THESE
WOMEN ARE THE "INVISIBLE FARMERS," THROUGHOUT THE THIRD WORLD.
BOTH DEVELOPMENT ORGANIZATIONS AND POLICY MAKERS MUST RECOGNIZE
THIS ROLE AND DIRECTLY ADDRESS THIS FACT TO WIN THE WAR ON
HUNGER.

OVER THE PAST SEVERAL DECADES, DUE TO WORLDWIDE DEMOGRAPHIC AND SOCIAL CHANGES, WOMEN HAVE BECOME THE MAJORITY OF ADULTS IN THE RURAL POPULATIONS.

WOMEN THROUGHOUT THE DEVELOPING WORLD ARE RESPONSIBLE IN WHOLE, OR IN PART, FOR:

- . FOOD CULTIVATION

- . HARVESTING

- . PROCESSING

- . SMALL ANIMAL MANAGEMENT.

THEY ARE ALSO ACTIVE PARTICIPANTS IN THE TRADING SECTOR.

ALTHOUGH THEIR INPUT MAY VARY IN DIFFERENT COUNTRIES:

-- WOMEN PROVIDE UP TO 90 PERCENT OF THE RURAL FOOD SUPPLY IN SOME PARTS OF AFRICA.

-- WOMEN ACCOUNT FOR APPROXIMATELY 60-80 PERCENT OF ALL AGRICULTURAL LABOR IN ASIA. A LARGE NUMBER OF WOMEN IN THIS REGION ARE WAGE-EARNING AGRICULTURAL WORKERS ON COMMERCIAL FARMS AND PLANTATIONS.

-- WOMEN ACCOUNT FOR APPROXIMATELY 40 PERCENT OF ALL
AGRICULTURAL LABOR IN BOTH THE NEAR EAST AND IN LATIN
AMERICA AND THE CARIBBEAN.

ALTHOUGH FOOD PRODUCTION WORLDWIDE HAS INCREASED SIGNIFICANTLY IN RECENT YEARS, THE PERFORMANCE OF INDIVIDUAL COUNTRIES AND GROUPS OF COUNTRIES HAS BEEN MIXED. THE SITUATION IS PARTICULARLY GRAVE IN AFRICA WHERE ANNUAL FOOD OUTPUT PER CAPITA DECLINED MARKEDLY DURING THE 1970's . TODAY AFRICA FACES SERIOUS PROBLEMS OF FOOD DEFICITS.

IN OTHER PARTS OF THE WORLD, DESPITE SIGNIFICANT PROGRESS
IN FOOD PRODUCTION, FOOD IS BARELY KEEPING PACE WITH POPULATION
GROWTH. IT IS AN UNFORTUNATE FACT THAT MILLIONS OF PEOPLE ARE
SEVERELY UNDERNOURISHED AND SUFFERING THE CONSEQUENCES OF
CHRONIC MALNUTRITION.

THE NEED TO INCREASE FOOD PRODUCTION AND IMPROVE NUTRITION IS A PRIORITY -- WITH AID, WITH THE U.S. DEPARTMENT OF AGRICULTURE, AND THROUGHOUT THE DEVELOPING WORLD. IT IS MOST APPROPRIATE THAT TODAY WE ARE RECOGNIZING WOMEN'S POTENTIAL TO ADDRESS THIS URGENT GLOBAL CONCERN.

I AM PROUD OF THE FACT THAT AID IS UTILIZING ITS WOMEN IN DEVELOPMENT PROGRAM AS PART OF ITS APPROACH TO THE GLOBAL HUNGER PROBLEM. U.S. POLICY ON WOMEN IN DEVELOPMENT EMPHASIZES WOMENS' VITAL ROLES IN AGRICULTURE AND TARGETS SPECIAL PROGRAMS TO MEET THEIR MANY NEEDS.

WE HAVE COMMITTED NOT ONLY OUR HUMAN RESOURCES TO THIS EFFORT, BUT ALSO OUR FINANCIAL RESOURCES. AN INVESTMENT IN SELF-HELP PAYS DIVIDENDS FOR DECADES.

AID STRATEGY IS TO FULLY INTEGRATE WOMEN INTO OUR ENTIRE DEVELOPMENT PROCESS. OUR CURRENT PRIORITY INCLUDES THREE SPECIFIC INITIATIVES TO ESPECIALLY ENHANCE WOMEN'S AGRICULTURAL PRODUCTIVITY:

1. AID IS DEVELOPING MECHANISMS TO ENSURE THAT NEW TECHNOLOGIES AND RESOURCES REACH WOMEN, SINCE IT IS THEY WHO ARE OFTEN DOING THE WORK.

FOR INSTANCE, IT IS IMPORTANT TO DEVELOP TECHNIQUES OF POST-HARVEST FOOD PRESERVATION AND STORAGE WHICH ARE ACCESSIBLE TO WOMEN, AND WHICH CAN BE MAINTAINED BY THEM.

2. AID POLICY RECOGNIZES THAT IT IS IMPORTANT TO UNDERSTAND TRADITIONAL CULTURAL PATTERNS AND GENDER DIFFERENCES IN THE DIVISION OF LABOR.

THEREFORE, AID NOW REQUIRES THAT PROJECT DATA BE BROKEN DOWN BY SEX SO THAT THE SPECIFIC NEEDS AND RESPONSIBILITIES OF WOMEN FARMERS ARE IDENTIFIED.

THIS HELPS US DESIGN CORRECT INTERVENTIONS FOR THE ENTIRE COMMUNITY, PARTICULARLY IN FOOD PRODUCTION, DISTRIBUTION, AND CONSUMPTION PRACTICES.

3. AID RECOGNIZES THAT IT IS IMPORTANT TO ADDRESS THE PROBLEM OF INFORMATION TRANSFER--WOMEN MUST HAVE ACCESS TO TRAINING.

THEREFORE AID IS TARGETING WOMEN FOR A VARIETY OF PARTICIPANT TRAINING PROGRAMS.

IN ADDITION, AID SUPPORTS TRAINING OF WOMEN AS FARM EXTENSION AGENTS AND RE-TRAINING MALE AGENTS TO WORK WITH WOMEN FARMERS.

TO SOLVE THE PROBLEM OF WORLD HUNGER WE MUST MAKE MAXIMUM USE OF ALL RESOURCES. WE NEED TO RECOGNIZE THAT WOMEN ARE AN UNTAPPED MAJOR RESOURCE IN THE WAR AGAINST HUNGER.

WE MUST ASSURE THAT THESE "INVISIBLE" FARMERS ARE RECOGNIZED AS THE "INVINCIBLE" FARMERS THEY REALLY ARE -- WORKING TIRELESSLY FROM SUNRISE TO SUNSET TO FEED HUNGRY FAMILIES, HUNGRY NATIONS, AND A HUNGRY WORLD.

REMARKS BY
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
"WORLD WITHOUT HUNGER" AWARDS CEREMONY
WORLD FOOD DAY--OCTOBER 16, 1984

Thank you, Harvey Korman.

Award recipients...honored guest...ladies and gentlemen.

I bring you greetings and best wishes from President Reagan. The President, all of us in this room, and the American people, share a common goal.

That ultimate goal is a free world in which growth and development are self-sustaining and the extremes of poverty and hunger have been eliminated.

While we work together toward that end, we remain firm in our resolve to address current hunger crises.

The commitment of the American people is a matter of record.

For example, the Food for Peace Program has accounted for nearly 653 billion pounds of food valued at more than 32 billion dollars sent to the poor of five continents since it began 30 years ago.

This year alone, the United States will spend about one billion 700 million dollars to purchase and transport over six and a half million metric tons of commodities to more than 80 nations.

Such assistance, when coupled with favorable internal development policies, has allowed many nations to recover and become prosperous.

As we are all aware, many countries of Africa are at this moment suffering from drought and wide-spread hunger.

During the past fiscal year, the U.S. responded with 505 thousand metric tons of emergency food aid, valued at \$173 million.

In the present fiscal year--just since the beginning of this month--we have approved over 458-thousand metric tons of emergency food aid for the hungry of Africa.

With the help of many Private Voluntary and Church Organizations the United States provided 50% of the food aid that arrived in Africa last year.

To make certain of the coordination and efficiency of our efforts, I have announced the formation of an Inter-Agency Task Force on the African food emergency. It draws together such agencies as AID, the Department of Agriculture, the National Security Council, the Office of Management and Budget and several others.

This task force has already held its first meeting. It is chaired by my Director of the Office of Foreign Disaster Assistance, General Julius Becton--a man of proven leadership.

But while the current crisis in Africa is great, hunger and poverty remain serious problems in many nations of the world.

As we work together to alleviate the suffering of today, we must do so with our eye fixed on the future.

During the past three and a half years this Administration has adopted common-sense policies to guide us in our development efforts.

I call them our 'four pillars.'

- The first pillar concerns policy reform in Less Developed Countries. We work with a country's leaders to help fashion internal policies that will allow development to

For example, it must be the policy to pay farmers a fair price for their crops. Often, policies favor cheap food for urban people. Farmers are paid much less than their cost of production. This destroys the incentive of farmers to produce more. The net effect has been a fifteen year decline in grain production. IN AFRICA.

We know such policies can be reformed. In a number of countries we've already had a lot of success by working cooperatively with their leadership.

- The second pillar deals with institution building. Our approach during the past three and a half years has been to shift the emphasis from central government structures to those closer to the people affected. Central planning and statism have not worked.

- The third pillar addresses the need for private sector involvement and reliance on market forces. We seek the fuller participation of their own private sectors as the principal engines for growth.

- Our fourth pillar deals with the research, development and transfer of appropriate technologies.

Let me give you a few examples:

There are no words to express my admiration for these organizations and the individuals that have built and maintained them.

They represent the best example of America's traditions of volunteerism and concern for the needs of the poor of our world.

In the years since World War II, these organizations have kept up their work in relief, disaster assistance and emergency food distribution. In addition, they have directed their energies toward alleviating the causes of poverty and hunger.

Because we at AID value these organizations so highly, we have increasingly sought to build upon this partnership.

For example, AID's financial support to Private Voluntary Organizations in 1971 has been estimated at \$35 million. In 1983, AID's financial support exceeded \$250 million. And, the AID-administered Food for Peace Program represented an additional \$340 million in program support of these organizations.

Let me give you just one example of how this partnership is working for the hungry of the world. In Ethiopia, we depend upon the Private Voluntary Organizations to distribute our direct emergency food assistance to the people most in need.

While we have our differences with the government of that country, we are guided by the principle that a starving child knows no politics.

Again, on behalf of President Reagan, I congratulate all of you--especially the recipients of the World Without Hunger awards.

God bless you...and thank you.

REMARKS BY
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
TO THE
NATIONAL ASSOCIATION OF REALTORS
INTERNATIONAL HOUSING CONFERENCE
NOVEMBER 2, 1984

Thank you. I'm pleased to be with you today.

I'd like to extend a special greeting to Dr. Ramachandran (Rama-chan-dran), the Executive Director of the United Nations Commission on Housing and Human Settlements.

Dr. Jack Carlson, Executive Vice President of the National Association of Realtors, deserves very special thanks for arranging this conference.

It underlines the belief we share that private enterprise plays a key role in dealing with the issues of housing and urban development in developing countries.

It also demonstrates your awareness of the importance of those countries to the United States.

Aside from U.S. foreign policy and humanitarian concerns, we have a direct financial interest.

The Third World buys 40% of our exports. That's more than Western Europe--four times as much as Japan.

Over a million U.S. jobs are dependent on these exports.

25% of U.S. private investment abroad is in the Third World.

So, clearly our efforts to assist developing countries toward greater prosperity and stability is an investment in America.

Perhaps better than anyone, you know that much of economic growth occurs in cities. This is true in developing countries as well as in the industrialized nations.

And right now the cities of the developing world are growing at faster rates than at any time in human history.

This growth has been so explosive that many cities have been unable to deal with demands for shelter, drinkable water, sanitation and other essential services.

Without these services, economies cannot grow, poverty deepens and political instability becomes a growing threat.

In that environment, private enterprise cannot flourish and our trade opportunities will tend to suffer.

Central America offers a case in point.

The region is urbanizing more rapidly than anywhere in the world except Africa.

For this reason the Bi-Partisan Commission on Central America recommended that steps be taken to more fully address this problem. President Reagan has successfully placed before Congress a request that a significant portion of our economic assistance be applied to urban shelter, public services, employment generation, and institutional reform in urban areas.

We believe that private individuals and companies provide the most promising solutions to the reduction of poverty and the improvement of human settlements. Governments are most effective in providing policy environments that allow the private sector to function freely .

Helping governments provide this environment is a new emphasis of AID policy.

During the past three and a half years we have focused on assisting countries to create systemic changes that will generate long-term, sustainable development.

All of our development activities are guided by four operating principles--or policy cornerstones--aimed at helping people help themselves.

Briefly, they are:

1. Policy Dialogue and Reform. Through our programs we work with a country's leaders to help them design and implement policies that will allow development to succeed.

For example:

Through policy discussions, artificial interest rate subsidies have been reduced in some developing countries.

Diminished subsidies, of course, increase the total pool of loan funds available to greater numbers of families.

Considerable progress has been made in the improvement of land ownership. We've shown governments the advantages of helping people own their own parcel of land. This gives the people the security that their housing investments on that land will be theirs permanently. I certainly don't have to tell you that people everywhere take pride in home and land ownership.

We're having a lot of success in policy reforms.

2. The second policy cornerstone is: the transfer of appropriate technology. U.S. universities, agribusiness and the broad private sector have been helping us make a number of important advances in technology research and development.

We support efforts to develop local, low-cost building materials. Lower cost, affordable, neighborhood water and sanitation systems are being promoted. The goal is increased access to these services by low income families.

We are helping introduce modern management systems for loan payment collection. We are also supporting development of new techniques of analysis of the housing and urban sector's use of micro-computers.

3. The third policy cornerstone is: institution building: We strongly encourage the building and strengthening of institutions which serve people locally and in which they are active participants.

When I was a Peace Corps volunteer, I helped establish a number of small, investor-owned savings and loan associations in Peru. AID's support for development of savings & loans throughout Latin America has resulted in a significant expansion of the credit base.

AID has been a strong voice in insisting that national housing agencies and financial institutions deliver the services they are chartered to perform.

The AID Office of Housing and Urban Programs has provided many officials of these institutions with specialized training.

Through this training, they have been exposed to new ideas which make them more effective leaders of their nation's shelter efforts.

4. Our final policy cornerstone is the recognition and encouragement of the private sector as the principle engine of economic growth.

In the past, much of AID's work in shelter has been on a government-to-government basis. In the last year or two, however, we have increasingly emphasized the private sector's role as developer, producer, and financier.

This is a job the government cannot do well, and certainly not on the scale needed to fully address shelter demand.

There is no question that the private urban development industry operates far more efficiently than government. Private housing development is also one of the best producers of real jobs in cities that are struggling to absorb a rapidly

growing labor force.

I'd like to briefly touch on some of the specific programs underway in various parts of the world:

-- In India, AID is helping develop a large private housing finance institution by providing access to long-term capital for modest homes.

-- In Latin America, AID is providing assistance to savings and loan systems in Peru, Costa Rica, Bolivia and Honduras;

We've established a private bank credit line in Honduras, and we are considering a similar arrangement in Panama;

AID is making credit available to private developers in Ecuador, Costa Rica, El Salvador, Honduras and Panama;

-- In the Caribbean, AID is helping organize a private mortgage company in Haiti. In Barbados, credit lines have been made available to private banks, credit unions and mortgage companies for home improvement loans as well as for credit to private housing developers. Similar efforts are underway in Jamaica.

-- In Africa, we have established lines of credit to private developers and building societies in Kenya. We are providing credit to individuals to improve their homes in Zimbabwe and Botswana.

All of these initiatives have been accomplished as the result of policy reforms and incentives that have created an environment in which private business can work. With the governments acting in their proper roles as policy facilitators, private production is being efficiently stimulated through private credit institutions.

Our progress has been good. But we realize that housing is only one part of the urban problem. I believe AID, along with other international organizations, must begin to address the deeper issues involved. These include urban resource allocation, urban management, and urban small business development. This is important because so much potential for economic growth is concentrated in cities.

With this in mind, we have reviewed our policies and programs in the broader sense of urban development.

I will soon issue a formal policy paper that spells out our intentions to move in a limited but strategic way in this broader area.

Some steps have already been taken. For example, we are discussing how both private and public sector efforts can work together to improve economic growth in the smaller cities of Africa.

During the next year our Office of Housing and Urban Programs will be working with several of our AID missions in countries where the problem is most acute. The object will be to direct project support to the improvement of municipal government and the investment climate for urban private enterprise.

As a matter of fact, work has already started in Jamaica, Nepal, Panama and Senegal. We seek an environment which fosters public/private partnerships. We are examining the application abroad of the present successful joint programs between HUD, U.S. cities, and private developers.

In short, AID has placed a high priority on helping developing countries help themselves in the solution of shelter and urban problems.

We are placing emphasis on the need for further policy reforms by the countries themselves that will help move problems closer to solutions.

We are dedicated to the maximum participation of the private sector as the mainspring of employment, housing production and urban development in the Third World.

I believe you share our basic philosophy, and I welcome your questions and comments.

TALKING POINTS
M. PETER MCPHERSON
AGENCY FOR INTERNATIONAL DEVELOPMENT
FOR THE
A.I.D. ECONOMISTS CONFERENCE
ANAPOLIS, MARYLAND
NOVEMBER 4, 1984

- I WANT TO WELCOME ALL OF YOU TO THIS CONFERENCE.
ESPECIALLY THOSE OF YOU WHO HAVE COME FROM YOUR MISSIONS TO
BE HERE.

- THIS CONFERENCE IS A MILESTONE BECAUSE IT IS THE FIRST
AGENCY-WIDE MEETING OF AID PROFESSIONAL ECONOMISTS IN MANY
YEARS--PERHAPS THE FIRST EVER!

- WHEN I FIRST CAME ON BOARD IN EARLY 1981, I RECOGNIZED THE
NEED TO UPGRADE THE ROLE OF ECONOMIC ANALYSIS AND OUR
OVERALL ECONOMIC CAPABILITIES.

- AS YOU KNOW, YOUR TASKS HAVE BEEN UNDERGOING RAPID CHANGE
DURING THE PAST FEW YEARS. THEY'VE BECOME MORE NUMEROUS
AND COMPLEX. THEY HAVE BECOME MORE IMPORTANT TO OUR AGENCY
AND THE HOST COUNTRIES.

- FOR EXAMPLE, FOR MANY YEARS, YOUR WORK WAS MOSTLY DIRECTED TOWARD PROJECT ANALYSIS.

- IN RECENT YEARS, HOWEVER, YOUR ATTENTION HAS BEEN INCREASINGLY SHIFTED TO THE SECTORAL AND MACRO-ECONOMIC POLICIES OF DEVELOPING COUNTRY ECONOMIES. THIS WORK IS VITALLY IMPORTANT TO DESIGNING AND IMPLEMENTING AID PROGRAMS.

- YOU'VE BEEN ASKED TO PRODUCE MORE AND BETTER ECONOMIC ANALYSIS. THUS, AID DECISION-MAKERS CAN BE BETTER INFORMED ABOUT THE ECONOMIES WE ARE DEALING WITH AND THE ECONOMIC IMPLICATIONS OF OUR DECISIONS.

- MOST PROFESSIONALS IN AID ARE CONCERNED IN VARYING DEGREES WITH ECONOMIC ISSUES. BUT YOU HAVE THE DIRECT RESPONSIBILITY OF PRODUCING THE SUBSTANTIVE ECONOMIC WORK ON A DAY-TO-DAY BASIS.

- YOU MAKE A VERY IMPORTANT CONTRIBUTION TO DESIGNING AND DIRECTING THE PROCESS OF HOW AID GOES ABOUT IMPROVING PROGRAMS--MAKING SURE THEY WORK.

-- YOU HAVE AN ESPECIALLY CHALLENGING JOB IN AID BECAUSE:

1. THE SCOPE OF YOUR WORK HAS EXPANDED...AND...
2. YOUR JOB IS TO QUESTION PROJECTS AND PROGRAMS.

-- MOST PROFESSIONALS ARE WORKING HARD TO GET THESE PROJECTS THROUGH THE SYSTEM. YOUR JOB--AT LEAST IN PART--IS TO OFTEN GO AGAINST THE GRAIN AND ASK TOUGH QUESTIONS.

-- THAT IS AS IT SHOULD BE. BUT THERE IS MORE.

-- THERE IS A PRESSING NEED FOR YOU TO INCREASE YOUR CAPABILITIES TO PRODUCE CONSTRUCTIVE RESPONSES TO YOUR OWN CRITICISMS--AND FOR ALL OF US AT AID TO SUPPORT THIS EFFORT.

-- THERE ARE TWO CRUCIAL POINTS HERE:

1. YOU MUST DIRECT MORE OF YOUR ATTENTION TO DEEPENING YOUR UNDERSTANDING OF HOST COUNTRY ECONOMIES AND OF THE ECONOMICS OF SPECIFIC AREAS IN WHICH AID IS INVOLVED. THIS WILL BENEFIT EVERYONE IN THE AGENCY.

2. YOU MUST BECOME MORE INVOLVED IN PROJECTS OR PROGRAMS RIGHT FROM THE START. THIS WILL INSURE THAT ACTIVITIES ARE ON ECONOMICALLY SOLID GROUND FROM THE BEGINNING.

-- WITH THESE TWO SHIFTS IN EMPHASIS, YOU WILL BE ABLE TO INCREASE YOUR CONTRIBUTIONS BY PROVIDING SOLUTIONS TO THE ECONOMIC PROBLEMS YOU FIND IN NEW ACTIVITIES. AND THEY WILL HELP REDUCE THE CHANCES OF AID SUPPORTING ECONOMICALLY UNSOUND ACTIVITIES.

-- DURING THE NEXT FEW DAYS YOU'LL BE DISCUSSING MANY TOPICS. BUT KEEP IN MIND THAT THE MAIN PURPOSE OF THIS CONFERENCE IS TO APPLY YOUR EXPERIENCE AND SKILLS TO DEVELOPING WAYS TO IMPROVE AND EXPAND THE APPLICATION OF ECONOMICS IN AID'S WORK.

-- YOU ARE FACED WITH THE CLASSICAL ECONOMIC TEXTBOOK PROBLEM: YOU HAVE A LIMITED NUMBER OF ECONOMISTS TO SATISFY AN UNLIMITED NUMBER OF WANTS.

-- I THINK THIS CONFERENCE IS AN EXCELLENT WAY TO START TO ADDRESS THE THINGS I HAVE MENTIONED. I EXPECT IT WILL BE PRODUCTIVE FOR AID AND PROFESSIONALLY REWARDING FOR YOU WHO ARE TAKING PART IN IT.

I LOOK FORWARD TO SEEING THE RESULTS FOR YOUR DELIBERATIONS.

THANK YOU.

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"ECONOMIC INCENTIVES FOR FARMERS IN DEVELOPING COUNTRIES:
A REQUIREMENT FOR AGRICULTURAL DEVELOPMENT"

AN ADDRESS BY

M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

TO

THE IOWA-ILLINOIS WORLD FOOD CONFERENCE DAVENPORT, IOWA
NOVEMBER 9, 1984

THANK YOU. IT'S GOOD TO BE HERE.

THIS CONFERENCE--AND OTHERS LIKE IT--ARE IMPORTANT TO THE AMERICAN PEOPLE.

THEY HAVE A 'NEED TO KNOW' WHAT THEIR GOVERNMENT IS DOING IN FOREIGN AID; WHY IT IS BEING DONE; HOW IT IS BEING DONE; AND THE RESULTS THAT ARE BEING OBTAINED.

THIS IS ESPECIALLY TRUE IN FOOD ASSISTANCE AND UNITED STATES' EFFORTS TO HELP PEOPLE IN DEVELOPING COUNTRIES HELP THEMSELVES TO FOOD SUFFICIENCY.

DURING THE DAY YOU HAVE PARTICIPATED IN DISCUSSIONS THAT COVERED A NUMBER OF TOPICS.

AID ASSISTANT ADMINISTRATOR JULIA BLOCH DETAILED OUR FOOD FOR PEACE AND VOLUNTARY ASSISTANCE PROGRAM WHICH HAS BEEN AN AMERICAN SUCCESS STORY FOR 30 YEARS.

YOU HAVE ALSO DISCUSSED THE IMPORTANT ROLE OF PRIVATE VOLUNTARY ORGANIZATIONS, AND THE WORK OF THE UNITED NATIONS.

TONIGHT, I WOULD LIKE TO DISCUSS AID GOALS, MOTIVATIONS AND POLICIES--ESPECIALLY IN TERMS OF AGRICULTURAL PRODUCTION AND THIRD WORLD FARMERS.

FIRST, THE GOAL.

OUR GOAL IS A FREE, SECURE WORLD IN WHICH GROWTH AND DEVELOPMENT ARE SELF-SUSTAINING AND THE EXTREMES OF POVERTY AND HUNGER ARE ELIMINATED.

OUR JOB IS TO HELP POOR PEOPLE HELP THEMSELVES.

WE ARE MOTIVATED BY OUR HUMANITARIANISM--WE CARE ABOUT POOR PEOPLE.

WE ARE ALSO MOTIVATED BY OUR FOREIGN POLICY REQUIREMENTS--WE CARE ABOUT OUR SECURITY AND THAT OF OTHERS.

AND THERE'S A THIRD REASON. FOREIGN AID IS A GOOD INVESTMENT IN AMERICA.

WHEN THIS ADMINISTRATION CAME INTO OFFICE, WE CAREFULLY ASSESSED OUR PROGRAMS AT AID. WE EXAMINED WHAT WAS WORKING--AND WHAT WAS NOT WORKING. WE CONFIRM THE USE OF DEVELOPMENT PRACTICES WHICH HAVE WITHSTOOD THE TEST OF TIME. OTHERS REQUIRED ADJUSTMENT, AND STILL OTHERS WERE FOUND TO BE IMPRACTICAL AND EVEN COUNTERPRODUCTIVE.

AS A RESULT, WE HAVE RESTRUCTURED OUR PROGRAM ON FIVE BASIC BELIEFS.

FIRST, WE BELIEVE SUSTAINED ECONOMIC PROGRESS DOES NOT COME AS THE RESULT OF THE TRANSFER OF RESOURCES ALONE. NOR DOES IT COME SOLELY AS THE RESULT OF WINDFALL WEALTH FROM NEW-FOUND OIL REVENUES. WE LOOK AT THE PROBLEMS OF MEXICO AND NIGERIA IN RECENT TIMES AND CAN UNDERSTAND THIS.

BY CONTRAST, COUNTRIES SUCH AS THAILAND AND SOUTH KOREA HAVE COMBINED SOME RESOURCES WITH WISE INTERNAL POLICIES. THE RESULT HAS BEEN SUBSTANTIAL GROWTH. THE 'POLICIES OF INCENTIVE' ARE ESSENTIAL.

SECOND. WE BELIEVE A PRINCIPAL BARRIER TO GROWTH HAS BEEN THE GENERAL ENVIRONMENT IN WHICH THE CHRONICALLY POOR ARE OBLIGED TO LIVE.

THE LACK OF SKILLS, EDUCATION, TECHNOLOGY, A VOICE IN THE SELECTION OF LEADERSHIP ARE ALL BARRIERS. UNMANAGEABLE POPULATION PRESSURES AND THE LACK OF ACCESS TO HEALTH SERVICES ARE BARRIERS TO DEVELOPMENT. PERHAPS THE GREATEST BARRIERS ARE GOVERNMENT POLICIES THAT WORK AGAINST SUSTAINABLE ECONOMIC DEVELOPMENT.

THIRD. WE BELIEVE THAT STATISM AND CENTRAL ECONOMIC PLANNING HAVE NOT WORKED. THE TRUTH IS, TOP-HEAVY GOVERNMENT STRUCTURES ARE INEFFICIENT. IN MANY CASES THEY DO NOT EXTEND THEIR INFLUENCE BEYOND THE LIMITS OF THE MAJOR URBAN CENTERS. EVEN WHEN THEY DO, THEY TEND TO DISCOURAGE INCENTIVES RATHER THAN PROMOTE THEM.

FOURTH, WE BELIEVE THAT POOR PEOPLE ARE GOOD DECISION-MAKERS. THEY WILL CHANGE LONG-STANDING BEHAVIORAL PATTERNS WHEN PRESENTED WITH A REAL OPPORTUNITY TO IMPROVE THEIR LIVES. WHEN APPROPRIATE TECHNOLOGY AND THE OPPORTUNITY TO BENEFIT FROM IT ARE PRESENT, POSITIVE CHANGE WILL READILY OCCUR.

THE GREEN REVOLUTION IS ONLY ONE EXAMPLE. WHOLE AREAS OF THE WORLD WERE INTRODUCED TO THOSE NEW STRAINS OF WHEAT AND RICE THAT DRAMATICALLY IMPROVED YIELDS. IN NORTHERN INDIA, THIS TECHNOLOGY, COUPLED WITH PRICING POLICIES THAT MEANT INCREASED INCOME FROM GREATER PRODUCTION, HAD DRAMATIC RESULTS. INDIA IS NOW VIRTUALLY SELF-SUFFICIENT IN GRAIN PRODUCTION.

AND FIFTH, WE BELIEVE THERE HAS BEEN SUBSTANTIAL ECONOMIC AND SOCIAL PROGRESS IN THE THIRD WORLD. I'VE ALREADY MENTIONED THE GREEN REVOLUTION AS AN EXAMPLE. INFANT AND CHILD DEATH RATES ARE DOWN BY ONE-HALF IN MANY PARTS OF THE THIRD WORLD.

THE NUMBER OF CHILDREN ATTENDING SCHOOL IN, FOR INSTANCE, AFRICA HAS BEEN DRAMATICALLY INCREASED IN THE YEARS SINCE INDEPENDENCE.

WITH THESE BELIEFS--OR PREMISES--AS A BASIS, WE HAVE ESTABLISHED FOUR POLICY CORNERSTONES TO GUIDE OUR DEVELOPMENT EFFORTS IN THIS DECADE AND BEYOND.

THESE CORNERSTONES ADDRESS DEVELOPING COUNTRY INTERNAL POLICIES, INSTITUTIONS, TECHNOLOGIES AND GREATER RELIANCE ON PRIVATE SECTORS AND MARKET FORCES. THESE ARE THE FUNDAMENTAL TOOLS FOR CHANGE WITHOUT WHICH DEVELOPMENT CANNOT OCCUR.

THE FIRST CORNERSTONE CONCERNS POLICY CHANGE IN LESS DEVELOPED COUNTRIES. WE WORK WITH A COUNTRY'S LEADERS TO HELP FASHION POLICIES THAT WILL ALLOW DEVELOPMENT TO SUCCEED.

THE SECOND CORNERSTONE DEALS WITH INSTITUTION BUILDING.

OUR APPROACH DURING THE PAST THREE AND A HALF YEARS HAS BEEN TO SHIFT THE EMPHASIS FROM CENTRAL GOVERNMENT STRUCTURES TO THOSE CLOSER TO THE PEOPLE EFFECTED.

THE THIRD CORNERSTONE ADDRESSES THE NEED FOR PRIVATE SECTOR INVOLVEMENT AND RELIANCE ON MARKET FORCES. WE SEEK FULLER RELIANCE ON THESE FACTORS AS THE PRINCIPAL ENGINES FOR ECONOMIC GROWTH.

AND, OUR FOURTH CORNERSTONE DEALS WITH THE RESEARCH, DEVELOPMENT AND TRANSFER OF APPROPRIATE TECHNOLOGIES.

WE KNOW THAT NEW TECHNOLOGIES ARE NEEDED AND THAT TECHNOLOGIES DEVELOPED FOR USE IN THE UNITED STATES CANNOT OFTEN BE TRANSFERRED "AS IS" TO THE DEVELOPING COUNTRIES. PROMISING NEW TECHNOLOGIES NEED TO BE TESTED, REFINED AND ADAPTED TO LOCAL CONDITIONS.

ALL FOUR OF THESE CORNERSTONES--OR POLICY PRINCIPLES--MUST BE APPLIED IN TANDEM IF REAL DEVELOPMENT IS TO SUCCEED.

FOR EXAMPLE: THE IMPROVEMENT OF AGRICULTURAL TECHNOLOGIES AND INPUTS SUCH AS FERTILIZERS AND SEEDS HAS BEEN REMARKABLE. THERE IS PROMISE OF MORE ON THE WAY IN THE DEVELOPMENT OF HIGH YIELD BEANS, CASSAVA, MILLET AND DRY-LAND RICE VARIETIES FROM RESEARCH SPONSORED BY AID.

EVEN WHEN THESE NEW VARIETIES ARE ADAPTED FOR LOCAL CONDITIONS AND BROADLY AVAILABLE ALONG WITH OTHER AGRICULTURAL TECHNOLOGIES AND RESOURCES, A LARGE SHARE OF DEVELOPING COUNTRY FARMERS WILL CONTINUE TO FOLLOW LOW PRODUCTION PRACTICES.

OUTWARDLY, IT WOULD SEEM THAT THESE DEVELOPING COUNTRY FARMERS ARE TRADITION-BOUND AND NOT INTERESTED IN OPPORTUNITIES TO MODERNIZE PRODUCTION AND IMPROVE THEIR LIVES.

HOWEVER, OUR EXPERIENCE HAS SHOWN THAT THIS IS NOT THE CASE. IT HAS ALSO SHOWN THAT AVAILABILITY OF TECHNOLOGY AND RESOURCES ARE NECESSARY, BUT NOT SUFFICIENT CONDITIONS, TO INCREASE FARM PRODUCTIVITY. IN ADDITION TO THE PROPER RESOURCES AND TECHNICAL KNOW-HOW, ANOTHER FACTOR IS REQUIRED. THERE MUST BE THE CORRECT ECONOMIC POLICY CLIMATE BEFORE AGRICULTURAL DEVELOPMENT WILL TAKE ROOT.

FARMERS IN MANY DEVELOPING COUNTRIES ARE HELD IN CHECK BECAUSE OF NATIONAL ECONOMIC POLICIES WHICH DISCOURAGE INCREASED PRODUCTION.

EXAMPLES OF ECONOMIC INCENTIVE POLICIES AND HOW THEY HELP OR HINDER AGRICULTURAL DEVELOPMENT ARE ABUNDANT.

LET ME GIVE JUST A FEW CASES THAT ILLUSTRATE THIS FACT.

FOOD SUBSIDIES AND PRICE CONTROLS DESIGNED TO BENEFIT POLITICALLY POWERFUL URBAN CONSUMERS PENALIZE FARMERS, DEPRESS FARMGATE PRICES AND REDUCE PRODUCTION.

AID IS WORKING WITH COUNTRIES TO REFORM SUCH POLICIES. I'M ENCOURAGED BY THE SUCCESS WE ARE EXPERIENCING.

IN THE PAST YEAR AND A HALF, 16 AFRICAN COUNTRIES HAVE SUBSTANTIALLY INCREASED PRODUCER PRICES. SIX HAVE DECONTROLLED SOME OR ALL CONSUMER PRICES.

IN THE EARLY 1970'S, SRI LANKA CONTROLLED RICE PRICES TO BENEFIT URBAN CONSUMERS. IT LED TO STAGNANT PRODUCTION AND A NEED TO IMPORT RICE TO MEET DOMESTIC DEMAND. THOSE POLICIES HAVE BEEN CHANGED TO PROVIDE STABLE PRODUCER PRICES AND A GREATER ROLE FOR THE PRIVATE SECTOR IN RICE MILLING AND DISTRIBUTION.

SINCE THOSE POLICY REFORMS WERE IMPLEMENTED, RICE PRODUCTION IN SRI LANKA HAS INCREASED AT AN AVERAGE ANNUAL RATE OF 7.4%.

IN ANOTHER ILLUSTRATION OF THE EFFECTS OF POLICIES ON PRODUCTION: GOVERNMENT MONOPOLY CONTROL OF INPUTS (SUCH AS FERTILIZER) AND MARKETING OUTLETS HAVE PREVENTED FARMERS FROM OBTAINING THEIR PRODUCTION NEEDS AND GETTING ACCESS TO THE BEST MARKETS.

FOR EXAMPLE:

IN BANGLADESH, FERTILIZER DISTRIBUTION WAS ENTIRELY IN THE HANDS OF A GOVERNMENT MONOPOLY UNTIL 1980. DESPITE A NEARLY 90% COST SUBSIDY, LESS THAN 20% OF THE RICE ACREAGE RECEIVED CHEMICAL FERTILIZERS. BECAUSE OF THE HIGH SUBSIDIES, THE GOVERNMENT WAS UNABLE TO AFFORD THE COST OF ADEQUATE PURCHASES. RATIONING BECAME NECESSARY. THE SCARCITY, PLUS INEFFICIENT AND HIGH COST DISTRIBUTION, RESULTED IN DECLINING PRODUCTION.

RECENTLY, POLICY REFORMS HAVE BEEN IMPLEMENTED. SUBSIDIES HAVE BEEN REDUCED AND DISTRIBUTION HAS BEEN TURNED OVER TO PRIVATE DEALERS.

THE RESULT: FERTILIZER PRICES HAVE RISEN, BUT SO HAS SUPPLY. RATIONING IS NO LONGER NECESSARY. FERTILIZER USE IS UP 15% IN THE PAST YEAR. CROP PRODUCTION HAS INCREASED FROM 12 MILLION TONS IN 1977 TO 16 MILLION TONS IN THE 1983-84 SEASON.

THERE ARE OTHER FACTORS AS WELL. TAXES, TARIFFS, QUOTAS, AND OVERVALUED EXCHANGE RATE POLICIES PENALIZE PRODUCTION OF EXPORT CROPS. THEY MAKE IMPORTS ARTIFICIALLY CHEAP COMPETITORS TO DOMESTICALLY PRODUCED ITEMS.

THE POINT IS THIS: THIRD WORLD FARMERS ARE ESSENTIALLY THE SAME AS YOU AND I AND PEOPLE ALL OVER THE WORLD. THEY ARE RATIONAL ECONOMIC DECISION-MAKERS.

GIVEN THE TECHNOLOGY, THE 'KNOW HOW', AND THE RIGHT ECONOMIC INCENTIVES--THEY WILL PRODUCE.

IN CLOSING, I BELIEVE HUNGER IS A SOLVABLE PROBLEM.

I ALSO BELIEVE THAT BECAUSE OF THE COMMON-SENSE POLICIES WE HAVE DESIGNED AND IMPLEMENTED TO GUIDE OUR AID PROGRAMS. WE ARE MAKING SIGNIFICANT HEADWAY IN AGRICULTURAL DEVELOPMENT.

WE RECOGNIZE THAT POLICY REFORMS, HOWEVER NECESSARY, ARE OFTEN DIFFICULT FOR HOST COUNTRY GOVERNMENTS TO IMPLEMENT. FOR EXAMPLE, THE SHORT-TERM IMPACT OF REDUCING ARTIFICIAL FOOD SUBSIDIES TO URBAN CONSUMERS CAN BE AN OVERWHELMING BARRIER TO POLICY CORRECTION.

BECAUSE OF THE CRITICAL NEED FOR REFORMS IN AFRICA, PRESIDENT REAGAN PROPOSED A FIVE-YEAR, \$500 MILLION ECONOMIC POLICY INITIATIVE TO ENCOURAGE POLICY CHANGES.

THE NEW PROGRAM, ENTHUSIASTICALLY WELCOMED BY THE MAJOR DONORS AS WELL AS AFRICAN NATIONS, RECEIVED ITS INITIAL \$75 MILLION FUNDING THIS FISCAL YEAR.

THESE FUNDS WILL BE USED TO ENCOURAGE AFRICAN COUNTRIES TO IMPLEMENT LONG-TERM, GROWTH-ORIENTED POLICIES. THEY SHOULD BE ESPECIALLY HELPFUL WITH RESPECT TO AGRICULTURAL POLICIES AND PRODUCTION.

WE CAN HELP IN MANY WAYS--BUT WE MUST RECOGNIZE THAT THE STEPS FROM FOOD DEFICIENCY TO FOOD SUFFICIENCY MUST ULTIMATELY BE MADE BY THE NATIONS OF THE THIRD WORLD THEMSELVES.

IT BEGINS WITH THE POLICIES OF INCENTIVES. IT CONTINUES WITH ONE FARMER ON ONE PIECE OF LAND WHO SEES A PROFIT FOR HIMSELF AND A BETTER LIFE FOR HIS FAMILY. IT ENDS WITH FOOD ABUNDANCE ON THE TABLES OF THE WORLD.

THANK YOU.

ADDRESS BY M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

TO THE

IOWA PORK PRODUCERS ASSOCIATION

JANUARY 23, 1985

Thank you. It's good to be here.

I would like to discuss three related subjects dealing with Third World development and American agriculture. Following that, I will welcome any questions you might have.

First, I want to talk with you about the present food emergency in Africa and President Reagan's Africa Hunger Initiative;

Second, the need for--and progress toward--a new Green Revolution for the dryland regions of the world, especially Africa;

And third, the developing countries as major export markets for U.S. agricultural production.

The people of Iowa, as well as all Americans, have seen the human tragedy unfolding in much of sub-Saharan Africa through television and newspapers.

I recently visited Ethiopia and several other African countries. I walked among the people who are the victims of the drought, the hunger and the wars. It was the most traumatic experience of my life. In the years I spent in the

Peace Corps among the poor of Peru, and those since, I have often seen the little children with swollen bellies from malnutrition. I have seen those who have been ravaged by the terrible diseases that go hand-in-hand with deep poverty and poor nutrition. But what I have witnessed during the past few months in Ethiopia and Sudan goes far beyond anything I could have imagined. These children had no swollen bellies; they were beyond that. They were like tiny, shrivelled-up old men. They couldn't even cry.

But there is hope. Help is there and more is on the way. The people of the United States have responded both through their government and through private giving.

Since last October the U.S. government has approved more than 900 thousand tons of emergency food. I can tell you it is reaching the hungry. It is saving lives.

Our response has been massive and rapid. Let me give you an example of that:

1. On Thursday evening, December 21, we received an emergency appeal from the United Nations High Commissioner for Refugees. Emergency supplies were needed immediately to ensure the survival of the thousands of people fleeing from Ethiopia into eastern Sudan.

2. The next morning--Friday--I briefed President Reagan on the request and the need. He ordered an immediate response.

3. The following day--Saturday--the first Air Force C-130 left Germany, picked up its load of requested supplies in Italy and landed at Kassala in eastern Sudan on Sunday.

We are responding--and quickly--to the emergency that exists in Africa today. And Americans can take pride in that.

But we must not lose sight of the longer-term need to help those countries become self-sustaining even in the face of future droughts.

With that in mind, President Reagan recently announced a two-part Africa Hunger Initiative . . . short-term and long-term.

First, he has made a commitment of one billion dollars for emergency and regular food and disaster aid for the current year for Africa!

Second, the Africa Hunger Initiative will intensify long-range agricultural development. Aside from the billion dollar target for emergency and regular food and disaster aid, we have allocated \$750 million this year for basic economic development programs. These programs will be focused on the three most critical incentives to increased food production. These are: policy reforms, research and the development of human resources.

Let me elaborate.

We will accelerate our work with African leaders to help them implement policy reforms that will allow development efforts to take root and grow. An example: many African countries control farm production prices. The government is the sole purchaser--it sets prices. Those prices are kept very

low in order to provide cheap food for urban people. People who are concentrated in cities have political power. They can--and do--riot. Farmers cannot. They are widely distributed and relatively powerless. So prices are kept artificially low--often far below production costs. The end result is predictable: a continuing decline in farm production and the movement of rural people to already overcrowded cities.

We've been working closely with these governments to help them understand the damage that such policies can do--and have done. We've had some successes. For example, sixteen African countries have increased agricultural production prices to provide incentives. Some governments, such as Mali in sub-Saharan Africa, are getting out of production price-fixing altogether. Today, Malian farmers can sell their production on the open, free market.

These are difficult political/economic decisions to make. Price increases that adequately compensate farmers must be phased-in if abrupt urban hardship and violent protests are to be avoided.

To help in the more gradual transitions required, the Administration last year asked for and received funding from Congress to use as a temporary cushion during these transition periods.

To help achieve the goal of self-sufficiency, important agricultural research is also going forward. An example of the research breakthroughs that are possible is improved seed varieties that can help bring in a new era of productivity for rain-short regions.

In our country, we appreciate the importance of agricultural research. Land grant universities and private seed and fertilizer companies have provided research that has resulted in crop and production improvements that have contributed to making the U.S. the leading food producer of the world.

Since long before the famine in Ethiopia and hunger in other African countries began dominating the headlines and newscasts, AID has been working toward a Green Revolution for dryland Africa. We are concentrating much of our aid to Africa on agricultural research. Some \$65 million were allocated for this purpose in 1984. For example, we fund 25% of the budget for the International Agricultural Research Centers. These are the organizations responsible for the miracle wheat, rice and corn varieties which started the Green Revolution in Asia and Latin America.

We are supporting U.S. university involvement in five collaborative Research Support Programs concerned with the improvement of sorghum, millet, beans and cowpeas . . . and of small farm animals such as sheep and goats. We are also helping the countries of Africa develop their own research capabilities, including the training of young Africans in research techniques.

These efforts are already showing results.

For example:

-- a drought-tolerant sorghum variety recently released in the Sudan produces yields double those of traditional varieties;

-- new cowpea varieties with short growing seasons, drought tolerance and resistance to diseases have been developed at the International Institute for Tropical Agriculture in Nigeria;

in Kenya and Zimbabwe, hybrid maize varieties have been adopted widely by small farmers.

This is only a sampling. It is also just the beginning. To give Africa the tools to meet her food needs will require the best that science can offer worldwide. The current tragedy in Africa has created a climate of concern for long-term solutions beyond emergency relief. Sustained commitments to agricultural research are essential if Africa is to meet the food needs of future generations.

On the surface, it might seem that helping Africa to increase its own production would result in a reduction of exports from the United States. However, the exact opposite is true.

There's no denying that there is a market in the form of Food for Peace assistance. There is also a market that has its roots in stagnating domestic agriculture in developing countries and country policy distortions that make food imports on commercial terms artificially attractive or politically necessary.

However, there is a larger, more reliable market. It is not a market which is dependent on food aid or policy distortions. It is a market that arises from the purchasing power generated by sustained economic development, including agricultural development, in Third World countries.

Indeed, economic development and market development for U.S. agricultural commodities go hand-in-hand.

To begin with, agriculture is the main field for development in most low-income countries because:

1. a high share of the population earns its livelihood from agriculture as compared to that of developed countries, and
2. there is a much greater vacuum to be filled by rising productivity than there is in developed countries.

Another important consideration is that low-income families and countries spend a higher share of any increase in income on food than do those in higher income families and countries.

Taken together, this means that a sustained increase of agricultural growth in low-income countries will have a powerful effect on production and on the demand for food.

This demand will be even greater to the extent that the majority of small farmers participate in the growth process. They are more likely than large farmers to spend increased incomes on locally produced goods and services. This generates increased local employment which, in turn, stimulates additional demand for food.

As incomes increase, demand for meat products rises. The conversion of cereal feedgrains to livestock use multiplies the need for--and the ability to pay for--imported additional stocks of grain for human consumption.

For all these reasons, development strategies that stimulate broadly-based food and agricultural production growth tends to lead to a faster rate of demand for agricultural products . . . and thus for imports of these commodities from the U.S.

The record confirms this relationship. This record shows:
-- first, developing countries are the most rapidly growing customers for U.S. agricultural products; and
-- second, countries that have been major recipients of assistance from the U.S. have increased their agricultural imports from us at a faster rate than from other countries.
For example:

Taiwan was a net exporter in the early fifties. Food production increased rapidly in Taiwan over the next 30 years. But it now imports sixty percent of all cereals consumed, almost all in the form of feedgrains.

South Korea provides another example. In 1981, we exported \$2.1 billion in agricultural products to South Korea. This exceeded the total amount of PL 480 (Food for Peace) food aid provided to Korea in the 24 years between 1955 and 1979.

The record shows that those developing countries that are the fastest growing producers of staple foods have also expanded their net imports of staple foods at a rapid rate.

Indeed, between 1961 and 1976, the sixteen fastest growing developing country food producers expanded their net food imports at over seven percent a year.

Thus, economic and agricultural development works to the advantage of both the poor of Third World nations and the agricultural sector of the United States.

Before closing, I would like to bring you up-to-date on the swine re-population project in Haiti in which the Iowa pork industry played such an important part.

As you know, the total swine population of Haiti had to be destroyed following the outbreak of African Swine Fever in 1978. Under the AID-funded re-population project, 450 sows and 50 boars were shipped by Global Swine of Iowa to a breeding center in Haiti. The shipment was completed in April 1984. As of December 31, 1984, one thousand of an expected 45-hundred piglets have been distributed to private voluntary organizations in various parts of Haiti. They will be used for next generation breeding under conditions approaching those of the normal Haitian environment. Those piglets, in turn, will be used to produce 20-thousand piglets a year which will be distributed to Haitian farmers. By that generation, those pigs will have become adjusted completely to the environment and are expected to do well.

I'd like to say what a pleasure it has been to have the opportunity to talk with you about a number of subjects today:

- the President's Africa Hunger Initiative;
- our progress toward a new Green Revolution for the dryland regions of the world--especially Africa, and

-- the relationship between Third World economic and agricultural developmet and the expansion of stable export markets for agricultural production of Iowa and the nation.

I would be happy to answer your questions and hear your views.

Thank you.

ADDRESS BY

M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

TO

THE COSMOS CLUB

WASHINGTON, D.C.

Jan.
~~FEBRUARY~~ 28, 1985

Thank you. I'm pleased to be here...especially in the company of your fellow Cosmos Club member, Nyle Brady. As you know, Nyle is my Senior Assistant Administrator in charge of AID's technology development efforts.

First, I would like to give a brief summary of the objectives of AID, the policies we have developed to best help us achieve our goals; and the premises upon which those policies are built.

It is the task of AID to help poor people of developing countries to help themselves through the expanded availability of choices and opportunities.

That goal remains constant. However, the means of best reaching our objectives are subject to change with a changing world.

Four years ago, when this Administration came into office, we carefully assessed our programs and policies. We examined what was working---and what was not working. Development practices which have withstood the test of time were retained. Others required adjustment. Others were found to be impractical and even counterproductive.

With those points in mind, we have restructured our overall program based on five premises:

Premise 4. Poor people will change long-standing behavioral patterns when presented with a real opportunity to improve their lives. This willingness has never been more clear than in the case of the Green Revolution. Farmers clearly saw a benefit and were quick to accept the new seeds and production methods. As a result, India, for example, is now virtually grain self-sufficient.

Premise 5. In spite of what we are often led to believe, there has been a lot of progress in the third world. Indian grain production is only one example. Others may be found in the increase in education systems in Africa since independence, and better access to health services that has brought a 21% increase in life expectancy on that continent.

With those premises in mind, we have established four policy cornerstones to guide our development efforts.

Briefly;

1. The first cornerstone deals with the need for policy reform by the governments of developing countries in cases where existing policies work to the disadvantage of broad-based development. One example: policies which control farm production in order to provide cheap food to powerful urban constituencies destroys the farmer's incentive to produce. It is counterproductive. As a condition of our aid we strongly encourage -- even insist on -- the reform of such policies.

2. We work to establish institutions which serve the real needs of the broad cross-section of people, and in which they actively participate. Our emphasis has been on encouraging the shift away from central government structures toward more locally centered institutions. Examples include local cooperatives, credit associations, school boards, and health delivery structures.

3. We encourage much greater involvement of the private sectors and reliance on market forces as the strong engines of development.

4. Our fourth cornerstone applies to the research, development and transfer of appropriate technologies.

For purposes of our discussion, I would like to elaborate on that fourth critical policy principle.

AID is focusing on research, development and transfer of technology in a few selective areas of greatest need:

- food and agriculture;
- fuelwood production and use;
- biomedical research and development on major tropical diseases;
- and family planning methods.

Based on the recommendations of scientists from outside and within AID we have narrowed the field to priorities within these broad categories. These priority areas include:

- soil and water management problems in unirrigated,

"rain-fed" areas of the third world including humid lowlands, dry-land savannahs and steep slopes;

- multi-purpose, fast-growing tree species;
- biotechnology techniques to protect crops and animals from drought, diseases, pests and other stresses;
- development of rapid diagnostic techniques on major tropical disease for use at the village level;
- development on new, low-cost vaccines and pharmaceuticals against major tropical diseases;
- and, long-lasting contraceptive implants and improved methods of natural family planning.

I believe the results of these efforts can begin to have profound positive impacts over the coming years on food supplies, health, traditional energy supplies, the natural and human resource base, and population growth.

Such profound impacts include the potential for economic and food self-sufficiency in the third world--and end to the cycle of poverty and hunger such as that which plagues much of Africa today!

To carry out these objectives AID is working more closely than ever with the U.S. scientific community.

For example, we are making use of effective mechanisms to increase our collaboration with U.S. universities:

1. One is the Memorandum of Understanding (MOU). It is a long-term agreement between AID and universities to cooperate in high priority areas. In return for a commitment by AID to provide resources, the university guarantees to make available a specified number of faculty in needed fields for long-term assignment on behalf of AID. And...

2. The Joint Career Corps in which faculty members agree to tours of duty with AID alternating with their normal academic functions on their home campuses.

AID also works with other U.S. government agencies--such as the Department of Agriculture--to share scientific and technical knowledge with developing countries and to build their research, development and training capacities.

I would also note that external review of research projects is now handled through review panels organized by the National Science Foundation. This arrangement gives AID access to thousands of scientists in this country. We believe their reviewed will strengthen the technical quality of AID's program.

In our intensified research program we employ two modes of operation:

1. Research networks among developing country institutions. These networks cut across national boundaries and use those available scientific resources more efficiently. This brings together the scientists needed to produce new knowledge without overburdening each of the cooperating countries in a region. It is also helpful to those countries which cannot afford to maintain independent research systems.

2. We use collaborative research linkages involving U.S. institutions, international research centers and, where appropriate, developing country counterparts. This insures the most sophisticated new technologies that can be applied to solve third world problems.

AID also has a modest program for Scientific and Technological Cooperation to stimulate collaboration with developing country scientists at the first phase of research. It is funded at a level of \$10 million a year.

- 60% of the funds support highly competitive research grants--mostly for developing country scientists.
- 40% of the funds support a grant with the National Academy of Sciences to establish and fund networks of developing country research institutions.

That, very briefly, is an overview of AID's research program.

(PAUSE)

I'd like to turn to a couple of issues that often come up in a discussion of support for science and technology for international development.

First, the linkage of science and technology-based development efforts to the rural and urban poor has been questioned. There is no doubt these efforts have been directed to the needs of poor populations. They are focused on crops and animals that the majority of the people consume and on methods they can use and afford.

We believe this is a proper linkage. Food self-sufficiency, for example, is critical to the overall development and progress of many third world countries. A Green Revolution for dry-land Africa, for instance, will help put behind us the suffering we are witnessing today in much of southern Africa. We are concentrating much of our aid to Africa on agricultural research. Some \$65 million have been allocated for this purpose in 1984.

These and other research investments we have made are paying off with important dividends. For example:

- farmers in Sudan and Mali are growing new drought-tolerant sorghums that yield 50% to 100% more than traditional varieties;
- the production of new high-yielding hybrid corn varieties has spread rapidly in Kenya and Zimbabwe;
- new varieties of cowpeas in West Africa are resistant to insects and diseases, and produce high yields despite drought conditions. And there are more.

The point is, this research directed at the needs of the poor helps them pull themselves---and their nations--up by their own bootstraps. It is aimed at broad-based, grass-roots development that will last.

(PAUSE)

Some have also argued that AID should be supporting only very applied research and should not support basic research.

I disagree with that position.

An economic development agency such as AID should support needed research across the basic-applied spectrum providing it relates to problems of development. That could be from sophisticated technology such as remote sensing all the way to the design of a simple cookstove that requires less fuel wood.

Let me give you two examples of basic research that has resulted--or is soon to result--in important gains in basic development.

1. Genetic engineering technology has put AID on the threshold of developing a prototype vaccine against malaria.

59% of the world's population is exposed to malaria. It produces over 225 million cases a year.

Recently, I was able to announce a major breakthrough in malaria vaccine research. Drs. Ruth and Victor Nussenzweig and their colleagues at New York University have demonstrated the capability to produce a vaccine against the most virulent and prevalent form of malaria in humans.

This is the first human vaccine to be developed through genetic engineering techniques.

AID will be organizing three regional conferences to determine sites and research protocols for field tests of prototype vaccines, which should begin within the next few months.

What we have here is the fruit of long-term research that AID started in 1966 and has supported every since. The project is now funded at \$7 to 8 million per year. More needs to be done--but we have "stayed the course" this far, and we intend to go all the way.

And there's more.

This past September, AID signed an agreement with the U.S. Public Health Service to develop new and improved vaccines for other preventable diseases that plague third world countries.

The first two vaccines to be tested under this program are:

1. an aerosol measles vaccine, developed by Dr. Albert Sabin, which is expected to protect children as young as six months: and ...

2. a vaccine against (rotavirus) diarrhea, the single most common cause of serious diarrhea in infants in most parts of the world.

(PAUSE)

Now let me give you an example of a simple low-cost technology that is right now saving the lives of countless children.

Diarrhea disease is the leading cause of death among children under five in developing countries. It accounts for five to ten million deaths a year.

Oral Rehydration Therapy is a simple, inexpensive treatment of mixing salts and sugar with water and administering it orally to the child at home. It helps the body retain fluid and gives the system a chance to overcome the underlying illness.

O.R.T.--Oral Rehydration Therapy--has been described by the British medical journal, Lancet, as "...potentially the most important medical advance of this century." It costs as little as eight cents a packet.

From India to Egypt to Honduras, child deaths from diarrhea have been cut from 40 to 80 percent through the use of ORT.

In spite of this, ORT is still not widely available to the children of the world. One reason is the inadequacy of distribution systems. Another is cost: even at 8¢ per packet, six packets a child per year would amount to 10 to 20 percent of the entire health budgets of many governments in the third world. AID is taking several steps to help correct these problems. We have pledge a major drive to make ORT widely available with five years.

AID is supporting ORT activities now in over 50 countries. We're working on ways to reduce unit costs even further; create mass media campaigns to inform and educate mother about ORT; and developing package dosages geared to the containers most common in local households. For example, the most common container might be an empty soft drink bottle.

All of this is one product of research which AID and other donors have supported since 1961!

PAUSE

Both the malaria vaccine and the ORT success stories demonstrate the importance of...I say it again..."staying the course" for the long haul.

Think of the impact that a malaria vaccine, ORT, and the fruits of agriculture research will have on hunger and health in Africa and other third world countries. No one today disputes the value of basic research that led to the Green Revolution in areas of abundant water.

Think what a Green Revolution will mean for the dry-land regions of the world!

Think what a malaria vaccine will do to increase the productive efforts of people now wasted in illness!

Just think about what these gains will mean over a span of years for the economic development of a country!

That's why I believe that, dollar for dollar, investment in these kinds of research efforts is one of the most prudent ways we can spend development assistance funds.

Of course, research can't remove all the roadblocks to development. For example, distorted economic policies can undermine the incentives to undertake research and to use its results.

And it's entirely likely that drought will recur in Ethiopia and other countries as it has in the past.

However, research can reveal what is possible for human beings to do to avert the worst consequences of nature's lottery.

(PAUSE)

Perhaps the famine in Africa will serve to stimulate public support and appreciation for the urgency of research to solutions to development problems before they become disasters.

If so, all the people of the world will be able to take from this tragedy one small ray of hope.

Thank you.

SCHOLARSHIP DIPLOMACY

by

M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

at the

MERIDIAN HOUSE INTERNATIONAL

FEBRUARY 12, 1985

Thank you...it's good to be here.

The United States foreign assistance program is the peace arsenal of America.

Over its history we have provided about \$130 billion to every continent in the world. Our message has been one of partnership and hope.

We have not only provided shelter and food to the destitute, we have provided innovative economic development programs and enhanced productivity where little had existed before.

Our goal has been to secure a more productive, stable and peaceful world...a world where freedom of choice and opportunity flourishes.

Among the people of the Third World, AID diplomats and dollars are often the only symbols that link their lives with ours. By itself, this is not enough. In order to best understand America, one must experience its values and people face-to-face.

It is through education and training that this ideal is best realized. It is appropriate because education is basic to expanded vision and positive change.

But we cannot narrowly define education as that which takes place in a classroom, or a health care clinic...or even in a rice field when new technologies pass from our hands to theirs.

Education and training is gained by exposure to a whole spectrum of both technological and social advances. It is, after all, people who shape societies and energize a nation's future.

It is important, then, that we focus on educating people not just for what they are going to do but also on what they are going to be.

The title of my talk tonight is "Scholarship Diplomacy." The subject is how the U.S. AID program is building lasting links, through education with people from the Third World.

Let me begin by pointing out that the U.S. is not alone in the recognition that "scholarship diplomacy" builds lasting links. In fact, the Communist bloc countries are way ahead of us and are lengthening their lead.

- o In 1982 more than 110,000 students from developing countries were studying in Soviet bloc countries...50,000 were in academic programs in the Soviet Union, 33,000 in East Europe and 27,000 in Cuba.
- o Two-thirds of these scholarships were granted to students from non-Marxist developing nations.

It is clear that the Soviets view this program as an important part of their foreign policy. They are taking full advantage of these scholarships to shape young minds and increasing their influence in the developing world. These young people are returning to their countries not only with new skills, but new ideologies as well. They are the key to opening the doors to such ideologies within their own communities. Remember too, that Soviet scholarships are carefully targeted to social, political and ethnic groups where this influence will be most useful to them.

What has the U.S. been doing over this time?

We have long been aware of the importance of providing opportunities to students from developing nations to receive training in our country. Since 1944, approximately 245-thousand students have received such training under the U.S. foreign assistance program. We have focused primarily on fields of study which bear directly on increased production.

Since the beginning of this administration, an increased emphasis has been given to the AID Scholarship Training Program. In 1982, nearly 8,000 received training here. That number increased in 1984 to more than 10,000. Additionally, the United States Information Agency has increased it's numbers of Foreign Academic Grantees from 2,500 in '83 to nearly 3,000 in '84. These include students, teachers, researchers and lecturers drawn from all foreign countries.

These students have put their training and talents to good use in their own countries. They have passed along the knowledge and skills to their fellow countrymen. Many have risen to leadership positions in their governments.

Our scholarship programs have been a good investment and have paid many dividends in improved development, understanding of American values and good will.

With this as a backdrop, let's compare Soviet international scholarship efforts with those provided by the U.S. government:

- o U.S. Government sponsored programs worldwide declined by 52% between 1972 and 1982 while Soviet bloc programs, not including Cuba, have tripled.
- o In 1982 seven Soviet bloc scholarships were granted for every one offered by the U.S. Government.

These numbers represent a challenge... a challenge that the U.S. can and must meet.

We have reversed the decline of students coming to the U.S. from developing nations. We have set a goal to sharply increase those numbers by 1986, in the following ways:

- o Our Latin American and Caribbean training initiatives and our Caribbean Basin Scholarship Fund Project, have provided \$23 million for 1200 students from Basin countries and South America to take part in short and long-term training in the U.S.

- o The Central American Peace Scholarship Program, will provide U.S. scholarship opportunities to more than 7,000 Central Americans over a five year period. The United States Information Agency is expected to offer an additional 3,000 scholarships under this program.
- o Various African scholarship programs will receive additional funding this year with money currently available to AID.

The Central American Peace Scholarship Project will, for the first time, permit a large undergraduate program. In recent years the AID scholarship program has focused heavily on agriculture, nutrition and other development fields at the postgraduate level. As a result, the study of medicine, law, the humanities, journalism, art and culture have, for the most part, been excluded.

The Peace Scholarships Project will allow greater flexibility in course offerings. It will recruit students based on leadership ability rather than dedication to an AID-priority development field.

- Scholarship recipients will be broadly-based. For example,
- o Socially and economically disadvantaged students will be identified at the junior/senior high school level and be provided with in-country, English, science and math programs. The most talented and promising will be given U.S. undergraduate scholarships.

- o Current high school seniors and recent graduates will be given scholarships which include remedial and English training in the U.S.
- o The best primary and secondary teachers and administrators will be provided opportunities to observe programs in the U.S. related to their fields.
- o Community and civic leaders from the most poverty-stricken rural and urban areas will be selected, as well as labor union members, small farmers and business people.
- o Poor but talented workers will be provided with appropriate technical training ranging from several weeks to two years.

The Central American Peace Scholarship Program will expand not only the number of fields we provide training for -- but will expand the kinds of people we train...the most disadvantaged. These are the same people most frequently targeted by Soviet-bloc recruiters.

AID will, of course, continue to increase our traditional training efforts centered on technical training and post-graduate study in the U.S. This training to strengthen development skills and basic educational and research institutions is basic to self-sustaining development assistance.

Research capacity is most limited in the world's poorest countries. To improve this situation, AID is helping to build the number and quality of skilled people within third world institutions. The objective is the formation of a solid corps of technical and managerial know-how.

These efforts are long-term and require follow-up support. A new scholarship program will make it possible for former AID participants, who received PhD degrees, to keep abreast of new information in their fields. These short-term scholarships will be designed to keep the 'fire' of interest and new knowledge burning in researchers that are often isolated in their own countries.

It just doesn't make sense to spend up to a hundred thousand dollars on a researchers' postgraduate study and then cut them loose with little or no follow-up support.

Because resources are tight we must make the best of all available resources. We are therefore giving increased emphasis to the importance of the private sector as a resource for international training. U.S. private enterprise already sponsors many training activities for third world students, workers and business people.

We want to learn from these private initiatives, and build on them.

We also must not lose sight of the scholarships provided by other major industrialized Western nations. In 1983, over 61,000 third world students were studying under these scholarships.

We should also recognize that of all the students able to finance their own studies outside their home countries, the West claims a three-to-one margin advantage over Eastern bloc schools.

We can also be pleased with the fact that U.S. AID-sponsored postgraduates from developing countries have been successful in improving life in their home countries in education, research and institution building.

We have many advantages working for us...but we still need work in several areas:

- o Additional resources must be invested.
- o We need to step up the enlistment of the expertise and resources of private sectors both in this country and in developing countries.
- o We must consider targetting a greater share of our participant training resources to low income, undergraduate students.
- o And, we must provide wider opportunities and greater flexibility to meet the special training needs that vary from country to country in support of basic development.

As you can see we have taken dramatic first steps in expanding the number and quality of students being brought to our shores to learn new skills while they learn about American and its people. I am pleased to announce this evening that AID will expand its scholarships from 10,000 this year to 15,000 next year.

In closing, I would like to read you something Samuel Johnson wrote over a hundred years ago. He said:

"The proper end to all human endeavor is to be happy at home. There remains, however, things to be done in order to come home happy. "Education"--he said--"is where I begin, and continue."

Education is where we all begin--and continue.

To wisely use our education resources to diminish want in the shrinking world around us, is to reduce the chance of strife for others and, ultimately, for ourselves.

Thank you.

M. PETER McPHERSON
OFDA/VOLAG CONFERENCE
RESTON, VIRGINIA
FEBRUARY 20, 1985

I AM PLEASED TO BE HERE TO DISCUSS OUR WORK IN AFRICA.

AMERICA'S RESPONSE TO THE CONTINUING EMERGENCY IN AFRICA HAS BEEN EARLY, QUICK AND MASSIVE. SINCE LAST OCTOBER THE U.S. GOVERNMENT, THRU AID HAS APPROVED OVER A MILLIONS TONS OF EMERGENCY FOOD ASSISTANCE FOR AFRICA--PLUS MEDICINE, BLANKETS, SHELTER MATERIALS AND TRANSPORT. THIS IS IN ADDITION TO THE \$750 MILLION EARMARKED FOR OUR REGULAR ECONOMIC DEVELOPMENT PROGRAMS IN AFRICA.

AMERICA'S RESPONSE TO AFRICA'S CURRENT CRISIS HAS BEEN NOT ONLY SIGNIFICANTLY FASTER BUT ALSO LARGER THAN ANY OTHER DONOR OR INSTITUTION.

AS A MATTER OF COURSE OUR A.I.D. MISSIONS ANALYZE AND REPORT TO US ON A WIDE RANGE OF MATTERS, INCLUDING PROGRESS OF THE RAINY SEASON, THE STATE OF THE HARVEST AND FOOD NEEDS AND AVAILABILITIES.

I BELIEVE A.I.D. KNOWS AS MUCH - IF NOT MORE - ABOUT THE EMERGENCY SITUATION IN EACH COUNTRY AS ANY DONOR. ALL OF OUR INFORMATION, NATURALLY, IS SHARED WIDELY - WITH THE HOST COUNTRY, INTERESTED DONORS AND OTHER GROUPS.

A.I.D.'S GOAL IS TO BE ABLE TO RESPOND QUICKLY, DECISIVELY AND IN AN APPROPRIATE FASHION TO EACH SITUATION. IN EFFECT TO CONTAIN AND ELIMINATE THE EMERGENCY AS SOON AS POSSIBLE.

WE ALSO RELY HEAVILY UPON THE EXCELLENT REPORTING NETWORK AND INFORMATION SUPPLIED THRU THE PVO COMMUNITY AND APPLUAD THIS INFORMATION EXCHANGE. AS A RESULT, OUR EMERGENCY FOOD AND NON-FOOD AID HAS ALREADY DRAMATICALLY SURPASSED LAST YEAR'S RECORD LEVELS.

BY THE MIDDLE OF JANUARY, BARELY OVER ONE QUARTER OF THE WAY THROUGH FISCAL YEAR 1985, ABOUT \$370 MILLION OF EMERGENCY ASSISTANCE PROGRAMS HAD ALREADY BEEN APPROVED.

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OF THIS AMOUNT \$348 MILLION WAS IN EMERGENCY FOOD AID AND THE REMAINDER NON-FOOD EMERGENCY ASSISTANCE THROUGH THE OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE AND THE STATE DEPARTMENT'S BUREAU FOR REFUGEE PROGRAMS.

THE PRESIDENT'S \$1 BILLION COMMITMENT INCLUDES A SUPPLEMENTAL APPROPRIATION OF \$235 MILLION. IT IS IMPERATIVE THE SUPPLEMENTAL REQUEST BE APPROVED IMMEDIATELY, NO LATER THAN EARLY MARCH 1985. THIS WILL PERMIT US TO CONTINUE TO DELIVER RELIEF GOODS TO SUFFERING PEOPLE WHEN THEY ARE NEEDED.

--THE REQUEST WILL BE DIVIDED AS FOLLOWS:

(BREAKDOWN OF \$235 MILLION SUPPLEMENTAL)

| | |
|---|---------|
| -- INCREASE IN PL 480 TITLE II EMERGENCY FUNDS | \$185 M |
| -- INCREASE IN FUNDS AVAILABLE TO THE OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE | \$ 25 M |
| -- REPLENISHMENT OF THE EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND | \$ 25 M |

WITH APPROVAL OF A SUPPLEMENTAL FOOD APPROPRIATION OF \$185 MILLION, U.S. EMERGENCY FOOD AID TO AFRICA WILL BE ROUGHLY 1.5 MILLION METRIC TONS, THREE TIMES THE RECORD AMOUNT FROM THE PREVIOUS. WE BELIEVE THIS WILL MEET 50% OF AFRICA'S EMERGENCY FOOD NEEDS. THE VALUE OF EMERGENCY FOOD AID PROGRAMS IN FY 1985 WILL BE ABOUT \$671 MILLION. WHEN ADDED TO OUR OTHER, REGULAR FOOD AID PROGRAMS TO AFRICA, THE DOLLAR VALUE OF U.S. FOOD AID APPROVALS FOR SUB-SAHARAN AFRICA IN FISCAL YEAR 1985 WOULD BE MORE THAN \$920 MILLION AND THE VOLUME OF FOOD AID WOULD BE MORE THAN 2.5 MILLION METRIC TONS.

A.I.D.'s OFFICE OF U.S. FOREIGN DISASTER ASSISTANCE IS REQUESTING AN ADDITIONAL \$25 MILLION FOR NON-FOOD EMERGENCY NEEDS. THE FUNDS WOULD BE USED FOR A VARIETY OF NON-FOOD EMERGENCIES. THE ADDITIONAL \$25 MILLION WHEN ADDED TO THE BORROWING AUTHORITY OF \$50 MILLION ALREADY AVAILABLE TO A.I.D. SHOULD BE ADEQUATE TO MEET NON-FOOD EMERGENCY NEEDS IN SUB-SAHARAN AFRICA FOR THE REST OF FISCAL YEAR 1985, AND ALLOW US TO RESPOND TO OTHER DISASTERS WORLDWIDE.

SOME PEOPLE MAY QUESTION WHY WE ARE ASKING FOR SO MUCH FOOD AND (SEEMINGLY) SO LITTLE NON-FOOD ASSISTANCE IN SUPPLEMENTAL REQUEST. UNTIL NOW MANY INTERNAL TRANSPORTATION COSTS FOR PL 480 TITLE II EMERGENCY PROGRAMS HAVE BEEN PAID FROM THE DISASTER ACCOUNT. AS A RESULT OF THE PRESIDENT'S DECISION LAST JULY, NEW LEGISLATION HAS BEEN SIGNED INTO LAW WHICH PERMITS THE USE OF PL 480 TITLE II APPROPRIATIONS TO PAY THE COSTS OF INTERNAL TRANSPORTATION FOR PL 480 TITLE II EMERGENCY PROGRAMS.

FINALLY, SOME WILL QUESTION WHETHER OUR REQUEST FOR \$235 MILLION IS ENOUGH TO MEET THE NEEDS ON SUB-SAHARAN AFRICA FOR THE REMINDER OF FISCAL YEAR 1985. I AM CONVINCED THAT OUR INFORMATION IS AS ACCURATE AS POSSIBLE AT THIS TIME AND THAT WE KNOW THE SITUATION THERE BETTER THAN MOST.

AFRICA IS A CONTINENT SUBJECT TO QUICK AND DRAMATIC CHANGE. IT IS POSSIBLE THE NEEDS WILL INCREASE OVER WHAT WE ANTICIPATE NOW. IF THAT IS THE CASE, THEN WE SHALL REVIEW THE SITUATION AND TAKE THE APPROPRIATE ACTION.

A.I.D.'s OFFICE OF FDA, AS WELL AS THE REST OF THE AGENCY,
HAS LONG ENJOYED A COLLABORATIVE RELATIONSHIP WITH THE PVO
COMMUNITY.

IN ORDER FOR THE ENORMOUS WORK IN AFRICA TO BE ADDRESSED WE
MUST UTILIZE OUR MUTUAL RESOURCES IN THE MOST EFFICIENT AND
APPROPRIATE WAYS POSSIBLE.

OUR EMERGENCY PROGRAMS ARE BASED ON A CAREFUL ANALYSIS OF THE SITUATION IN EACH COUNTRY AND BELIEF THAT IN APPROVING A PROGRAM WE WILL BE ABLE TO ENSURE THAT:

--THE PEOPLE AT RISK HAVE BEEN IDENTIFIED

--THE FOOD CAN BE DELIVERED TO THE PEOPLE AT RISK

--THE DISTRIBUTION WILL BE CARRIED OUT IN AN EQUITABLE AND ACCEPTABLE FASHION

--THE U.S. WILL BE ABLE TO MONITOR AND AUDIT THE PROGRAM IN A SATISFACTORY MANNER.

WITHOUT YOUR STRONG INVOLVEMENT AND SUPPORT, THE NEEDS IN AFRICA MAY NOT BE MET.

IN THE NEXT FEW DAYS, I HOPE YOU DISCUSS OBSTACLES TO MEETING THIS NEED AND INNOVATIVE APPROACHES AND SOLUTIONS TO ADDRESS IT. WE MUST WORK TOGETHER IN CARRYING OUT OUR SEPARATE BUT EQUALLY IMPORTANT PROGRAMS.

PARTNERS IN DEVELOPMENT

Suggested Remarks for M. Peter McPherson, Administrator
Agency for International Development
for
CUNA Government Affairs Conference
February 25, 1985

It is a pleasure to be here this morning. For nearly a quarter of a century, the United States Agency for International Development and the Credit Union National Association, have been "Partners in Development."

As a Peace Corps volunteer in Peru in my 20's, I was an early member of that partnership. I was trained by CUNA, was assigned to a CUNA training center in Lima and worked in my barriata (a poor area outside Lima) to organize a credit union. The local Catholic Priest and I were proud of our efforts there. The barriata or slum was called El Monton and was named after the mountain of the old Lima garbage dump on which the community was built.

I doubt whether I will ever forget our credit union organization meeting. It was held in the church one night. Our community did not have electricity and I can still see the flickering of the candle light. We had about 20 people there that night (all men) dressed in their rugged work clothes. I explained how credit unions function and my priest friend, in his white but somewhat dirty robe told the men they should join. They said "yes" if he would be the Treasurer. He said fine, and we were off. The hard work of keeping the records and making it go was, of course, just begun.

I have followed with pride the enormous contributions credit unions have made around the world and the United States. I am especially proud to be here today.

To explain AID's deep commitment to working with credit unions, let me review my approach to change in the third world.

Most fundamentally, I believe that poor people all around the world are like you and me. They want a job and a decent home. They want to make progress in their lives. They want their children to have more than they do. They will work hard to achieve these goals. The U.S. academic community in years past tended to see poor people as unable to reach, to dream. They often saw poor people as different from us. But we know that people are people the world over. Such academics have not seen the equivalent of those eager faces in the flicker of the candle light in that church in Peru.

Once you grasp that poor people want progress, then you quickly see that poor people need only tools, instruments or training to create the opportunities for more income, for more jobs. In short, poor countries do not need welfare: they need tools and opportunity. Credit unions can and are one of the instruments for opportunity for poor people.

As background, let me review the AID/CUNA partnership. In 1962, the Agency for International Development signed a basic agreement with CUNA to fund credit union systems throughout Latin America, the Caribbean, and Africa.

Through 1970, AID provided \$17 million in grants and loans to Latin American countries. We can all take pride in knowing that credit unions are still in place in each country and working well. It is also worth noting we helped build one of the few Latin American institutions that has survived political upheaval and continues to contribute to the well being of Latin Americans to this day.

How well I remember that Federation of 600 credit unions in Peru that Father McClellan helped organize. By 1965, a Latin American Regional Office was established. Shortly thereafter credit unions had grown enough to warrant the formation of the Confederation of Latin-American Credit Unions, COLAC.

During this time, other development agencies and institutions, Canadian and European, were helping CUNA-LARO and the Latin American pioneers. We were all "Partners in Development."

CUNA, of course, is not content to rest on its past accomplishments, as significant as they are, but is forging ahead to meet the challenges.

Just as we helped in Latin America, USAID and CUNA is also helping the people of the Caribbean and Africa develop its credit union institutions today. AID has sponsored long-term grants to the Caribbean Confederation of Credit Unions and the Africa Cooperative Savings and Credit Association so that their members can strengthen and expand.

This involves management training and member education. We are not underwriting the construction of office buildings or providing generous salaries for staff. Our investment is in people who, in turn, will help others to establish the most effective system to deal with the real needs of the members.

The credit union movement has come a long way--there are 55 million credit union members around the globe and 76 nations with national movements in place.

AID is interested in credit unions for a number of reasons.

A priority of AID is to mobilize the private sector and credit unions play an important role in this. Credit unions are in a position to pull together financial resources which neither governments or large commercial banks can locate.

Credit unions provide loans to those whose needs and ability to repay are established through trust. Through credit unions, many people are given the opportunity to succeed in a special venture. It may be a small business. It may be a child's education. It may be a plan to take the day's catch of fish to the market. It may be a woman who cannot otherwise get credit. The number of opportunities is as great as the imagination of credit union members around the world.

Also, the fact that credit unions are democratic institutions is a primary concern to me. Sustained growth and opportunities for all levels of a society is probably impossible to achieve without broad-based democracy. But the democratic process must be learned and poor people in many poor countries are simply not part of a political decision-making process in their country. Accordingly, poor people must learn democracy in their organizations like credit unions and labor unions. Poor people's organizations are where leaders of such people often come. This role of credit unions alone justifies the support AID provides to credit unions.

The current level of collaboration between the credit union movement and the Agency for International Development is impressive.

For example, the various programs and activities of the World Council of Credit Unions are supported by a two-cents-per-member dues contribution of its member organizations and by an annual grant of approximately \$950,000 from AID.

This collaboration extends to the field where we are currently cooperating on regional programs in Africa and the Caribbean, as well as country programs in Togo, Cameroon, Malawi, and Lesotho. AID's commitment to these programs is estimated at \$1.7 million for 1985.

In conclusion, I would like to say something about a very special USAID program in which CUNA Foundation has been involved for the past three years. I am speaking of the modest Development Education Program.

Senators Biden and Pell, a few years ago, recommended that what was needed in our nation was an increased understanding and appreciation of the need for our continued support of foreign assistance programs. We needed a national education method that would provide a public perspective on international development.

CUNA was one of the first American institutions to take part. CUNA can be proud of the nearly 100 persons who have been trained to return to their communities and their organizations with the mission to educate as many as possible to the unique way in which credit unions are helping to develop better futures for people all around the world.

These goodwill ambassadors have reached more than 40,000 people with the message that America is helping millions through credit union development programs.

We support the work of the credit union movement and the development of small business and free enterprise. Working with our AID missions abroad, programs are established which are basically consistent with the country's needs and priorities. Development, we realize, is not something that you can turn on and off easily. It is the work of generations.

In closing, I think that credit unions have a critical role in providing the tools and instruments for poor people to reach for their opportunities. I see credit unions as mobilizers of resources for poor people to advance and improve their lives. I see credit unions as a training ground in democracy, a training ground so desperately needed. In brief, I see credit unions as essential for change and self-sufficiency. The Credit Union National Association with its 52 affiliates have demonstrated the requirements for progress. AID has joined that partnership.

We have a shared commitment to help build a better, more prosperous world--a world in which all people can work, save, invest, and share in the benefits of economic growth and peace.

We look forward to our continuing to be your "Partners in Development."

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TRADENET TOPICS

M. Peter McPherson, Administrator
Agency for International Development
February 26, 1985

I am pleased to be with you this afternoon. I welcome the opportunity to discuss the region of the world, a region that provides so many striking examples of countries that are models to the rest of the world of successful economic development.

These are the Asian countries that are frequently referred to as the NIC's (newly--industrialized countries) such as Taiwan, Korea, Hong Kong, Singapore, and the "near NIC's" such as Malaysia and Thailand.

There are several points that I would like to make that account for the dramatic economic growth of this region over the past two decades.

First--the countries of this region have earned their own way. They have implemented policies designed to provide incentives to broadly-based economic growth. They have financed much of their growth with domestic savings and investment.

The primary source of productive investment in all countries is domestic savings. No country can grow over the long-term solely on the basis of money borrowed from abroad.

Incentives for people to produce, save, and invest are at the heart of effective policies for investment and sustained growth. The Asian-Pacific countries have provided these incentives and generated impressive domestic savings rates.

In 1982, according to World Bank figures, Koreans saved 24 percent of their gross domestic product; the Thais, 21 percent; the Filipinos, 21 percent; the Malaysians, 25 percent; the Singaporeans, 41 percent. In 1982 these domestic savings financed over 80 percent of gross domestic investment of these countries.

Second--The Asian-Pacific countries have wisely used both foreign aid as a stimulus to agricultural and industrial growth. Over the past two decades, foreign assistance, through AID and other agencies, has played a major part in funding and disseminating the rice research that has made most of these countries self-reliant in rice production, their basic cereal crop.

The Asian-Pacific nations have looked at foreign aid not merely as a source of concessional financing but, more importantly, as a tool for indigenous institution building, and for training large numbers of scientists, technicians and managers.

At the same time, on the private sector side, the Asian-Pacific countries eagerly adapt new technologies and compete fiercely with each other for their shares of the marketplace. Korean construction companies, for example, compete worldwide and their work standards and performance are excellent. The intra-Asian competition in industrial manufactures, electronics, and semi-industrialized agricultural products can be expected to run strongly for the coming decades.

Foreign aid, wisely used as has been the case in the new Asian NIC's, can thus be a real boost to development when combined with the right kind of economic policy thinking.

Third--The Asian-Pacific countries have generally welcomed foreign investment. Such investment brings technology and know-how. It also earns its own return rather than creating a fixed debt service obligation.

There are two major differences between the economic policies of the majority of the Asian NIC's and the Latin American nations that are in such serious debt problems today. The first is the Asian preference for foreign investment rather than extremely large-scale public and private foreign bank borrowing. The second is the drive to achieve export markets rather than import substitution.

Hong Kong and Singapore have virtually no restrictions on investment. Their economic performance is simply astounding.

Even the Philippines, which has passed through what was probably its worst year economically since World War II, currently has a temporary window open to 100 percent foreign equity investment.

Malaysia, which for social and political reasons, has investment requirements which favor its indigenous Malay population, otherwise maintains an open door to foreign investment. The Malaysian government is currently engaged in a large-scale effort to denationalize and privatize a number of its major public sector companies, including telephone and the national airline.

In Thailand, the few existing investment limitations include barring foreign acquisition of real estate, some banking limitations that the Thai Government is in the process of liberalizing, and certain retroactive tax assessments.

In contrast to the other ASEAN members, investment in Indonesia can be a deterrent to U.S. firms which want more than 49 percent equity.

Generally, foreign investment in the region is welcomed.

The fourth element in the development success story of Asian-Pacific countries is the reliance on trade as the engine of development.

Most developing countries in the region have kept their markets relatively free of distortions.

Their export industries have developed efficiently under healthy import competition. In fact, in 1982, well over half of the trade (34 percent of exports and 59 percent of imports) of the 14 principal countries of the region was transacted within the Pacific Basin.

Since 1982, more than half of all U.S. trade has been with Pacific Basin countries. And, it is growing. In 1983, under conditions of world recession, U.S. world trade grew only half a percent. But our trade with the Pacific region grew by a full eight percent.

While the focus of my remarks are investment and development, the fifth point I would like to make this afternoon is crucial to the successful outcome of any investment, trade, and development strategy.

In recent years, most Asian-Pacific countries have adhered to prudent monetary and fiscal policies. These policies have resulted in generally well structured debt, and manageable debt service payments as a proportion of foreign exchange earnings.

Singapore's record in this respect is, of course, exceptional: its long- and medium-term debt service ratio is under one percent of its exports and its short-term public debt is essentially private, self-liquidating trade paper.

But the other Asian-Pacific countries, except for the Philippines, have also done well. Indonesia, for example, has a debt service ratio of about 22 percent, Korea's is 16.6 percent, Taiwan's is 6.9 percent, and Thailand's is 15 percent.

By comparison, the debt service ratios of some Latin American countries are close to double these figures--33 percent for Brazil and 28 percent for Argentina.

I've cited a number of figures and percentages. The bottom line, however, clearly points to the presence of government policies that provide incentives, or at least not disincentives, to production, savings, and investment have paid enormous development dividends.

These policies provide positive object lessons for other developing countries of the world that continue to lag behind in progress and prosperity.

I would like to turn briefly to the subject of mixed credits.

In the context of this discussion, mixed credits refer to any loan which contains concessional funds which are mixed with more conventional loans.

Such mixing is designed to provide, among other concessions, an effective interest rate which is lower than market. It is essentially a 'price cut' incentive mechanism to encourage the purchase of goods and services by other countries.

The position of the U.S. government is clear. We have opposed mixed credits:

- o They distort international trade and the comparative advantage among countries to the detriment of each;
- o they artificially disrupt the play of free market forces which are the proper and most efficient determinants of investment decisions.

This basic opposition extends to AID. AID has three principal purposes:

- o foreign policy;
- o development;
- o humanitarianism.

In serving these purposes, however, AID plays an important catalytic role in developing markets for U.S. exports. We value that role and we work hard at it. We believe U.S. business values AID's support for their marketing of American goods and services.

Further, the Administration's opposition to mixed credits is an active one vis-a-vis other countries. I have talked at length with officials of other countries, such as France, which have major mixed credit programs. I have urged them to reduce or eliminate mixed credit arrangements.

I have argued that if the U.S. is forced to adopt mixed credit programs it turns a 'tiger' loose in all our houses with each of us becoming the ultimate loser. There is some indication that our efforts in the OECD are making some progress with our trading partners.

Finally, the adoption of a mixed credit program, once established, would be a subsidy which would be difficult to dismantle. Over time, it would encroach on the other purposes of our aid programs and dilute their quality.

This administration has, however, undertaken a major and successful initiative to expand the activities of our AID Trade and Development Program. It finances feasibility studies and provides other planning services on projects in developing countries which are potential export markets for U.S. goods and services. We have increased the funding of this program from an FY 1981 level of \$4 million to the present level of \$21 million. Approximately half of the program resources is concentrated on East Asia.

On a world-wide basis, we know that some \$20 million spent on Trade and Development Program studies has generated \$750 million in U.S. exports.

While this program is small in comparison to the overall AID program, it represents an excellent way to leverage limited AID resources to foster both trade and development.

With those brief remarks, I would appreciate hearing your comments on these and other subjects you may wish to discuss.

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PAHO

PRESCRIPTION FOR A HEALTH REVOLUTION

BY

M. PETER McPHERSON, ADMINISTRATOR

AGENCY FOR INTERNATIONAL DEVELOPMENT

April 4, 1985

Good afternoon. It's a pleasure to be a part of this day. A day that calls world-wide attention to improving the health of all people.

So much depends on good health, and yet good health is beyond the grasp of so many.

As Americans we are fortunate. We live in a country where health care is the best in the world; where clean water is plentiful; where epidemics are all but forgotten; and where the average life expectancy is one of the highest in the world. This is not an accident! Our forefathers listed "life" along with "liberty, the pursuit of happiness, and justice for all."

Having achieved so much as a nation in the health field, we have had much to offer the rest of the world. And, world-wide, we have accomplished a great deal. The U.S. has contributed greatly to the medical advances that have made this possible. We are determined to achieve even more in the future but we cannot achieve these goals alone...with the growing worldwide commitment to a health revolution (represented by gatherings such as this one);...with the promise that new medical technologies offer...we can make it.

For its part, AID is pledged to the following: to help save thousands of children a day by the end of this decade; to save the lives of children who might otherwise die from dehydration and other preventable diseases; and, to prevent disability to children who might otherwise be crippled by polio or blinded by the complications of measles and malnutrition.

When most people think of A.I.D.'s health program, they picture health extension workers giving shots, explaining oral rehydration therapy, teaching mothers about basic hygiene, and how to deliver basic health services. This is true because well over 50 percent of A.I.D.'s health budget is directed at health service delivery.

While primary health care has long been a priority, it has been given a sharper focus and fresh impetus as a result of new funding last year.

The Child Survival Action Program allows us to accelerate our efforts, increase dramatically the availability of known health technologies, immunizations, oral rehydration, basic drugs, and basic nutritional techniques.

But, in order to make a health delivery system work, you have to have something to deliver. This is where medical research comes in.

Between 1984 and 1985, we virtually doubled the budget for basic biomedical research. We intend to maintain this higher level in 1986 and beyond. This year, A.I.D. will commit \$31.5 million--or roughly 13 percent--of its health budget to basic research.

It is our investment in the future.

I believe that investment in new and improved health technologies, is going to revolutionize health care in the Third World. We will select the most promising technological advances--those that promise the greatest payoffs in improving health and health conditions. We plan to accelerate the pace of the research. Our goal is to advance the date at which these new technologies will be tested, proven safe and effective, and, ready for use throughout the world.

Health research will be to AID's health program what Bell Labs' is to the phone system, or, Silicon Valley is to the computer industry.

Research will improve our ability to diagnose, treat, and even prevent diseases that currently have us stumped. I am also confident that these advances will ultimately reduce the cost of health service delivery in the developing world.

Let me tell you about some more exciting work we are sponsoring.

Take malaria. The U.S. alone has spent over \$1 billion during the past 30 years trying to control the spread of malaria in developing countries. Malaria has been eradicated in 39 countries. At one point, about ten years ago, we thought we had the problem licked but today we are facing a resurgence of malaria in some areas of the world. We're seeing widespread and growing resistance to DDT and other pesticides. There have been alarming decreases in the effectiveness of traditional anti-malarial drugs such as chloroquine. There are still an estimated 300-400 million cases of malaria each year. Malaria is killing 5 million people a year, one million children in Africa alone.

Last August, I was able to announce a major break-through in malaria research. As a result of the hard work of research scientists and the financial support of AID we now have two prototype vaccines. One is for the most deadly form of malaria and the other is for the most common form. Both are nearly ready for human testing. If the tests go well, we could have a vaccine which protects against these forms of malaria by 1988 or 1989. This is several years earlier than expected. It is the result of an initiative AID took in 1966--nearly 20 years ago--to develop the vaccine.

By the end of this year, AID will have invested \$43 million in this research battle against malaria...\$27 million has been spent in just the last three years. It's one of the best investments our government has ever made.

The malaria vaccine will not eliminate the need for malaria control or malaria treatment programs but delivery of an effective malaria vaccine will make a major dent in the 300-400 million cases of malaria each year. Even if this new vaccine only allows us to greatly reduce the number of cases of malaria each year we will still have made a major contribution to the quality of health for people in the developing world...and for a fraction of the cost of control and eradication programs.

The malaria vaccine work is by no means the extent of our research efforts. A.I.D. has launched a five-year project to improve the handling and administration of vaccines against major childhood diseases. Currently, a major problem facing immunization programs is that many vaccines require careful temperature control. If they are left at room temperature for more than a short period of time they become ineffective.

Many of you have traveled in developing countries. You know what rural health outposts look like; you know what the transportation system offers; and, you know what "room temperature" can mean for much of the year in the developing world. Providing reliable refrigeration for current vaccines... from the manufacturer to the village health worker...is critical. This is called the "cold chain" and it is extremely expensive to maintain this "chain."

We are pursuing alternatives such as the development of heat-stable or heat-resistant vaccines, and vaccines which do not require refrigeration or other special handling. We are at a very early stage in this research but we are hopeful. The ability to deliver safer immunizations, at far less cost, will be well worth the investment.

AID is also investing in a vaccine for measles that can be given to children as young as 6 months of age; a better vaccine for whooping cough that reduces the side effects from the vaccine currently in use and, a vaccine for rotavirus, the most prevalent cause of infant diarrhea.

Let me take a few minutes to describe an example of the kind of mutual benefits arising between our research and primary health care delivery programs.

Fifteen years ago, we stood helpless while literally millions of children in the developing world died every year from a simple cause--dehydration--caused by diarrhea...diarrhea brought on by cholera, measles, and the many viruses and bacteria that thrive in unsanitary environments. Children...often already malnourished...could survive the disease but could not survive the dehydration.

The only treatment was to rehydrate those children with fluids given intravenously. But to do that required hospitals, trained medical personnel, and clean needles--all in short supply in the developing world.

In Bangladesh, thousands have died from cholera epidemics that continue to this day. But, some years ago, young American scientists found that they could rehydrate their patients orally with a balanced solution of water, sugar, and salts.

Over the course of 20 years, they have been able to demonstrate that oral rehydration therapy (ORT) is a safe and effective treatment for diarrheas from all causes and for children and adults of all ages. Because it can be given by spoon, mothers and fathers can administer it to their children at home.

A simple solution to a massive problem.

AID is working now to make ORT available worldwide. We have programs in 42 countries. We are proud to have supported the development of a technology that has been accepted by so many countries. We are pleased to have UNICEF and WHO as major partners in this effort. ORT is now one of the cornerstones of UNICEF's worldwide efforts. The World Health Organization estimates that 22 percent of all diarrheal cases worldwide are now being treated with ORT. Recently, a Medical Journal, described ORT as "Potentially the most important medical advance of this century."

As important as the original formula of ORT is, we recognize that there can be improvements. Our research hasn't ended. We are supporting the investigation of cereal-based and other improved solutions which will actually decrease the amount of diarrhea as well as rehydrate a sick child.

We are looking at the role of diet during diarrhea episodes. We are also working to increase people's knowledge of the availability of ORT.

It is not surprising that we are seeing sharp declines in deaths from diarrhea. We have already seen some very encouraging figures. I expect to have some dramatic results to announce from some countries next fall at the Second International Conference on Oral Rehydration Therapy.

We have come a long way in the treatment of diarrheal disease but ORT remains only a cure. Thus, this year, we are directing approximately \$4 million to the development and testing of several possible vaccines against diarrheal disease.

We are doing this by carefully targeting our traditional support for WHO and other international health agencies. At WHO, for example, we are supporting testing of a vaccine for rotavirus--the most common cause of diarrhea in the U.S.--and one for typhoid. At the Research Center in Bangladesh we are supporting a two-year field trial of an oral cholera vaccine. If the trials are successful, it could lead, within 3-5 years, to an easy-to-administer vaccine which could protect against the estimated 20 million cases of cholera each year.

With prospects like these, I think you'll agree that an investment of 10-15 percent of our health budget for Research and Development is extremely attractive.

There are several other breakthroughs I am hopeful about. One is for leprosy. AID is working with the Special Program on Tropical Disease Research to support field trials for a new leprosy vaccine. This vaccine may prove effective not only in preventing this terrible disease, but also in treating it and reducing its severity. What this could mean is the elimination of leprosy.

Another breakthrough may be in Vitamin A deficiency. We have known since Biblical times that blindness is often related to diet. Scientists linked nutritional blindness to the lack of Vitamin A--the vitamin that most of us get in carrots, spinach, and other leafy green vegetables. Since 1976, AID has worked with private voluntary organizations and developing countries to distribute Vitamin A to prevent blindness. Recent AID-funded studies carried out with the government of Indonesia have provided evidence that there is a link between milder forms of Vitamin A deficiency and death and illness. Several thousand Indonesian children who received Vitamin A capsules to prevent blindness also had significantly lower rates of respiratory disease, diarrhea, and death. Because these early results are so promising, AID is sponsoring similar studies in three new countries to see if the Indonesia findings apply worldwide.

There are equally exciting things happening in the area of new drugs, drug therapies, and, more accurate and rapid diagnosis of disease. In fact, we are experiencing valuable side benefits within our research program.

For example, while investigating malaria immunity, researchers have developed new techniques which will revolutionize our ability to identify the drugs to which specific malaria parasites have developed a resistance. Our ability to quickly identify resistance problems will allow planners to prescribe effective drugs and eliminate use of drugs which no longer work in a particular area.

Another secondary benefit from recent biotechnological advances in the malaria vaccine program is the discovery of a new method to determine which mosquitoes are carrying malaria. This will allow mosquito control programs to focus on the specific species which is transmitting the malaria to people in a particular area. The result will be more effective, and safer, control programs. When you consider that there are currently 400 million cases of malaria each year, this is of enormous significance.

The theme of World Health Day this year is the health of youth.

When I was younger, polio was the last great threat which crippled and killed young Americans. The research of Dr. Salk...whom we are honoring today, and others, made the promise of a polio-free childhood in America a reality. This research means my children will not have to be afraid of polio.

This disease still strikes in the developing world.

We must meet the tremendous challenge of helping less developed countries deliver such already known technologies in order to prevent the crippling and death of millions of children each year.

We're on the threshold of major new advances in medicine and health care delivery systems.

At AID we're proud to be an active partner with you, the World Health Organization, UNICEF, and the many other groups who share the mission of bringing health to the world.

The momentum is going our way. We must maintain it. We need the full commitment of everyone in the international community.

Together we can ensure that today's investment in a health revolution will produce a healthier tomorrow.

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THE MORAL AND ETHICAL DIMENSIONS OF A.I.D. POLICY

- The tragedy and hope of Africa -
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M. Peter McPherson, Administrator
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April 18, 1985

We, in this room, represent many different denominations. The approach to worship may vary from group to group. But all are founded on a common standard of Judeo-Christian morality.

The policies of this administration and AID are extensions of these principles.

Today, I would like to discuss:

- the moral and ethical dimensions of A.I.D. policies;
- our response to the present famine in Africa;
- the important role church organizations are fulfilling; and,
- the expanded role these organizations can assume.

I think we all know that the United States has a vital economic, political, security and humanitarian interest in the developing world.

As a nation, we have taken an active role in development for over 36 years.

We can all be proud of our record.

For example, life expectancy in the third world has increased from 35 years to 50 years.

This is only one of many successes we have helped achieve. There are an abundance of others in education, health, and agricultural production.

But, while we've been successful in some areas, the dimensions of the problem remain large.

For example:

By the year 2000, about 6 billion people -- 2 billion more than now -- will crowd the globe.

Nearly 90 percent of them will be living in developing nations where extreme poverty, environmental degradation, and food shortages are the rule.

With that huge challenge before us, let me first discuss the goals and policies that guide A.I.D. in its efforts to find moral and ethical solutions.

Our goal is a free, secure world in which economic growth and human development are self-sustaining---a world in which the extremes of poverty have been eliminated.

We believe that the development of human potential is the key to long-term, equitable development. We believe that real help is not ongoing welfare.

To reach their potential, individuals must be free to make their economic and family decisions in a political and social environment which encourages initiative.

To assist this process, A.I.D. has established four basic policy principles. We call them our 'four pillars.'

First--when a country requests our help, we work with its leaders to design and implement government policies that will permit development to succeed.

Our second policy pillar deals with the transfer of appropriate technology. These include improved seed varieties, farming methods, medicines, and vaccines.

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And our fourth policy pillar calls for establishing greater freedom of the private sector and reliance on free market forces. Real human and economic progress comes when the individual can:

- own a business or farm;

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- realize the rewards of saving and investing for the future.

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- they address the equality of people;
- the sanctity and value of life;
- the substance of liberty and freedom; and,
- the means by which a person can pursue and have a fuller life.

Unfortunately, long-term goals are sometimes overshadowed by short-term disasters.

This is the case in much of sub-Saharan Africa today.

It is simply not possible to comprehend the magnitude of the tragedy--the human toll; our massive response; the awesome logistical problems involved; and above all, the trauma of visiting the refugee camps and being with the victims of this terrible famine. I am frankly emotional on this issue.

But by acknowledging that emotion, I have gained some insights which I want to share with you today. The first and most important is that we are doing the right thing. Our massive relief effort is morally the right thing to do.

To those who may wonder why we are aiding famine victims in Communist countries, I respond that we must not punish starving people even more because they already suffer under Communist oppression. To those of you who might believe that our response has been inadequate, I respond that as long as one child starves we may be in some way inadequate. But I am personally proud, and you can be personally proud, of our nation's massive response.

The second insight is that by doing what is right we are also doing what is good for our country. The world respects our having acted on the basis of the humanitarian values which we espouse. The lesson has not been lost on those who have thought they could depend on the Soviet Bloc.

If it were not for the emergency food, water and medicines that have been pouring into these African countries, thousands more would have perished.

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Since last October, President Reagan has approved more than one million, 600 thousand tons of emergency food for Africa.

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But, if you put that grain into 50 pounds bags and laid them end to end, they would circle the world twice--50,000 miles of grain.

In two recent meetings, President Reagan has personally told me of his strong commitment to famine relief efforts. He has pledged over one billion dollars in food and emergency assistance for Africa.

Just a few weeks ago I traveled to Africa with Vice President Bush. I saw him look into the eyes of grieving parents and at the wasted bodies of little children in the refugee camps.

He said..."let this never, never happen again."

Standing in the center of a feeding camp in the Sudan--watching your volunteers going about their work--I was reminded of the words of the 25th Chapter of Matthew:

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Anything you did for one of my brothers here,
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As Vice President Bush observed, "starving children can't eat ideology."

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She looked up from the starving child she was holding and said..."yes, pray for me. I cannot do enough."

Without her--without others of so many faiths--without you--this great humanitarian work could not be done.

But we need to remind ourselves that while emergency help serves a critical purpose, we must maintain our focus on long term development.

Indeed, this is a moral obligation. Without attention to the longer term, future famines are assured---and they will be even more frequent and severe.

The present famine in Africa was caused by several things.

The drought itself, of course, was caused by nature.

But the other contributing factors:

- shortsighted agricultural practices and misuse of fragile lands;
- centralized and inefficient government planning;
- government policies that discriminate against farmers in production pricing and marketing; and,
- civil disorders;

were created by man.

But what has been wrought by man--can be reversed by man.

We know it can be done.

The conditions in Africa today are similar to those in India a fairly short time ago.

As recently as the 1960's, India was considered by many as beyond hope.

Hunger was everywhere. Starvation was common.

But a revolution has largely changed all that.

It was the green revolution of:

- science and technology;
- education and training;
- government policies that encourage farmers to produce;
- global concern; and,
- a resolve that widespread chronic hunger is a problem that can be solved.

Incentive policies for farmers and small business were enacted.

Scientists developed new 'miracle' seeds of wheat and rice.

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But what about Africa?

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In Sudan, a new breakthrough in hybrid sorghum research has been achieved. It can increase sorghum yields by about 150 percent.

In Niger, new white corn varieties appear to produce several times the usual yields. Drought-resistant, dwarf varieties of sorghum and millet have been developed at an A.I.D. sponsored seed research project.

In Nigeria, cassava varieties have been bred by international researchers that outyield local strains by as much as 1,800 percent!

These and other examples are encouraging.

But they are only the first steps in the long journey toward the goal of food self-reliance in Africa.

At the very minimum, these steps must be taken:

- The U.S. and other donors must continue and increase support for agricultural research programs;
- The capabilities of the private sector and American universities must be concentrated on the application of new technologies;
- African agricultural scientists must be trained;
- African governments must support agricultural research; and,
- African governments must allow the market incentives--the profits--required for farmers to adopt new technologies.

These steps won't guarantee the elimination of hunger in Africa. But--as in India--they shall put an end to the repeated famines such as we see in Africa today.

The churches and congregations you represent can play a major partnership role in making this green revolution become a reality in our time.

At A.I.D., we have come to understand the true dimensions of human and financial resources that church organizations command.

We've found that Private Voluntary Organizations are excellent partners in development projects.

Agencies with a religious base make up about 20 percent of the 83 private voluntary organizations which received AID funds last year. But the Christian relief organizations have a far larger share of volunteers living and working abroad who are involved in some form of development.

As an example, one church affiliated organization registered with AID provides services to more than 900 thousand churches and 20,000 missionaries throughout the world.

Except in rare cases of disaster, they want to make their own way. They want opportunities--not hand-outs.

I recently came across some lines written by a farmer in Costa Rica. His feelings, I believe, reflect those of small farmers everywhere..from Latin America to Africa.

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But I dislike being called 'poor peasant'
Even though I am a poor peasant.
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STATE OF THE AGENCY

M. Peter McPherson, Administrator
Agency for International Development

April 23, 1985

Good morning! Today marks both an anniversary and a beginning.

It was four years ago that I first addressed some of you as Administrator. I remember explaining my vision of a foreign aid program for the 1980's.

With your help, we have now firmly established the policy agenda on which that vision was based. I'm honored to have worked with you to accomplish this. I look forward to continuing to work together on implementing our agenda.

Our cross-cutting themes of private sector, science and technology, institution-building and policy dialogue are well known. They are well known to you, the Administration, the Congress and to the development community.

The success and the support we have received are due, in large part, to your good work and dedication.

These four pillars, standing on a statutory foundation of basic human needs and growth with equity, are having a profound impact on AID's programming process.

We can also look back with pride on the enactment of legislation authorizing, for example, the Private Sector Revolving Fund and our EPI, now renamed.

AID has led the way in stimulating new approaches to development assistance among other donors...approaches that reflect a growing awareness that successful development efforts must be based on common sense policies and the strength and initiative of poor people.

We can take great satisfaction, for example, in the recent creation by the World Bank of a special fund for Africa that looks very much like our EPI. There can be no doubt that we, of AID, helped pioneer thinking on policy dialogue tools.

Furthermore, we have effected this change in development philosophy without lessening our dedication to the

basic needs of the poor in LDCs. We have altered somewhat the means but the end was never in doubt.

Building on these past achievements, I am looking forward with enthusiasm to this year--and beyond--as we implement our world-wide health revolution as well as the green revolution of food production in Africa.

I am particularly proud of our past and continuing efforts to provide emergency assistance to drought-stricken Africa. The Task Force, FVA and the Africa Bureau and others have done an outstanding job in responding to the Africa food crisis.

We will, of course, maintain our focus on helping the people of Central America achieve a peaceful, more prosperous life.

You are talented and committed people whose work reflects the American will to help others help themselves.

As good examples of the efforts of all, I want to mention a few of the important accomplishments some of our colleagues have achieved this year. These are people who you may not know but whose work is typical of what we have come to expect from AID employees. Their successes and commitment reflect credit on all of us and serve as standards of achievement:

- Jim Erickson in S&T's Office of Health, has been on the forefront of our efforts in the field of science and technology. His work on the development of an effective malaria vaccine has pushed forward the day when this scourge of the world may be eradicated.
- Caldwell Hahn, Michael Benge and Dolores Weiss are three of the people whose professional work on AID publications is instrumental in determining how the outside world views us. Caldwell and Michael recently received special awards from the Society for Technical Communication for their work on several science-related articles. Dolores edits our award-winning publication, Front Lines.
- In East Africa the world is watching AID's efforts to respond to prolonged drought and famine. Carlos Pascual, an assistant project officer who recently graduated from the IDI program, has sole responsibility for our multi-million dollar

agriculture programs in Western Sudan. As with our entire Mission in Sudan, he is doing an outstanding job under very difficult circumstances.

- In El Salvador Don Enos is working night and day on our Displaced Persons program. His personal courage and compassion are instrumental to the ability of the Government of El Salvador to provide a livelihood to many thousands of displaced persons in that troubled country.
- In the Office of Population, Jim Shelton has been working quietly and effectively on what may be the biggest advance in contraceptive technology since the 1960's. His work on the Norplant system may result in bringing the advantages of voluntary family planning to many millions of individuals in the third world who do not benefit from existing technologies.

Each of you can point to many other examples of individuals who are carrying out our programs and policies.

Our policy focus has been well established and so today I want to discuss our more immediate management objectives.

These include:

1. a clearer definition of the responsibilities of Washington and then of the field in that process;
2. more effective means of translating our funds into development results;
3. a greater reliance on the individual employee as an innovator and decision-maker.
4. The work of the reorganization task force, headed by Jay Morris.

In the coming year, I want the Agency to focus on the program and project process. To me, good management means challenging the our skilled and dedicated individuals to take personal responsibility for ensuring that their efforts make a difference. This is the key to the job satisfaction we all seek. It also helps maximize the development impact of our resources.

Good management means getting decisions made by those most competent to make them and most able to be responsible for them. This means placing decisions and accountability as close to the action as possible. I want each employee of this Agency to be a decision-maker, to see to it that his or her decisions make a difference, and to be accountable for them.

These broad management principles have quite precise implications for how we transform our funds into results for poor countries. I can sum up my concerns and objectives in two words: decentralization and implementation.

I want a sharper focus on how and where decisions are made in the Agency as we move through the CDSS to the implementation process. It is my view that responsibility in many areas of this process is diffused. This diminishes individual responsibility and accountability and discourages personal enthusiasm and initiative.

My intention, therefore, is to distinguish more carefully between the roles of Washington and the field. In the program and project cycle, this means Washington will (1) focus on policy and strategy, (2) ensure overall project consistency with the Washington guidance, and (3) evaluate portfolio and field management performance.

On the other hand, our field missions will be increasingly responsible for ensuring technical feasibility of projects, approving them, and making mid-course adjustments. Thus, we will have more careful strategy formulation, more local initiative, and greater autonomy on projects. This will encourage innovation, allow us to spend less time working with each other, and give us more time to work with our counterparts.

Our overseas Missions are in the best position to deal with feasibility and other technical aspects of our projects. They guard against rigid overdesign, which is wasteful and discourages critical mid-course adjustments. The Missions exercise decentralized authorities to speed decision-making. Accordingly the Missions must be prepared to have their results judged.

In 1981, as one of my first acts as Administrator, I approved the largest Delegation of Authority to Assistant Administrators and field missions that had ever been attempted in AID. And, as I have pointed out, we have moved recently to increase mission responsibility for the approval and implementation of projects. I want to see this commitment to decentralization implemented vigorously over the next year.

I want to stimulate initiative at the field level.

I believe our Mission Directors should be responsible risk takers in the best sense of that term.

Once we have agreed on an overall policy and the general direction of our programs in specific countries, our overseas managers should not be second guessed or be required to have routine decisions approved by headquarters. I firmly believe that managers succeed when they have real responsibility and know that they will be held accountable for their own programs.

Along with this delegation of authority, I have put in place a system of mission assessment of policy and management. This will be done by top management of the regional bureaus every three years and complimented with a management visit by top personnel of the bureau every year.

In concrete terms, our objectives are perhaps best reflected in the "Asia Experiment," in which our principal Missions in Asia have been given broad responsibility for the preparation of project papers, project feasibility, technical issues, and implementation decisions. This has been followed with management review by Washington.

Similarly, the Latin America Bureau recently approved a complete Delegation of Authority to our missions in Central America. Of course, the Egypt Mission was given the broadest delegation of any mission.

I will be looking for additional ways to move responsibility out of Washington for as many aspects of our program and project process as reasonable.

AID's uniqueness is its overseas missions. They are what distinguish us from many other organizations in the development world. I have in the past, and will in the future, continue to appoint managers in the field who are willing to assume responsibility for their actions and to take the risks necessary to produce results.

I believe in the importance of good project design but I also believe that we should be able to concentrate more of our efforts on effective project implementation.

I do not intend to tie our intelligent and imaginative staff to rigid procedures which unnecessarily get in the way of timely accomplishment of our objectives. Certain rules are legal requirements but others are internally generated or allow

for waivers. I believe our regulations should help, rather than hinder, our efforts. I would rather risk using imagination than stifle creativity. We must not fail to constructively challenge, modify, or rethink our procedures when they become unnecessary bottlenecks in our task of helping the poor of developing nations to help themselves.

I am requesting today that every AID employee, who encounters a particularly frustrating and recurrent problem, to pause and consider new and better approaches, even though they may not be currently considered as "possibles." Demand the system do better. This is democracy in the trenches.

I have asked the Counsellor, Jim Norris, to follow up on problems you encounter. If you cannot get answers at your level, get them to Jim directly through whatever channel you may choose. I know that he will be very diligent in solving problems and in bringing new and innovative ideas to my attention. I encourage you to contact Jim with implementation bottlenecks that call for a review of our rules and procedures. You owe it to the poor people we seek to help not to allow the bureaucracy to block action that is your individual responsibility.

As part of this emphasis, I have established and I am announcing today the creation of a new award--the Administrator's Implementation Award.

This award will immediately and financially reward those who deal creatively with bottlenecks by challenging the way things are normally done.

It is my pleasure today to announce that the first award goes to the entire Office of Project Development of the Asia Bureau, for its work on delegations of authority to field missions. This is what we refer to as the "Asia Experiment."

I'd like ASIA/PD office director Peter Bloom to come up to accept this award on behalf of his office. The Administrator's Implementation Award will generally go to individuals, but I felt ASIA/PD should get this award today. The award will always be a cash award and each of the ASIA/PD employees will receive some money in connection with the award. I'd like the entire office to stand up and be recognized.

Thank you.

AID is a unique institution. You have chosen a career which is always demanding, frequently frustrating, and

occasionally hazardous. You have made this choice because you seek challenges which offer unique and major satisfactions. Our Agency must encourage its people to see that their personal efforts and our resources contribute to growth which benefits the poor of the world.

The challenge which I have just described may seem abstract to many of you who are preoccupied with our reorganization. I assure you there is a direct linkage. The reorganization will help us use the resources available to operate in the manner I've just described.

I know that in recent weeks all of you have been concerned with the deliberations of the reorganization task force that Jay Morris has chaired for the past several months. Let me take a moment aside and talk about the organizational decisions. I have spent a great deal of time and agony on these questions. Every one involved history, individual people, and literally, our hopes and aspirations. I have given this process the full attention that it deserves.

I want to assure you that all of the organizational discussions have been in the context of three premises:

1. The tough reality of our tight operating expenses budget, and
2. The use of our people in ways that maximize their effectiveness, and
3. A commitment to maintain the strength of our overseas missions.

You all know the reality. Our operating expense budget request for Fiscal Year 1986 has been reduced below the level of our FY 1985 appropriation. It is significantly below the level we estimated for FY:1986. At the same time, we are taking on additional responsibilities in Africa and Central America. The cost of our operations both at home and overseas continues to escalate. I should also add that we are being asked to absorb costs in 1985 that have traditionally been included in annual supplemental appropriation legislation. Such legislation cannot be counted on this year. These reductions are part of the overall budget, however, and we must meet the challenge of doing more for less. To be ready for 1986, we must begin in 1985. This great institution has an enormous job to do and I ask your support in facing up to dealing with these financial problems.

We are scrubbing our OE budget in every way imaginable, and we have made some important--though painful--reductions in areas other than personnel. Personnel is by far the largest part of our OE budget, however, and it is inescapable that these cuts are going to be felt in personnel levels more than anywhere else.

Indications are that we will have to reduce overall by more than two hundred people. I am determined that we will do this by attrition as we did the reductions that have occurred during the past four years. We do not want a RIF, and I want to assure you that I am optimistic we can do what is necessary without resorting to one. It is our intent that none of these changes will have an adverse impact on anyone in either the foreign or the civil service.

We will take the reductions largely in Washington. We are a field organization, and we must maintain our strength in the field, where our results are measured. We will take all of the AID personnel out of some smaller posts, and make reductions in others, but the impact of the OE reductions will be largely felt here. This is, of course, consistent with the reduced Washington functions reflected in the decentralization.

The reductions will obviously affect the larger bureaus, although no organization will go untouched. Large central bureaus like Management, PPC, and S&T will be asked to do their job with fewer people. This will involve some structural changes. It is clear that OMB's reductions in our OE request were made with the expectation that structural changes would result.

The regional bureaus will also have to absorb reductions.

Fortunately, our ongoing discussions with the bureaus are identifying some solutions to our problems. The bureaus have come forward with constructive proposals.

I have already made most of the reorganization decisions but I have decided not to set forth these decisions here today. It seems to me more appropriate for the bureau leadership to sit down with the bureaus in the next few days to discuss these decisions. In addition, I will be meeting myself with some of the bureaus.

Again, I believe we can do this without a general RIF. This is one of the greatest challenges the Agency has ever faced, but I am confident that by working together we can deal successfully with it and emerge more streamlined and just as strong.

In closing, I want to tell you again how much I appreciate the professionalism and the sense of dedication you bring each day to the service of our country and the needs of the developing world.

No one in either the private or public sector could ask for a more competent staff with which to work. It's been a very satisfying four years. I look forward to the coming years with enthusiasm as we build on the foundations we have put in place.

The work you do is important. It counts. Individually and collectively, you are building strong bridges to a more peaceful and stable tomorrow for all.

Like all of you, sometimes I get a little frustrated and tired, but I find it helpful to keep an eye on the larger picture. We are indeed working on problems bigger than we. We need to put our money and organizational difficulties in the context of helping the poor help themselves. The needs and strength of these people is wonderfully set forth in a poem I recently found written by a poor Costa Rican farmer. In closing let me read that poem.

"I am the one who comes to the city once in a while.
I am the one who looks in awe at the city with an open mouth.
I am the one who struggles from sunrise to sunrise to bring a better product to your table.
I am the one who thinks everyone has turned their back to me.
I am the one with calloused hands and a grieving spirit. Yet with the hope of a better tomorrow.
I don't know if my children will be able to continue their education.
They walk barefoot and sometimes cry from hunger.
My shack has a shattered roof, and my five children sleep in the same uncovered bed.
But I dislike being called 'poor peasant'
Even though I am a poor peasant.
I have pride and I am deeply human...
And can show that I am responsible...
Just give me the opportunity and I shall produce...
I shall produce a better tomorrow for my family and for my country."

Thank you.

ASSOCIATION FOR WOMEN IN DEVELOPMENT CONFERENCE
WOMEN CREATING WEALTH: TRANSFORMING ECONOMIC DEVELOPMENT
The Capital Hilton, Washington, D. C.
April 25, 1985
M. Peter McPherson, Administrator
Agency for International Development

Tonight, I'd like to share some thoughts about freedom, opportunity and hope.

We know that economic development is a factor in improving peoples' lives, in generating new opportunities and in creating hope for a better tomorrow. The U.S. foreign aid program, I am proud to say, has played a major role in that effort. We have made great strides in a number of areas. For example, there has been a green revolution in agriculture. Smallpox has been eliminated.

We have seen the start of a transformation of the role of women in the development process. The last decade has indeed been one of new opportunity and hope.

In 1983, when I spoke at your first conference, AID had a new policy paper on Women in Development. There are several people in this room who were involved in making that paper possible--including your President, Paula Goddard, Sarah Tinsley, who now serves as the Agency's Deputy Assistant Administrator for External Affairs, and Kay Davies, the current Director of AID's Office of Women in Development.

These are, dedicated people who bring great enthusiasm and intelligence to their work. As their careers progress at AID, you can be assured that they will not abandon the issue of women in development. Their experience and concern are with them every day, contributing to every decision they make.

Women are a vital consideration in every AID program. Remember, when we talk about women, we are talking about one-half of the world's population. Moreover, according to a recent United Nations study, women are responsible for 60-90% of the world's food production. Women are a vital part of economic development. We recognize that fact.

At AID, our policy is to focus on women without isolating them from the mainstream of development.

Today, the world perceives that women are performing more tasks, fulfilling more needs and making more contributions to both family and world economies than ever before. Part of this progress is the result of growing opportunities for women, but a great deal of it is due simply to acknowledging the contributions that women have always made. The world has changed the way it looks at women in development in the last decade.

But this is just a beginning! It is unrealistic to have hope for a stable world when so many people live in despair and poverty.

We believe our job at AID is to help poor people help themselves to reach their full potential, as productive, healthy human beings.

This is based on both humanitarian and foreign policy considerations.

Let me take just a moment to share some of the humanitarian efforts I saw when I traveled to Africa with Vice President Bush. We visited emergency food distribution centers in the Sudan, Niger, and Mali.

Millions of men, women, and children in Africa are at risk of starvation. Many thousands have already died. If it were not for the emergency food, water, and medicines that have been pouring into these African countries, thousands more would have perished. President Reagan has committed over one billion dollars in food and emergency assistance for Africa. This is approximately one-half of the estimated food needed for this year.

I have seen children being fed with our food and the results are amazing. I have heard the silence of starvation change to the stirring of hope. I can assure you that the help we are giving is being efficiently used to meet the short-term needs of the hungry.

But we must be aware that the famine is largely man-made and only partly due to nature.

The drought itself, of course, is the result of natural causes. But the:

- ° short-sighted agricultural practices and misuse of fragile lands;
- ° centralized government planning;
- ° civil disorders;
- ° the government policies that discriminate against farmers in production pricing and marketing; and
- ° growing population pressures--these were created by man.

In most of the world, food production, per capita, has continued to rise. But in Africa it has fallen each year during the past twenty years. I believe this decline can--and must--be reversed. The experience of recent history clearly shows it can be done.

The conditions in Africa today are similar to those in India a short time ago. As recently as the 1960's, India was considered by many as beyond hope. Hunger was everywhere. Starvation was common. But then a green revolution began.

It was a revolution of science and technology, of education and training, enlightened government policies, and global concern, coupled with the resolve that widespread, chronic hunger was a problem that could be solved.

In India:

- ° Political leaders fashioned incentive-pricing policies for farmers.
- ° Scientists in international and Indian research centers developed new 'miracle' seeds of wheat and rice.
- ° Other important steps were taken.

As a result, in India rice production has tripled, wheat production has increased sevenfold. But what about Africa?

Well, I believe the time is right for a 'green revolution' in Africa. The most promising sign is the recent willingness of some African leaders to reform their economic and agricultural policies.

When I speak of a green revolution for Africa, I do not mean huge areas of irrigated wheat fields and rice paddies. Rather, I speak of the rainfed crops and the livestock that most Africans produce and consume--corn--sorghum--millet--cassava--beans--milk, and meat. Also, when I speak of a green revolution for Africa, I'm not talking about something that will begin sometime in the distant future. It has already begun!

In Sudan, with support from AID a breakthrough in hybrid sorghum research has been achieved. It can increase sorghum yields by about 150 percent. In Niger, new white corn varieties appear to produce several times the normal yields. In Nigeria, the International Institute for Tropical Agriculture (IITA) has bred cassava varieties that outyield local strains by as much as 1,800 percent!

These are, however, only the first steps in a long and complex journey toward the goal of food self-reliance in Africa. It's going to take time, intelligence, research, and the creation of new technologies and policies. If the world works together, Africa will have a green revolution. At AID, we pledge our support for this goal in Africa for as long as it takes.

In tandem with this green revolution, there must be a parallel revolution in the battle against disease--disease that takes a heavy toll--especially among mothers and children. So much depends on good health. And yet good health is beyond the grasp of many women in less developed countries and their families. AID is committed to expanded primary health care in the Third World. We are committed to new medical technologies. We can make it happen.

AID is pledged to the following:

- ° to help save the lives of children who might die from dehydration and other diseases; and,
- ° to help prevent disability to children who might be crippled by polio or blinded by the complications of measles and malnutrition.

This year, AID will commit roughly 13 percent--of its health budget to basic research. For example, research continues on a new malaria vaccine.

- ° The U.S. alone has spent over \$1 billion during the past 30 years trying to control malaria in developing countries.
- ° And, in 30 countries malaria has been eradicated.

But today we are facing a resurgence of malaria in some areas of the world. There are now over 200 million cases of malaria a year.

Last year, I was able to announce a major break-through in research on malaria. As a result of the hard work of scientists and the financial support of AID, we now have two prototype vaccines that are nearly ready for human testing. If the tests go well, we could have a vaccine which protects against the most serious forms of malaria by 1988.

Another medical advance is the use of oral rehydration therapy (ORT). For many years, we stood helpless while literally millions of children in the developing world died every year from a simple cause--dehydration--caused by diarrhea.

Then some American scientists found that they could rehydrate their patients with a handful of sugar, a quart of water, and a pinch of salt. Because ORT can be given by spoon, mothers can give it to their children at home. A simple solution to a massive problem. A miracle in its simplicity. Now AID is working to make ORT available worldwide. We have programs in 42 countries.

Earlier I said I would speak about freedom. In our list of efforts, it should never be forgotten that foreign aid plays a major role in preserving our own democratic institutions and in lighting the spark of freedom around the world.

While the U.S. is talking about health revolutions and green revolutions, there are those who are talking about another kind of revolution.

The Soviet Union has increasingly recognized the Third World as an area of strategic interest and political opportunity. It has sought to establish a greater influence in many Third World countries through a variety of means--from armed aggression, such as in Afghanistan, to the education and training of students from developing countries. Communist bloc nations have long understood the benefits of sponsoring training for citizens of developing countries.

Soviet bloc scholarship programs are much larger than those of the U.S., and are growing. More than 110,000 students from developing nations were studying in Soviet bloc countries in 1982. Only 8,000 Third World students took part in AID-sponsored training in the United States that year. Soviet scholarships aim at shaping young minds and increasing Soviet influence in

the developing world. However, AID is taking an increasingly active role in training students from developing countries. In 1985 America will train 12,000 students and in 1986 America will train 15,000 students.

This has a twofold purpose. Many of the young people who come to study in our country return to become the business and community leaders, the scientists and the educators in their own lands. "Scholarship diplomacy" builds links between the U.S. and developing countries. It also helps build an appreciation for democratic values. This makes our own freedoms more secure.

Training is currently provided at more than 500 American universities. In addition, a ten-year project to expand training opportunities for Central Americans is being set up.

Let me say something else about freedom. It is evident in our own country and throughout the free world that there is a vital link between democracy and development. Democracy provides incentives for production and freedom for the spirit of enterprise to flourish. Democracy opens the door of opportunity and hope for a better life. Marxism has yet to show one example of success.

Rather, it has stunted economic growth, encouraged chaos and terrorism, and abused the basic freedoms of justice and human rights. Instead of hope and opportunity, Marxist regimes usually offer repression and export revolution. Today, the Government of Nicaragua poses a threat to the peace, prosperity, and development of all Central America. It is reasonable to expect that an unchallenged Marxist Nicaragua will continue to spread revolution to its neighbors. Its leaders have proclaimed the promotion of revolution without borders. And what will this revolution bring? Nothing more than it has already brought to Nicaragua. Its government has tried to intimidate organized religion, suppressed ethnic minorities, and clamped down on labor organizations. It has also stifled a free press and crippled economic growth.

We, who value freedom, must band together to ensure that Communist aggression is not allowed to drain the resources of those of us who seek peace and prosperity.

Tonight, we have talked about the U.S. foreign assistance program and the new opportunity and hope that it sparks around the world. We are helping less developed countries move from mere survival to productivity because, economic growth benefits everyone. This will give the men, women, and children of the Third World hope for a better future for themselves and their country. And, it helps preserve the democratic free institutions cherished by us all.

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ADDRESS TO THE
LOWELL, MICHIGAN ROTARY CLUB
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

April 26, 1985

I am pleased to be with you to observe the 50th Anniversary of the Lowell Rotary Club. How proud you can be of the 50 years of work and contributions to Lowell. I have obtained a copy of the Lowell Ledger of 1935 reporting on the organization of the new Lowell Rotary Club. The pictures of the new leadership were all there. President, Ernie Forman; Vice President, C.H. Runsiman; Secretary, Frank Koons; and Treasurer, Harry Day. This is a role of distinction for Lowell from decades past. They were the grand patriarchs I remember so well when I was growing up.

The history of the club is a history of the town. In 1935, the town was largely a rural commercial center with only some ties to a larger community. Most of the people living here, worked here. Over the decades, there was a gradual change into broader integration with Grand Rapids. There was a change of economic foundations so that more people worked away from Lowell and there was more of a non-farming economic foundation. For example, Atwood did not exist in Lowell in 1935. Population became more transient and people's lifestyles changed.

I suppose that the club probably changed some as the years went by. Some changes occurred in the type of membership, and some in the amount of time the membership as a whole could focus on rotary. Still the club always contained, and still does, much of the economic and political leadership of the community.

Today, I would like to talk about the next couple of decades, not just for the United States but for the world.

This international focus on the speech tonight in commemoration of 50 years of Rotary is certainly appropriate given Rotary's deep and long international foundations.

For many years, Rotary International has been very successful in 'tying the world together' in a network of brotherhood. Wherever I go in my travels--from Africa to Asia--the Rotary emblem is a familiar and welcome sight.

Like Rotary, an important part of the job of the Agency for International Development is promoting understanding throughout the developing--or Third World--countries. Through our economic development programs, we encourage the adoption of democratic principles as being the best engine of 'progress with equity' for all people.

AID administers most of the non-military, foreign economic assistance programs of the United States government.

The Agency has its roots in the post-World War II "Marshall Plan" for Europe.

Today, our work is almost exclusively in the less developed countries in Asia, Africa and Latin America.

Our job is to help these people help themselves to greater prosperity and their full potential as free, productive, healthy human beings. It benefits them, and it benefits each of us. Our own security is closely tied to the development of the people of the Third World.

In the last four years as administrator of AID I've traveled to most of the countries where we have missions and development programs. One of the things that always impresses me has been the fact that people--all over the world--are a lot like you and me. They want a better life for themselves and their families. They want to earn their own way. They're not looking for a fight or a hand-out. They're looking for opportunities--for choices. In their struggle to build a better life, they're faced with some enormous problems.

Today, I'd like to talk with you about some of those problems; our vision of what we see as solutions; and why it's important to us.

A major problem in several regions of the world is an environmental process called desertification. Large areas of productive land is being turned into barren desert on which nothing will grow. How does it happen? Growing populations demand more food and fuel. Fragile land is overgrazed by increasing numbers of livestock.

Land suitable only for grazing is plowed up for crop planting and then abandoned. Trees are cut for fuel and the forest land can no longer retain moisture. Nothing grows.

I have seen vast areas in sub-Saharan Africa that once were thick with native trees, now look almost like concrete parking lots. When the strong winds sweep down from the Sahara through Mali and Niger in Western Africa, it's like the giant dust-storms of the 1930's in our own midwest.

When I was with Vice President Bush in Niger recently, we had to cancel one trip to a refugee camp because our pilot told us the air was too thick with dust for us to fly. Each year in the world, some argue that an area larger than the state of Michigan becomes desert. A large part of this is in Africa. For this and other reasons, Africa is the only region in the world that is falling behind in food production. Africa has experienced a per capita decline in food production every year for the past twenty years.

The rapid population growth in many third world countries threatens to outrun the present ability of available natural resources to sustain it. During the past thirty years, developing countries have experienced net population growth in excess of 2 percent a year. This means that the population doubles every 23 years. At present, the world's population is growing by 80 million people each year-- a number equal to the population of Mexico.

Ninety percent of the world's children are being born in developing countries.

What's happening is a global baby boom. In many countries, 40 to 50 percent of the population is under the age of 15.

As a personal observation, the majority of people in Peru had not yet been born when I left that country in 1966 after a tour in the Peace Corps.

Population growth in Latin America is creating serious unemployment problems. There are about 250 thousand new people coming on the job market every year in Central America. By the turn of the century, jobs are going to have to be found for twice the number--500,000.

Added to this, there is the problem of health.

Malaria, for example, is killing five million people a year, one million children in Africa alone.

The problems are great.

But the challenges for solutions are not overwhelming.

Let me outline what we are doing now--and what we see as a vision for the future.

To help slow--and even reverse--the degradation of land, AID is engaged in about 100 forestry projects in 36 countries.

Over the seven year period from 1976 to 1983, AID has committed \$260 million in forestry, natural resource, and energy projects. We are involving farmers in planting trees that protect their land and provide a future cash crop through selective harvesting. Personal involvement on their part is vital. Individuals must take responsibility for tree growing rather than depend on government projects.

To be successful, we need to provide them with more species of new, fast-growing and deep rooted varieties of trees that are drought resistant. We already have some of that technology. It needs to be expanded.

AID is supporting programs which increase the availability of safe and effective means of family planning. These programs are voluntary to couples who want them.

And they do want them.

Surveys of women in developing countries show that as many as 400 million women do not want any more children but have no access to voluntary family planning.

But where family planning programs have been offered, they have been effective.

A study by the University of Michigan has confirmed this. Hong Kong, India, Indonesia, Singapore, South Korea, Taiwan and Thailand have all established programs. Over the past two decades birth rates have declined from 25 to 60 percent.

We are finding that the most effective way to provide family planning information and contraception is through retail sales at the village level. For example, there are literally thousands of retail outlets in Bangladesh. It is the most effective method of distribution.

The United States will continue to provide voluntary family planning programs to those countries who want them. We will not, however, provide any U.S. funds used for abortion as a birth control device.

Finally, there is the matter of increased food production.

We need a green revolution for Africa. You are all familiar with the terrible tragedy of the famine. Millions of men, women, and children in Africa are at risk of starvation... many thousands have already died.

Americans can be proud of the overwhelming response to this crisis.

Since last October, President Reagan has approved over three million tons of food for Africa. If that food was put in 50 pound bags and laid end-to-end, they would circle the earth twice--50,000 thousand miles of grain.

I have seen children being fed our food. I have heard the silence of starvation change to the stirring of hope in nourished babies. The help we are giving is saving thousands of lives...perhaps millions.

But we must look beyond the present and maintain our focus on long term development.

Without attention to the longer term, more famines will occur--and they will be even more frequent and severe.

A green revolution must take place in Africa. History tells us that it can be done.

For example, the conditions of famine in India in 1966 were, in human terms, even worse than those in Africa today.

But a green revolution in India has changed all that.

It was a revolution of:

- science and technology breakthroughs in high yielding seeds;
- improved land use and farming methods;
- education and training; and
- government policies that encouraged farmers to produce. These include reliance on the free market and opportunities for profit.

Today, rice production in India has tripled and wheat production has increased seven-fold. Widespread famine is a thing of the past. India is nearly grain self-sufficient.

A green revolution is beginning to happen in Africa. There have been breakthroughs in seed varieties for dry land crops.

For example: In Sudan, a new hybrid sorghum has been developed that can increase sorghum yields by about 150 percent:

In Nigeria, cassava--a potato-like tuber--has been grown that outyields local strains by as much as 18-hundred percent.

These are examples of small beginnings--the first steps toward the goal of food self-reliance in Africa.

Just as it took over 20 years to bring about the Green Revolution for India...it will take time and a strong world commitment to achieve those results in Africa.

- The U.S. and other donors must continue and achieve support for international agricultural research programs;
- The abilities of the private sector and American Universities must be concentrated on the application of new technologies. My alma mater, Michigan State has been a leader in this effort.
- African scientists must be trained and their universities strengthened in research.
- And, African governments must allow market incentives--the profits--required for farmers to adopt new technologies and produce more.

These steps won't guarantee the elimination of hunger in Africa. But--as in India--they can put an end to the repeated famines such as we see in Africa today.

At AID we pledge our support for as long as it takes.

But the primary responsibility must rest with the African nations themselves. Their actions and policies will largely determine how much progress can be made toward a green revolution and food self-reliance.

Earlier, I mentioned disease and death from illness as one of the great problems of third world development. This is especially true--and especially tragic--with babies and small children.

AID is leading an 'all-out' revolution in health.

We are pledged:

- to continue to make primary health care a priority;
- to save the lives of children who might die from dehydration and other diseases; and,
- to prevent disability to children who might otherwise be crippled by polio or blinded by the complications of measles and malnutrition.

This year, AID will commit roughly 13 percent of its health budget to basic research.

It boils down to their needs--and ours.

There can be no security for anyone in a world where hunger, disease, and oppression are the lot of an overwhelming majority of people.

It boils down to the hopes, aspirations, and the right to human dignity that was expressed so well by these lines written by a Costa Rican Farmer:

"I am the one who comes to the city once in a while.
I am the one who looks in awe at the city with an open mouth.
I am the one who struggles from sunrise to sunrise to bring a better product to your table.
I am the one who thinks everyone has turned their back to me.
I am the one with calloused hands and a grieving spirit.
Yet with the hope of a better tomorrow.
I don't know if my children will be able to continue their education.
They walk barefoot and sometimes cry from hunger.
My shack has a shattered roof, and my five children sleep in the same uncovered bed.
But I dislike being called "poor peasant" even though I am a poor peasant.
I have pride and I am deeply human...
And can show that I am responsible...
Just give me the opportunity and I shall produce...
I shall produce a better tomorrow for my family and for my country."

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ADDRESS BY
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
TO
THE MILLER'S NATIONAL FEDERATION
83rd ANNUAL MEETING
WASHINGTON, D.C.
APRIL 29, 1985

I was asked to talk with you about the challenges to our foreign aid system "as highlighted by the famine in Africa."

Quite honestly, this is a subject that is on my mind for a good share of every day. I've recently been to several of the countries hardest hit by the famine--Ethiopia, Sudan, Mali, Niger, and others.

It is difficult--if not impossible--to comprehend the dimensions of the tragedy: the toll in human life; the huge amount of food and other supplies that are being sent; and, the logistical problems in getting the food to the starving.

Since my days in the Peace Corps working in the slums of Lima, Peru, I've never encountered such intense and wide-spread suffering. Just visiting the feeding camps is an emotional and traumatic experience.

Thousands of people have died. Millions are at serious risk of starvation.

But millions have been saved--and will be saved--as a direct result of the emergency food and medicines that are pouring into Africa.

The total United States food aid to Africa approved for the current fiscal year is over 3 million tons, including 1.6 million tons for emergency food.

To help visualize that much grain--if it were put into 50 pound bags and laid end-to-end, it would circle the world at least twice. That's over fifty thousand miles of bagged grain. We will provide well over one billion dollars in food aid this year.

We can be proud to have a President who understands the problems and has--again and again--given his wholehearted support.

Let me give you a small example of how much that support means. One Thursday night recently, there was an urgent appeal for emergency supplies to ensure the survival of thousands of people fleeing from Ethiopia into eastern Sudan. It was needed now!

Early the next morning--Friday--I briefed President Reagan on the request. He ordered an immediate response.

The next day--Saturday--U.S. Air Force planes left a base in Germany, picked up the supplies in Italy and landed in eastern Sudan on Sunday.

Believe me, when you need immediate action, it sure helps to have a President who cares.

In addition to Government assistance, the American people have contributed over \$100 million to church and private voluntary organizations to help in their work among the famine victims. American business firms have donated everything from field hospitals to special foods for babies and small children.

We can all take a lot of pride in the massive response this country has made.

It's certainly good for the people who need our help--and it's good for our country. I think the world respects our having acted on the values that have served us so well for over two centuries.

But we need to remind ourselves that this is only emergency help and we must also maintain our focus on long-term development.

Without attention to the longer term, future famines are assured--and may well be ever more frequent and severe.

The present famine in Africa was caused by several things. The drought itself, of course, was caused by nature. But the other contributing factors:

- misuse of fragile lands;
- centralized government planning;
- government policies that discriminate against farmers in production pricing and marketing; and,
- civil disorders--

These were created by man.

But what has been caused by man--can be reversed by man.

We know it can be done.

The conditions in Africa today are similar to those in India a fairly short time ago.

As recently as the 1960's, India was considered by many beyond hope.

Hunger was everywhere. Starvation was common.

But a revolution has largely changed all that.

It was the green revolution of:

- science and technology;
- education and training;
- government policies that encourage farmers to produce;
- global concern; and,
- a resolve that widespread chronic hunger is a problem that can be solved.

Incentive policies for farmers were enacted. Scientists developed new 'miracle' seeds of wheat and rice. Irrigation systems were designed and built. Agricultural universities patterned after U.S. land-grant colleges were built and staff was trained. Farmers quickly adapted the new methods of farming and passed their experience and enthusiasm to their neighbors.

Today, in India, rice production has tripled and wheat production has increased seven-fold. Other food products have followed the rising tide of production.

Hunger and malnutrition are not conquered in India, but severe famine has been banished.

But what about Africa?

I believe the time is right for a "green revolution" in Africa.

It is hard to believe, but in the midst of today's drought--this revolution has begun.

In Sudan, with AID help, a new breakthrough in hybrid sorghum research has been achieved. It can increase sorghum yields by about 150 percent.

In Niger, new white corn varieties appear to produce several times the usual yields. Also, drought-resistant, dwarf varieties of sorghum and millet have been developed at an A.I.D. sponsored seed research project.

In Nigeria, cassava varieties have been bred by international researchers that outyield local strains by as much as 1,800 percent!

These and other examples are encouraging. But they are only the first steps in the long journey toward the goal of food self-reliance in Africa.

At the very minimum, these steps must be taken:

- The U.S. and other donors must continue and increase support for agricultural research programs;
- The capabilities of American agribusiness and universities must be concentrated on the application of new technologies;
- African agricultural scientists must be trained; and,
- African governments must allow the market incentives--the profits--required for farmers to adopt new technologies.

These steps won't guarantee the elimination of hunger in Africa. But--as in India--they shall put an end to the repeated famines such as we see in Africa today.

On the surface, it might seem that helping Africa to increase its own production would result in a reduction of exports from the United States. However, the exact opposite is true.

There's no denying that there is now a market in the form of Food for Peace assistance.

However, there is a larger, more reliable market, and it is not one which is dependent on food aid. It is a market that comes from increased purchasing power generated by sustained economic development, including agricultural development, in Third World countries.

Indeed, economic development and market development for U.S. agricultural commodities go hand-in-hand. For example: Low-income families and countries spend a higher share of any increase in income on food than do those in higher income families and countries.

A sustained increase of agricultural growth in low-income countries will have a powerful effect on production and on the demand for food. This generates increased local employment.

As incomes increase, demand for meat products rises. The conversion of feed grains to livestock production increases the need--and the income--for additional stocks of imported grain.

In brief, development strategies that stimulate broadly-based food and agricultural production growth tend to lead to a faster rate of demand for agricultural products...and thus for imports of these commodities from the U.S.

The record confirms this relationship. This record shows:

- developing countries are important customers for U.S. agricultural products; and
- countries that have been major recipients of assistance from the U.S. have increased their agricultural imports from us at a faster rate than from other countries. For example:
 - o Taiwan was a net exporter in the early fifties. Food production increased rapidly in Taiwan over the next 30 years. But it now imports sixty percent of all cereals consumed, almost all in the form of feedgrains.
 - o South Korea provides another example. On recent years we gave more than we exported each year to South Korea than we gave them during the full two and one-half years of our huge food assistance program to that country.

The record shows that those developing countries that are the fastest growing producers of staple foods have also expanded their net imports of staple foods at a rapid rate.

Indeed, between 1961 and 1976, the sixteen fastest growing developing country food producers expanded their net food imports at over seven percent a year.

Thus, economic and agricultural development works to the advantage of both the poor of Third World nations and the agricultural sector of the United States.

In closing, I know there is a strong consensus in the United States in support of our assistance to the famine victims of Africa.

There needs also to be a strong consensus in support of a green revolution for Africa. It is in our own interests to help people around the world in their struggle to be free of hunger and free to reach the full potential of the human spirit.

The rewards are peace, stability, increased prosperity, an improved condition of life for all people of all nations, and greater opportunities for increased commerce with partners and friends of that huge reservoir of potential demand known as the Third World.

Address to the Council on Foreign
Relations. New York

PERSPECTIVES IN DEVELOPMENT
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
MAY 6, 1985

Good afternoon.

Winston Lord, in his President's Report to the Council said:
"The enduring challenge for this organization has been to remain
faithful to its traditions-- and yet, be flexible and innovative
to keep pace with the times."

The Council and AID share this common challenge. AID's goal
remains to meet basic human needs. Yet we--like the Council--
must be flexible and innovative to keep pace with the times.

With this in mind, I would like to talk about what we have learned
from past development efforts; how we have adjusted our strategy
to a different world; and, the need for AID to fill a crucial
gap to support change in the Third World.

We have learned a lot from our experience over the past two
decades. On the whole, developing countries have done quite
well. By almost any measure-- incomes, education, health, the
developing countries have shown more improvement since 1960
than in any previous period. AID programs greatly contributed
to these improvements.

To take only one example, we financed much of the effort that
eradicated smallpox. AID is continuing these traditional
efforts. For example, we are taking a major biomedical research
effort in health that should have a dramatic impact on Third World
health in the next 10 years. We already have a malaria vaccine
being field tested. We have taken a major lead in promotion of
ORT programs. This is the simple solution of water, sugar and salt
that deals with dehydration, stemming from diarrhea, the biggest
killer of children in the Third World.

We have ORT efforts in 42 countries and will again this fall
host the international conference on this program. We have
taken a lead in the last year in the work to create a Green
Revolution for Africa. This will not be irrigated agriculture
as in Asia, but will be rain-fed agriculture. Also, private
voluntary organizations are doing more work with AID than ever
before.

Yes, there has been and will be much more progress as a result
of these more traditional types of AID programs. But we must
keep in mind that some AID-assisted countries have done far

better than others. A few have had spectacular growth in per capita incomes such as South Korea and Taiwan. In contrast, in some countries economic conditions have deteriorated. This has occurred primarily in Africa. I believe that we can identify at least four important lessons from our experiences.

First lesson, government economic policy is of great importance. Government rhetoric is far less important than the incentives of government policies. The steady decline in agricultural production in much of Africa is testimony to this. Farm prices held at low levels to favor urban consumers have done great harm. Export taxes and overvalued exchange rates also have hurt. Farmers and others responded to these policies by producing less.

Second lesson, use of market forces and a strong private sector are essential. Governments have been obstacles to structural change in many cases, rather than a dynamic agents of change. In the 1960's many saw development as a matter of government technocrats writing national development plans and overseeing investments, usually by the public sector. The reasons for the failure of this government-led approach have become clear. Governments are political institutions, not economic institutions. If agricultural prices, or the location of a factory, are put into the political arena, it should be no surprise that decisions lack economic good sense.

Third lesson, there is a limited role for financial resource transfers. A surprising fact from the latest World Bank Development Report is that oil importing developing countries grew faster during 1973-83 than did developing countries which exported oil. The huge financial transfer to the oil exporters--larger than foreign aid to all developing countries--produced no miracles. And the corresponding drain on oil importing countries was not a crippling blow.

Fourth lesson, production for the world market can play a key role in increasing productivity and expanding employment opportunities. Countries that followed the import substitution route found themselves saddled with inefficient, high-cost, industries. Ironically, a more outward approach would have produced faster growth of domestic industry. For example, Argentina promoted hothouse import substitution for the whole range of industry. South Korea emphasized production of manufactured goods only where it had a comparative advantage.

What was the result of these two approaches? In 1960, Korea's industrial production was one-sixth that of Argentina. Today, Korea's industrial production is both larger and more diverse.

Based on the lessons of the past, we have restructured economic assistance programs to do two interrelated things:

- (1) promote change in economic policy
- (2) give greater emphasis to the market forces and private sector.

Some have seen this as turning away from poor people.

I want to emphasize that AID continues to promote development projects benefiting the poorest groups. I described this effort a moment ago.

However, we have added another dimension. We want the entire economic structure of a developing country to promote broadly based growth; in other words growth that will help poor people. Economic policy reform and the private sector are the keys.

I would like to deal with one issue up front. It has also been suggested that economic policy reforms hurt the poor the worst. Reforms such as higher prices for basic foodstuffs or devaluations or reductions in government spending. This is simply not true. Phasing out subsidies, or cutting government operating expenses in the poorest countries seldom affects the poorest people. It is the politically powerful urban middle class who are likely to be most affected.

Take food prices. A large and sudden increase in the prices of basic staples can result in riots, and this must be taken into consideration. Yet, usually the poorest groups are the food producers-- the farmers. They are the ones harmed by food price controls. But politically-powerful urban groups benefit by them.

Exchange rates offer another example. Too often, an overvalued exchange rate is a heavy tax on agricultural exports produced by the poorest people. Also, such exchange rates are in effect, a tax on exports that prevent the creation of jobs for poorer people.

The point is that, in the long run, the poorest people are hurt most by policies that stand in the way of economic growth. Only sustained broad-based growth can provide real improvements in living standards. Only growth can provide jobs. It should also be noted that growth allows for the largest increase of government social spending.

For example, in real terms, South Korean government spending per capita increased by 134 percent between 1970 and 1982, even though the share of government in total production remained low.

In contrast, in Tanzania, the comparable figure for government spending is nine percent. Misguided policies choked off the growth on which increases in human services have to be based.

I wish that I could say that policy reform alone could produce a return to rapid economic growth and broad-based development. In normal times, this might be true. But today, we face the legacy of oil price shocks, heavy debt burdens, low commodity prices, and the 1981-83 world recession. Add to this the weak political structure of many developing countries and the effect of insurgencies. It's a recipe for disaster.

The International Monetary Fund plays a critical role in easing adjustment in many countries. The IMF is often blamed for austerity steps which poor countries must take. But IMF lending actually reduces the belt-tightening that is required to respond to a difficult situation sooner or later. An IMF program provides immediate resources to help maintain economic activity. It opens the door to resources of commercial banks and governments-- through both new lending and rescheduling of debt service. Without the IMF, a country generally would have to do far more to adjust, than with IMF assistance. Nevertheless, reliance on IMF programs alone is not sufficient, for two reasons.

First, IMF resources are limited. The adjustment programs are often still beyond the capacity of governments to implement without great political difficulty.

Second, the IMF supports adjustment-- to balance the international accounts-- which is necessary but not sufficient for long-term growth. The IMF, of course, must be careful. Sometimes the means that might be used to achieve adjustment such as tax increases might prevent economic growth.

In the adjustment process, AID is now playing a key role-- promoting long-term development and cushioning the shock of policy reform. Under the Reagan Administration, we have increased quick-disbursing assistance, outside the Middle East, from about \$1 billion in FY 1980 to \$4.2 billion in FY 1985. In exchange for this assistance to ease the adjustments, we seek structural reforms that enhance prospects for sustainable growth.

Policy reform is essential to the effectiveness of our economic aid. Without appropriate policies, our resources may simply be consumed rather than invested. For example, in some cases, the costs of mistaken policies are huge: in 1981 Mexico earned \$16 billion from oil exports--three times the total exports just five years earlier. It also borrowed \$15 billion from banks. But it still lost foreign exchange reserves, because the incentive for capital flight outweighed the incentive for productive investment.

Mexico was not alone in failing to adjust to the circumstances it faced. In past few years, many countries in difficult situations have dug themselves into deeper holes. Costa Rica between 1978 and 1980 is a good example, or Jamaica between 1972 and 1980.

Poor policies are not, sustainable in the long run. They "mortgage the future" to support consumption. And it becomes harder and harder to adjust to reality.

We do countries no favor by extending the length of time that they can pursue mistaken policies.

I would like to speak for a moment about how we seek reforms. Our first step is a careful analysis of the economic and political situation of the country, in close consultation with the host government. This analysis forms a basis of what we believe to be needed to assure long-run growth, and to identify what is politically possible. The IMF and the World Bank have a key role in financing economic adjustment, and we encourage governments to work with these institutions.

Nevertheless, our own assistance decisions are necessarily based on our own judgments, not those of the international agencies. We often use our assistance to complement those of other agencies, or to emphasize particular U.S. concerns-- such as divestiture of parastatal enterprises.

We have evolved our own style, somewhat different from that of other institutions. IMF quantitative goals are more or less automatic: if the goals are not met, the program is interrupted. AID agreements, on the other hand, are less specific and leave more room for revision as circumstances change. We seek to avoid confrontation and to use persuasion to continue moving in the right direction.

We seek to persuade the government that its own interest requires different policies. Our aid can often help pay the short-run costs of the policy adjustment. These costs always exist. The easy policy reforms have already been made. As you know, policymakers love to implement reforms that provide gain without pain.

We have important allies in our efforts. Reform-minded officials want our leverage in promoting better policy. AID has increased financing of economic consultants and studies. We have also substantially increased the number of overseas AID economists. Such experts are often more important than money.

We seek gradual or phased adjustments to maintain political stability. As governments phase out price controls and subsidies, we encourage the private sector and free market forces to phase in.

The approach I have outlined does work. Let me cite an example. In Costa Rica, the current government faced an almost impossible situation when it took office. Foreign debt exceeded GNP, and debt service took three-fourths of export earnings. The public sector payroll had risen from 80,000 in 1973 to 142,000 in 1980. This growing public sector choked the economy, and production declined by 11 percent between 1980 and 1982.

But since 1982, our aid along with that of the World Bank and IMF, supported good economic management by the Government of Costa Rica. This produced a dramatic turnaround. The size of the government has been sharply reduced, though the most important social programs continue. The economy expanded by 6 percent in the past two years. The foreign debt is being brought under control through export development and private sector expansion.

We have accomplished a great deal with our cooperative approach in Costa Rica. However, I must admit that we have had a few disappointments. Sometimes, differences in perception about the purpose of our aid has made governments reluctant to discuss policies. This can happen when the foreign government sees our aid as a payment for cooperation on foreign policy.

Of course, there is sometimes a need to trade off economic and political objectives. This dichotomy is often overstated because bad policies cannot be sustained. And, economic collapse is a real threat to political stability.

We have made great progress in quantifying the costs of delay in economic policy shifts, and, in presenting these costs convincingly to recipient governments. AID and State work quite well in identifying cases where the foreign policy costs of immediate economic reforms may be excessive. We have an approach that meets our foreign policy needs, and those of the countries we are helping. We have a Secretary of State that understands these problems as no Secretary of State has before and AID is particularly pleased to have his support and guidance.

Also, I need to emphasize that policy change is not easy, especially when fundamental changes are impacting on a country's economy, for example, the price of sugar on the Dominican Republic's economy.

In closing, let me suggest a couple of directions we may need to move to make the process work even better. One means of ending misunderstandings with developing countries would be to replace some country-by-country earmarkings of aid with broader regional allocations. This would provide us greater flexibility to allocate assistance in line with policy performance.

The Kissinger Commission on Central America sought a mechanism of this sort to reward good performance. I have proposed another such approach through our African initiative. I am pleased that this proposal has been picked up by the World Bank.

Second, we need to work very hard to explain the U.S. approach to recipient governments, to help avoid confrontational situations.

Third, we are increasing our efforts to reduce sensationalism through a better understanding by Congress and the media of the policies needed to promote long-term development.

I hope that what I've said will generate a better understanding of our policies, and support for them as well. We need the help of influential groups such as this one.

In closing, I want to assure you that AID emphasis continues to be on helping meet basic human needs. But to do the best job of that, we have refined and added to our approach. We now focus on policy changes in poor countries that will improve the economic health of nations, changes that will help poor people to achieve more for themselves and their children.

Thank you.

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PERSPECTIVES IN DEVELOPMENT
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
MAY 13, 1985

Last week, much of the world observed the end of the war in Europe... V.E. Day. Forty years ago, much of the continent was in ruins. The war had taken a heavy toll.

In the interests of long-term peace and stability, the United States provided massive assistance through the "Marshall Plan" to help Europe rebuild.

The Agency for International Development has its roots in this great--and successful--effort. In the years since the Marshall Plan, the Agency has shifted its focus to the less developed countries in Asia, Africa and Latin America. Our job is to help the people of these countries help themselves to greater prosperity and to achieve their full potential as free, productive, healthy human beings. It benefits them, and it

benefits each of us. Our own security and economy is closely tied to the development of the people of the Third World.

With that in mind, I'd like to talk to you today about:

- what we have learned from our experience in development work;
- how we have adjusted our strategy to a different world; and,
- the need for AID to fill a crucial gap to support change and growth in the Third World.

First, it's important to point out that during the last twenty to twenty-five years, developing countries on the whole have done quite well.

By almost any measure-- incomes, education, health-- the developing countries have shown more improvement since 1960

than in any previous period. AID programs greatly contributed to these improvements.

To take only one example, we financed much of the effort that eradicated smallpox. AID is continuing these traditional efforts. For instance, we are making a major biomedical research effort in health that should have a dramatic impact on Third World health in the next 10 years.

We already have a malaria vaccine being field tested. We have taken a major lead in the promotion of Oral Rehydration Therapy (ORT) programs. This is a simple solution of salt, sugar and water-- that treats the dehydration caused by diarrhea. This will save the lives of millions of children in the Third World. We have ORT efforts in 42 countries.

Also, we have taken a lead in the work to create a Green Revolution for Africa. This will not be irrigated crops like we had in Asia, but will be dry land crops.

Yes, there has been and will be much progress as a result of these more traditional types of AID programs. But, we must keep in mind, that some AID-assisted countries have done far better than others.

A few have had spectacular growth in per capita incomes such as South Korea and Taiwan. In our own hemisphere, similar growth has occurred in Colombia. In contrast, economic conditions have deteriorated in other countries--principally in Africa.

I believe that we can identify at least four important lessons from our experiences.

The first lesson is that government economic policy is of great importance. Government rhetoric is far less important than the incentives of government policies. The steady decline in agricultural production in much of Africa is testimony to this.

Farm prices held at low levels to favor urban consumers have done great harm. Export taxes and overvalued exchange rates also have hurt. Farmers and others have responded to these policies by producing less. On the other hand, we know the farmers will respond when the prices are right. For example, in Somalia, sorghum production went up 40% last year as a result of a price increase.

The second lesson is that free market forces and a strong private sector are essential. In many cases, Governments have been obstacles to structural change rather than dynamic agents of change.

In the 1960's, many saw development as a matter of government technocrats writing national development plans and overseeing investments, usually by the public sector. The reasons for the failure of this government-led approach have become clear.

Governments are political institutions, not economic institutions. If agricultural prices, the number of employees, or the location of a factory, are put into the political arena, it should be no surprise that decisions lack economic good sense.

I remember the government airline in one developing country that had thousands of employees per airplane.

The third lesson is that there is a limited role for financial resource transfers. A surprising fact from the latest World Bank Development Report is that, in general, poor countries that export oil have not developed as well as oil importing

countries. Specifically, developing countries which imported oil grew faster during 1973-83 than developing countries which exported oil. This huge financial transfer to the oil exporters--one might say the informal foreign aid program--produced no miracles. And the corresponding drain on oil importing countries was not a crippling blow. I bet that surprises most of you. The figures surprised me.

Now, the fourth lesson is that exports are usually a key to growth. Countries that followed the import substitution route have found themselves saddled with inefficient, high-cost, industries. Ironically, a more outward looking approach would have produced a faster growth of domestic industry.

For example, Argentina promoted indiscriminate "hothouse" import substitution for the whole range of industry. South Korea emphasized production of manufactured goods only where it

had a comparative advantage. What was the result of these two approaches?

In 1960, Korea's industrial production was one-sixth that of Argentina. Today, Korea's industrial production is both larger and more diverse.

Based on these lessons of the past, we have restructured economic assistance programs to do two interrelated things:

(1) promote change in economic policy

(2) give greater emphasis to the market forces and

the private sector.

Some have seen this as turning away from poor people. I want to emphasize that AID continues to promote development projects that benefit the poor. I described these efforts a moment ago. However, we have added another dimension. We want the

entire economic structure of a developing country to promote broadly based growth. In other words, growth that will help poor people. A poor man with a job, has his foot on the ladder. Economic policy reform and the private sector are the keys.

In connection with this, I would like to deal with one issue up front. It has been suggested that economic policy reforms such as higher prices for basic foods, devaluations, or reduction in government spending hurt poor people most.

This is simply not true. Phasing out subsidies, or cutting government operating expenses in the poorest countries seldom affects the poorest people. It is the politically powerful urban, middle class who are likely to be the most affected.

Take food prices. A large and sudden increase in the prices of basic foods can result in riots, and this must be taken into consideration.

I have spent hours with the presidents and prime ministers of dozens of developing countries agonizing over just this problem. I remember the African president who said, "My first duty is to feed my people." Nevertheless, I am here today to tell you that usually the poorest groups in these countries are the farmers. They are the ones hurt by price controls that hold down the amount that the farmer can be paid so that city dwellers can have cheap food. In short, this informal tax discriminates against the poor. Bad policies have a major impact on food production.

For example, per capita food production in Ghana and Somalia-- both of whom held food prices down--dropped by more than 15 percent during the 1970s. During this same period in Colombia, per capita food production rose by 22 percent because it allowed markets to set agricultural prices. Severe malnutrition in Colombia declined from 16 percent of the population to 8 percent. In contrast, I am certain malnutrition rose in Ghana and Somalia.

Exchange rates offer another example. The economic concept is complicated but an overvalued exchange rate, common in so many developing countries, means that exporters get less for what they sell abroad.

Such a rate is, in effect, a heavy tax on agricultural exports which are often produced by the poor people. Also, such

exchange rates are, in effect, a tax on exports that prevent the creation of jobs for poor people. In human terms, this means that a poor man will not get a decent job because his government is unwilling or unable to face up to the terms needed to create growth.

The point is that, in the long run, poor people are hurt most by policies that stand in the way of economic growth. Only sustained broad-based growth can provide real improvements in living standards. Only growth can provide jobs.

I wish that I could say that policy reform alone could produce rapid economic growth and broad-based development. In normal times, this might be true. But today, we face the legacy of oil price shocks, heavy debt burdens, low commodity prices, and the 1981-83 world recession.

Add to this the weak political structure of many developing countries and the effect of insurgencies. It's a recipe for disaster. To avoid disaster, policy reforms often must be accompanied by short-term assistance to make it easier for countries to adjust to a free market and a realistic exchange rate.

The International Monetary Fund plays a critical role in easing adjustment in many countries. The IMF is often blamed for austerity steps which poor countries must take. But generally, IMF lending actually eases the belt-tightening that is required to respond to a difficult situation.

An IMF program provides immediate resources to help maintain economic activity. It opens the door to resources of commercial banks and governments--through both new lending and rescheduling of debt service. Without the IMF, a country

generally will have to do far more, at some point, to adjust, than would be needed with IMF assistance. An IMF program puts the country on a sound economic footing and allows for expansion of government social programs that are needed.

For example, in real terms, The South Korean government increased per capita spending by 134 percent between 1970 and 1982, even though the share of government in total production remained low.

In contrast, in Tanzania, the comparable figure for government spending is only nine percent. Misguided policies in Tanzania choked off the growth on which increases in human services are based.

Nevertheless, reliance on IMF programs alone is not sufficient, for two reasons.

First, IMF resources are limited. The adjustment programs are often still beyond the capacity of governments to implement without great political difficulty.

Second, the IMF supports adjustment-- to balance the international accounts--which is necessary but not sufficient for long-term growth. The IMF, of course, must be careful.

Sometimes the means to achieve adjustment, such as tax increases, might prevent rather than help economic growth.

In the adjustment process, AID is now playing a key role-- promoting long-term development and cushioning the shock of policy reform. In Jamaica for example, imports made possible by our aid have helped export-oriented firms obtain raw materials and machinery needed to increase production in the face of foreign exchange shortages.

Under the Reagan Administration, we have increased immediate assistance from our Economic Support Fund-- from about \$170 million in FY 1980 to \$1.7 billion in FY 1985. This does not include Economic Support Funds for the Middle East. In exchange for this assistance to ease the adjustments, we seek structural reforms that improve prospects for sustainable growth.

Policy reform is essential to the effectiveness of our economic aid. Without appropriate policies, our resources may simply be consumed rather than invested.

For example, in some cases, the costs of mistaken policies are huge: in 1981 Mexico earned \$16 billion from oil exports-- three times the total exports just five years earlier. It also borrowed \$15 billion from banks but it still lost foreign

exchange reserves. This was because the incentive for capital flight outweighed the incentive for productive investment.

Mexico was not alone in failing to adjust to the circumstances it faced. In the past few years, many countries in difficult situations have dug themselves into deeper holes. Costa Rica between 1978 and 1980 is a good example, or Jamaica between 1972 and 1980.

In both cases, governments used borrowing and foreign aid to expand the public sector while, reducing the viability of the private sector.

Poor policies are not sustainable in the long run. They "mortgage the future" to support consumption. And, it becomes harder and harder to adjust to reality.

We do countries no favor by extending the length of time that they can pursue mistaken policies.

I would like to speak for a moment about how we seek reforms.

Our first step with a country is a careful analysis of the economic and political situation. This analysis forms a basis of what we believe to be needed to assure long-run growth, and to identify what is politically possible. The IMF and, the World Bank have a key role in financing economic adjustment, and, we encourage governments to work with these institutions.

We often use our assistance to complement those of these agencies, or to emphasize particular U.S. concerns. The breaking up of government-owned enterprises is one example. Nevertheless, our own assistance decisions are necessarily based on our own judgments, not those of the international agencies.

We have evolved our own style, somewhat different from other institutions. For example, IMF quantitative goals are more or less automatic: if the goals are not met, the program is interrupted. AID agreements, on the other hand, are less specific and leave more room for revision as circumstances change. In our policy discussions we seek to persuade the government that its own interest requires different policies. The point is, that our aid can often help pay the short-run costs of the policy adjustment.

These costs always exist. The easy policy reforms have already been made. As you know, policymakers love to implement reforms that provide gain without pain.

We have important allies and tools for our efforts.

Reform-minded officials in developing countries want our help in promoting better policies. AID has increased financing of

economic consultants and studies that pinpoint problem areas and suggest practical solutions. We have also substantially increased the number of overseas AID economists. Such experts are often more important than money.

We seek gradual or phased adjustments so as to maintain political stability. As governments phase out price controls and subsidies, we encourage the private sector and free market forces to phase in.

The approach I have outlined does work. One example is Costa Rica. There, foreign debt in 1982 exceeded Gross National Product, and debt service took three-fourths of export earnings. Government employment had risen from 80,000 in 1973 to 142,000 in 1980. This growing public sector choked the economy, and production declined by 11 percent between 1980 and 1982.

But, since 1982, our aid, along with that of the World Bank and IMF, supported good economic management by the Government of Costa Rica. This produced a dramatic turnaround.

In several other developing countries the growth in government programs has been financed by excessive tax levels. Export taxation has destroyed, or seriously impaired, the most efficient productive sectors in a number of African and Latin American countries. Excessively high rates of income taxation provide a substantial incentive to capital flight and discourage entrepreneurship. There are countries in the world where a taxpayer reaches the 50% bracket at an income below \$5,000.

One aspect of AID's policy dialogue has been to work to reverse such policies. We have had some notable success. Let me mention several examples from the countries being helped under our Caribbean Basin Initiative.

In Haiti, we have obtained a government agreement to cut the coffee export tax-- a substantial disincentive to production--by half. In Grenada, the government has cut the maximum tax rate from 65% to 50% and reduced export duties. And, in Jamaica, we understand that the government may soon announce a simplification of the tax system, with sharp cuts in the highest brackets.

However, I must admit that we have had a few disappointments. Sometimes, differences in perception about the purpose of our aid have made governments reluctant to discuss policies. This can happen when the foreign government sees our aid as a payment for cooperation on foreign policy.

Of course, sometimes there is a need to trade off economic and political objectives. However, this dichotomy is often overstated because bad policies cannot be sustained. And,

economic collapse is a real threat to political stability. I might say, we have made great progress in quantifying the costs of delay in economic policy shifts, and, in presenting these costs convincingly to recipient governments.

AID and the State Department work well together in identifying cases where the foreign policy costs of immediate economic reforms may be excessive. We have an approach that meets our foreign policy needs, and those of the countries we are helping. We have a Secretary of State, George Shultz, who understands these problems as no Secretary has before. AID is particularly pleased to have his support and guidance.

In closing, let me suggest a couple of directions we may need to move to make the process work even better. One means of ending misunderstanding with developing countries would be to replace some country-by-country earmarkings of aid with broader regional allocations. This would provide us greater

flexibility to allocate assistance in line with policy performance.

The Kissinger Commission on Central America sought a mechanism of this sort to reward good performance. Through our African initiative, we have proposed another such approach, and, Congress has approved it. I am pleased that this proposal has been picked up by the World Bank.

Second, we need to work very hard to explain the U.S. approach to recipient governments, to help avoid confrontational situations.

Third, we are increasing our efforts to reduce sensationalism through a better understanding of the policies needed to promote long-term development by Congress and the media.

I hope that what I've said will generate a better understanding of our policies, and support for them as well.

I want to assure you that AID's focus continues to be helping meet basic human needs. But, to do the best job of that, we have refined and added to our approach. We now focus on policy changes in poor countries that will improve the economic health of nations. Changes that will help poor people to achieve more for themselves and their children. We, at the same time, will achieve a more stable world for ourselves and our children.

Thank you.

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(see 1756K)

STATEMENT BY
M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
AT
UNDP GOVERNING COUNCIL, NEW YORK
JUNE 11, 1985

THANK YOU MR. PRESIDENT.

I AM PARTICULARLY PLEASED TO TAKE PART IN THE GOVERNING COUNCIL THIS YEAR. DURING THE TWO YEARS SINCE I PARTICIPATED, I HAVE BEEN CLOSELY FOLLOWING THE ACTIVITIES OF UNDP.

WITH DISCUSSIONS OF THE FOURTH PROGRAMMING CYCLE NOW TAKING PLACE AND THE COURSE FOR THE PROGRAM'S NEXT FIVE YEARS BEING SET, THIS IS AN ESPECIALLY IMPORTANT MEETING.

IT IS IMPORTANT TO THE UNITED STATES SINCE WE FULLY SUPPORT UNDP'S CENTRAL ROLE AS THE COORDINATOR OF TECHNICAL ASSISTANCE WITHIN THE UN SYSTEM.

YOU HAVE MY ASSURANCE THAT WE WILL WORK WITH YOU AND OTHER COUNCIL MEMBERS TO STRENGTHEN UNDP'S ROLE AS WELL AS TO IMPROVE THE EFFECTIVENESS OF THE SERVICES DELIVERED.

THIS HAS BEEN A DIFFICULT YEAR FOR THE INTERNATIONAL COMMUNITY AND UN AGENCIES. IT HAS BEEN A DEVASTATING ONE FOR THE PEOPLE IN MANY REGIONS OF AFRICA. I PERSONALLY HAVE BEEN DEEPLY MOVED BY THE HUNGRY AND THE DYING PEOPLE IN THE REFUGEE CAMPS I HAVE VISITED IN ETHIOPIA, THE SUDAN, NIGER AND MALI.

MY GOVERNMENT, PRIVATE INSTITUTIONS, AND THE AMERICAN PEOPLE HAVE RESPONDED AND WILL CONTINUE TO RESPOND TO THE NEEDS OF THE

AFRICAN PEOPLE. CIVILIZATION AND HUMAN DECENCY DEMAND WE
EXTEND A HELPING HAND.

BUT EMERGENCY ASSISTANCE, NO MATTER HOW NECESSARY OR
GENEROUS, IS NOT THE FULL ANSWER. I SINCERELY HOPE THAT ALL OF
US HERE WILL PUT OUR MINDS AND OUR RESOURCES TO THE TASK OF
RECOVERY AND OF FINDING LONG-TERM SOLUTIONS TO THE PROBLEMS OF
DROUGHT, DESERTIFICATION, AND ECONOMIC STAGNATION.

THE NEW UN OFFICE OF EMERGENCY OPERATIONS FOR AFRICA (OEOA),
UNDER BRAD'S ABLE LEADERSHIP, IS DEMONSTRATING THAT THE UN CAN
ROLL UP ITS SLEEVES AND GET THE JOB DONE. UN AGENCIES CAN
COLLABORATE TO SOLVE PROBLEMS AND SAVE LIVES. IF WE, THE UN
AND THE WORLD COMMUNITY, CAN MAKE THIS EXTRAORDINARY RESPONSE
TO THE AFRICAN EMERGENCY, WE SHOULD BE ABLE TO CONFRONT THE
LONGER-TERM DEVELOPMENT PROBLEMS WITH EVEN GREATER
EFFECTIVENESS. INDEED, WE MUST IF WE ARE TO SUSTAIN PUBLIC
CONFIDENCE IN MULTILATERAL ASSISTANCE MECHANISMS SUCH AS UNDP.

GEARING UP TO RESPOND TO THE EMERGENCY SITUATIONS IN
VARIOUS AFRICAN COUNTRIES HAS PLACED A STRAIN ON UNDP
HEADQUARTERS, ITS FIELD APPARATUS, AND ON THE RESIDENT
COORDINATORS. IN THIS CONTEXT, UNDP WILL BE MAKING VARIOUS
PROPOSALS FOR A DIFFERENT MIX OF STAFF RESOURCES IN ORDER TO
STRENGTHEN ITS COORDINATION ROLE, AND TO PROVIDE BETTER PROJECT
DESIGN SERVICES.

WE WILL LOOK AT THESE PROPOSALS CLOSELY.

AN INCREASING NUMBER OF DEVELOPMENT INSTITUTIONS--PUBLIC AND PRIVATE, NATIONAL AND INTERNATIONAL--ARE EXAMINING THEIR EXPERIENCE AND MAKING CHANGES BASED ON WHAT THEY HAVE LEARNED. WE ARE DOING THIS IN OUR OWN AID PROGRAMS TO MAKE BETTER USE OF SCARCE RESOURCES. ALTHOUGH ECONOMIC CONDITIONS MAKE SIGNIFICANT INCREASES IN OUR AID LEVELS IMPOSSIBLE, WE ARE USING OUR RESOURCES MORE EFFECTIVELY.

WE HAVE ESTABLISHED FOUR POLICY CORNERSTONES WHICH GUIDE A.I.D.'S DEVELOPMENT EFFORTS:

- FIRST, SUPPORT FOR HOST COUNTRY POLICIES THAT PROVIDE THE ENVIRONMENT FOR ECONOMIC GROWTH;
- SECOND, THE ESTABLISHMENT OR STRENGTHENING OF DEMOCRATIC INSTITUTIONS WHICH PERMIT THE PARTICIPATION OF FREE PEOPLE IN BROAD-BASED DEVELOPMENT;
- THIRD, THE TRANSFER OF TECHNOLOGY APPROPRIATE TO THE RECIPIENT; AND,
- FOURTH, RELIANCE ON THE PRIVATE SECTOR AND MARKET FORCES AS THE PRINCIPAL ENGINES OF SUSTAINED ECONOMIC GROWTH.

I AM GRATIFIED THAT IN THE PAST FOUR YEARS THERE HAS BEEN A DRAMATIC TURNAROUND IN ATTITUDES TOWARD DEVELOPMENT POLICIES. THIS HAS OCCURRED AMONG BILATERAL AND MULTILATERAL DONORS AND WITHIN THE GOVERNMENTS OF A SIGNIFICANT NUMBER OF DEVELOPING NATIONS THEMSELVES.

THE 4TH PROGRAMMING CYCLE OFFERS AN EXCELLENT OPPORTUNITY FOR THE UNDP, THROUGH ITS RESIDENT REPRESENTATIVES, TO WORK

WITH HOST GOVERNMENTS AND OTHER DONORS TO MAKE THE BEST USE OF RESOURCES IN A POLICY ENVIRONMENT WHICH HELPS MAKE THEM EFFECTIVE. WE SUPPORT UNDP'S EFFORTS TO MAKE THE ROUNDTABLES MORE EFFECTIVE INSTRUMENTS FOR THE ANALYSIS OF DEVELOPMENT PRIORITIES AND THE COORDINATION OF ECONOMIC ASSISTANCE. UNDP AND AID FIELD REPRESENTATIVES IN MALAWI, MALI, AND RWANDA ARE JOINING FORCES TO STRENGTHEN THE ROUNDTABLE PROCESS IN THOSE COUNTRIES, AS WELL AS OTHERS.

I AM PLEASED THAT SEVERAL RES REPS ARE WITH US AT THIS GOVERNING COUNCIL. I ENCOURAGE UNDP HEADQUARTERS TO HOLD ALL FIELD MISSION AND HEADQUARTERS STAFF TO HIGH STANDARDS IN JUSTIFYING THE PROGRAMS THEY ADMINISTER. MY USAID MISSION DIRECTORS DO NOT ALWAYS ENJOY THE PROCESS OF DEFENDING COUNTRY PROGRAMS BEFORE OUR OWN REVIEW COMMITTEES. BUT, THE RESULTS ARE WELL WORTH IT-- IN TERMS OF PROGRAM STRATEGY AND EFFECTIVENESS.

WE CONTINUE TO BELIEVE THAT THE BULK OF UNDP RESOURCES SHOULD BE DIRECTED TO THE POORER COUNTRIES. WE STRONGLY SUPPORT THE CONCEPT (SPELLED OUT IN DOCUMENT DP/1985/1) OF REIMBURSABLE INDICATIVE PLANNING FIGURES FOR COUNTRIES ABOVE \$3,000 GNP PER CAPITA. WE BELIEVE THE "FLOOR" IS AN ANACHRONISM AND SHOULD BE ABOLISHED. WE HAVE NOT COME TO THIS CONCLUSION LIGHTLY. MIDDLE- AND HIGHER-INCOME COUNTRIES ARE OFTEN ABLE TO MAKE EXTREMELY GOOD USE OF UNDP TECHNICAL ASSISTANCE. HOWEVER, IT DOES NOT FOLLOW THAT THESE RESOURCES

SHOULD BE PROVIDED IN THE FORM OF GRANTS. PRECISELY BECAUSE OF CONTINUING BUDGET CONSTRAINTS, WE MUST STRENGTHEN OUR EFFORTS TO CONCENTRATE SCARCE GRANT ASSISTANCE IN THE POORER COUNTRIES.

MR. PRESIDENT, AS WE ALL KNOW, THE ISSUE OF RESOURCE LEVELS FOR THE 4TH CYCLE HAS BEEN DEBATED IN DETAIL OVER THE COURSE OF THE PAST SEVERAL MONTHS. WE STRONGLY BELIEVE THAT THE EFFECTIVE USE OF RESOURCES COUPLED WITH CONFIDENCE BUILDING MEASURES SUCH AS:

- RIGOROUS PROJECT DESIGN;
- SYSTEMATIC PROGRAM REVIEW; AND,
- TIMELY EVALUATIONS.

WILL DO MORE TO ENHANCE THE UNDP PROGRAM THAN SETTING UNREALISTIC GOALS FOR RESOURCE INPUT LEVELS FOR THE NEXT FIVE YEARS.

WE ALL ARE WELL AWARE OF THE PROBLEMS AND DISAPPOINTMENT CAUSED BY THE SETTING OF UNREALISTIC TARGETS DURING THE 3RD CYCLE. WE CANNOT RETURN TO OLD FORMULAS THAT HAVE PROVEN UNWORKABLE.

OUR POSITION, THEN, WHICH HAS REMAINED UNCHANGED SINCE LAST JUNE, IS THAT THE MAINTENANCE OF THE PROGRAM LEVEL IN REAL NATIONAL CURRENCY TERMS IS THE ONLY REALISTIC EXPECTATION FOR UNDP. IT IS THE ONLY ONE TO WHICH MY GOVERNMENT CAN AGREE. UNDP SHOULD WORK TO BROADEN THE BASE AND THE QUALITY OF ITS CONTRIBUTIONS. HOWEVER, WE SHOULD NOT RAISE EXPECTATIONS AMONG

RECIPIENT COUNTRIES BY ESTABLISHING 4TH CYCLE IPF'S AT UNREALISTIC LEVELS.

MR. PRESIDENT, MY DELEGATION HAS FOCUSED A GREAT DEAL OF ATTENTION ON THE STEPS THAT THE UNDP ADMINISTRATION CAN TAKE TO IMPROVE THE QUALITY OF ITS PROGRAMMING. WE BELIEVE THAT AMONG THE IMPORTANT STEPS UNDP COULD TAKE TO STRENGTHEN QUALITY AND EFFECTIVENESS ARE:

- ENFORCING THE EXISTING PROGRAM PREPARATION GUIDELINES;
- SYSTEMATIC REVIEW PROCEDURES FOR COUNTRY PROGRAM AND PROJECT PROPOSALS; AND
- A MID-TERM REVIEW PROCESS FOR ONGOING ACTIVITIES.

WE ALSO BELIEVE THAT UNDP NEEDS TO BE A FULL AND LEADING PARTNER IN THE TRIPARTITE PROCESS OF COOPERATION WITH UN IMPLEMENTING AGENCIES AND RECIPIENT GOVERNMENTS. AS A FUNDING AGENCY AND PROGRAM MONITOR, UNDP NEEDS TO BE ABLE TO SANCTION IMPLEMENTING AGENCIES WHO DO NOT MEASURE UP TO AGREED PERFORMANCE STANDARDS.

WE ARE NOT SUGGESTING THAT UNDP DEVISE NEW, COMPLEX RULES TO OVERBURDEN STAFF IN HEADQUARTERS AND THE FIELD. WE ARE SUGGESTING THAT EXISTING PROCEDURES BE TIGHTENED UP.

MR. PRESIDENT: AS UNDP TAKES THESE VARIOUS STEPS, THE COUNCIL NEEDS TO RETHINK THE COMMITTEE OF THE WHOLE FOR PROGRAMMING WITH A VIEW TO STRENGTHENING IT AND INVOLVING THE COUNCIL MORE ACTIVELY IN THE PROGRAMMING PROCESS. THIS COMMITTEE CAN BE A HIGHLY USEFUL FORUM FOR FOCUSING MEMBER

ATTENTION ON SUBSTANTIVE PROGRAM ISSUES. IN ADDITION TO REVIEWING COUNTRY PROGRAMS IN DEPTH AND FROM APPROPRIATE TECHNICAL PERSPECTIVES, THE COW FOR PROGRAMMING SHOULD ALSO EXAMINE MAJOR PROJECTS AND SUPPORTING MATERIAL SUCH AS MID-TERM REVIEWS AND EVALUATION REPORTS.

ALSO, STRUCTURALLY, WE MAY WISH TO CONSIDER THE POSSIBILITY OF ESTABLISHING VARIOUS WORKING GROUPS WITHIN THE COMMITTEE TO DISCUSS SPECIFIC ITEMS ON AN INFORMAL BASIS. MY DELEGATION WANTS TO SEE COUNCIL MEMBERS INVOLVED WITH THE UNDP ADMINISTRATION AS FULL PARTNERS. SUCH IMPROVED INTERACTION WOULD GREATLY ASSIST MEMBERS OF DONOR AND RECIPIENT GOVERNMENTS ALIKE IN RENEWING THEIR CONFIDENCE IN UNDP.

ADDITIONALLY, MR. PRESIDENT, SINCE AN IMPROVED PROCESS FOR PROGRAM AND PROJECT DESIGN AND PROGRAM MONITORING WILL NECESSITATE MORE DETAILED REPORTS AND SUPPORTING MATERIAL, THE COUNCIL MIGHT VERY WELL CONSIDER THE NEED FOR A WORKING GROUP THAT COULD FUNCTION ON A CONTINUOUS BASIS TO REVIEW AND ANALYZE THIS MATERIAL. THIS WORKING GROUP OR SUBCOMMITTEE WOULD BE ABLE TO DEVELOP A PROFESSIONAL WORKING RELATIONSHIP WITH THE UNDP SECRETARIAT. IT COULD, THROUGH ITS ANALYSES AND RECOMMENDATIONS, BECOME AN IMPORTANT ARM OF THE GOVERNING COUNCIL.

I SHOULD NOTE, MR. PRESIDENT, THAT WE FULLY RECOGNIZE THAT THE FINAL SAY IN THE DESIGN AND IMPLEMENTATION OF THE COUNTRY PROGRAM RESTS WITH THE RECIPIENT COUNTRY. NEVERTHELESS, IN

CONSIDERING THE EFFECTIVE USE OF RESOURCES--MOST OF WHICH ARE PROVIDED BY A RELATIVELY SMALL NUMBER OF WESTERN DONORS--WE HOLD THE UNDP ADMINISTRATOR ACCOUNTABLE FOR WORKING OUT, WITH UNDP'S PARTNERS, APPROPRIATE STANDARDS FOR DESIGN, MONITORING, AND EVALUATION.

AGAIN, MY DELEGATION URGES THE COUNCIL AND THE ADMINISTRATOR TO CONSIDER THE IMPORTANCE WE ATTACH TO THE COMMITTEE OF THE WHOLE FOR PROGRAMMING AND WITH OUR CONCERN THAT THE PROGRAMMING PROCESS IS CONTINUOUS AND REQUIRING PARTICIPATION BY ALL PARTIES ON A REGULAR BASIS.

MR. PRESIDENT, I WOULD LIKE TO MENTION A FEW POINTS OTHER THAN THE 4TH PROGRAMMING CYCLE. MY DELEGATION WILL BE COVERING THEM IN MORE DETAIL DURING THE SESSION.

- ° WE BELIEVE THAT AN IMPORTANT STRENGTH OF UNDP IS IN THE AREA OF HUMAN RESOURCE DEVELOPMENT. WE KNOW THE IMPORTANCE OF NATIONAL HUMAN RESOURCES IN ECONOMIC DEVELOPMENT AND IN INCREASING THE ABSORPTIVE CAPACITY AND EFFECTIVENESS OF EXTERNAL ASSISTANCE. PROGRAMS OF TECHNICAL ASSISTANCE AND TRAINING HAVE MUCH TO OFFER IF THEY ARE PROPERLY LINKED TO LOCAL DEVELOPMENT NEEDS. WE NEED TO REEXAMINE THE ROLE OF HUMAN RESOURCES IN THE DEVELOPMENT PROCESS AND EXPLORE NEW WAYS TO INFLUENCE IT. WE SUPPORT THE ADMINISTRATOR'S PROPOSAL TO CONVENE A SMALL INTERNATIONAL WORKSHOP THIS FALL FOR THIS PURPOSE.

- MY DELEGATION NOTES THAT DISCUSSIONS HAVE BEEN HELD OVER THE PAST SEVERAL MONTHS BETWEEN DONORS AND THE SECRETARIAT ON THE FUTURE AND EFFECTIVENESS OF THE UN CAPITAL DEVELOPMENT FUND (UNCDF).

WE BELIEVE THAT THE FUND FILLS AN IMPORTANT GAP IN CAPITAL ASSISTANCE FUNDING MODALITIES.

THROUGH OUR OWN RECENT REVIEWS WE HAVE FOUND UNCDF TO BE WELL TARGETED ON INCOME GENERATING PROJECTS BENEFITING THE RURAL POOR.

WE HOPE THAT AN EFFECTIVE PROGRAM SUCH AS THIS CAN BROADEN THE BASE OF ITS SUPPORTERS.

IN CONCLUDING, MR. PRESIDENT, I WOULD REPEAT OUR CONCERNS

FOR:

- REALISTIC RESOURCE EXPECTATIONS DURING THE 4TH PROGRAMMING CYCLE;
- THE NEED FOR TIGHTENING UP PROGRAM AND PROJECT QUALITY CONTROL PROCEDURES;
- THE NEED FOR SOME MECHANISM TO REVIEW PROGRAM MATTERS ON A CONTINUOUS BASIS; AND,
- OUR VIEW THAT THE UNDP ADMINISTRATOR IS ACCOUNTABLE TO THE COUNCIL FOR ASSURING THAT RESOURCES ARE USED EFFECTIVELY AND THAT CONFIDENCE IN THE PROGRAM AND THE MAINTENANCE OF DONOR CONTRIBUTIONS ARE HIGHLY DEPENDENT ON THE QUALITY OF THE SERVICES THAT UNDP DELIVERS.

I REITERATE THAT THE UNITED STATES HOLDS THE UNDP AND ITS LEADERSHIP IN HIGH REGARD. WE WISH TO COOPERATE WITH ALL REPRESENTED HERE TO HELP UNDP CONTINUE AS AN ORGANIZATION WHICH MERITS THE COMPLIANCE OF ITS MEMBERS AND WHICH MAKES A VITAL CONTRIBUTION TO DEVELOPMENT GOALS.

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1954K(MPM rev)

Jay Morris, Deputy Administrator, A.I.D.
Kansas City Rotary Club July 11, 1985

WHY FOREIGN AID?

IT'S BEEN SAID THAT THE TROUBLE WITH A PERSON WHO STARTS TO DESCRIBE THEIR RECENT OPERATION IS THAT THEY NEVER SEEM TO KNOW WHEN TO STOP.

I'M AFRAID THIS ALSO MAY BE TRUE FOR THOSE OF US AT THE AGENCY FOR INTERNATIONAL DEVELOPMENT. BECAUSE IT'S SUCH AN INTERESTING PLACE TO WORK, THERE'S ALWAYS THE TEMPTATION TO TELL FOLKS MORE THAN THEY REALLY WANT TO KNOW.

REALIZING THAT, I PROMISE I'LL TRY TO AVOID THE TEMPTATION TO GO 'OVERBOARD' ON DETAILS. I DO BELIEVE, HOWEVER, THAT AS AMERICANS YOU DO HAVE A 'NEED TO KNOW:'

- WHAT YOUR GOVERNMENT IS DOING IN FOREIGN AID;
- HOW IT ALL BEGAN;
- WHY IT'S IMPORTANT;
- HOW IT'S BEING ADMINISTERED;
- THE RESULTS AND BENEFITS WE'RE GETTING, IF ANY; AND,
- WHAT OUR PLANS ARE FOR THE FUTURE.

(PAUSE - SHIFT)

THE FIRST THING I WANT YOU TO KNOW (IF YOU DON'T ALREADY!) IS THAT A.I.D. ADMINISTERS MOST OF THE NON-MILITARY, FOREIGN ECONOMIC ASSISTANCE PROGRAMS OF OUR GOVERNMENT.

IT HAS ITS ROOTS IN THE POST-WORLD WAR II EUROPEAN RECOVERY PROGRAM KNOWN AS THE "MARSHALL PLAN." IN HIS 1949 INAUGURAL ADDRESS, PRESIDENT TRUMAN EXPANDED THIS BY OUTLINING FOUR POINTS WHICH HIS ADMINISTRATION HOPED TO ACCOMPLISH. THE FOURTH POINT WAS A PROGRAM TO PROVIDE TECHNICAL ASSISTANCE TO TAIWAN, SOUTH KOREA, INDOCHINA, AND THE LESS DEVELOPED COUNTRIES IN EUROPE AND THE MIDDLE EAST. THUS, IT BECAME KNOWN AS "POINT FOUR."

IN 1954, UNDER THE EISENHOWER ADMINISTRATION, IT WAS SUPPLEMENTED BY THE FOOD FOR PEACE ACT. EVER SINCE THEN, AMERICA'S AGRICULTURAL ABUNDANCE HAS BEEN USED TO FEED THE HUNGRY OF THE WORLD. I THINK IT'S INTERESTING TO NOTE THAT THIS PROGRAM HAS PROVIDED OVER 650 BILLION POUNDS OF FOOD TO PEOPLE IN OVER 100 COUNTRIES.

THEN, IN 1961, A.I.D. WAS ESTABLISHED BY PRESIDENT KENNEDY TO COORDINATE AND EXPAND THESE EFFORTS. AT A.I.D., OUR JOB IS TO HELP THE PEOPLE OF THE LESS DEVELOPED WORLD HELP THEMSELVES TO A BETTER LIFE AND TO REALIZE THEIR FULL POTENTIAL AS PRODUCTIVE, HEALTHY HUMAN BEINGS.

WHY ARE WE DOING THIS? WELL, THE TRUTH IS WE'RE DOING THIS FOR SEVERAL REASONS.

AMERICANS HAVE ALWAYS BEEN A CARING AND GENEROUS PEOPLE. THIS IS AS TRUE TODAY AS EVER -- YOU'VE WITNESS THE MASSIVE FOOD SUPPLIES WE'RE PROVIDING TO THE VICTIMS OF FAMINE IN AFRICA FOR EXAMPLE. (PERSONAL EXPERIENCE - ETHIOPIA)

WE'RE ALSO MOTIVATED BY OUR FOREIGN POLICY OBJECTIVES. IF THE TRUTH BE KNOWN, THE FACT IS THAT THE SECURITY AND ECONOMIC PROSPERITY OF THE UNITED STATES IS CLOSELY LINKED TO THE SOCIAL, POLITICAL, AND ECONOMIC DEVELOPMENT OF THIRD WORLD COUNTRIES. AND THUS, WE'RE HELPING OTHERS BECAUSE THEY NEED IT -- AND -- BECAUSE IT'S IN OUR INTEREST TO DO SO.

HOW MANY TIMES HAVE YOU HEARD SOMEONE SAY-- "WITH ALL THE NEEDS WE HAVE 'RIGHT HERE AT HOME' WHY ARE WE SENDING ALL THIS FOREIGN ASSISTANCE TO COUNTRIES ON THE OTHER SIDE OF THE WORLD?"

WELL, THERE'S NO QUESTION THAT OUR FIRST RESPONSIBILITY AS A GOVERNMENT IS OBVIOUSLY TO OUR OWN CITIZENS. FOR EXAMPLE, THE 1984 BUDGET FOR THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES WAS OVER \$292 BILLION...THAT'S 34 PERCENT OF THE TOTAL U.S. GOVERNMENT BUDGET--IT IS THE EQUIVALENT OF THE THIRD LARGEST BUDGET OF ANY COUNTRY IN THE WORLD.

IN CONTRAST, HOWEVER, TOTAL OUTLAYS FOR ALL FOREIGN ECONOMIC ASSISTANCE IN 1984 WAS LESS THAN 1 PERCENT OF THE TOTAL FEDERAL BUDGET. SO, I'D SAY OUR PRIORITIES ARE STRAIGHT.

THESE AID FUNDS SUPPORT SOME 1,500 DEVELOPMENT ASSISTANCE PROGRAMS IN ABOUT 70 COUNTRIES: INCLUDING, THE FOOD FOR PEACE PROGRAM; REFUGEE ASSISTANCE; THE PEACE CORPS; OUR SHARE TO MULTINATIONAL DEVELOPMENT BANKS; AND, ECONOMIC SUPPORT FUNDS TO COUNTRIES SUCH AS ISRAEL AND EGYPT.

ALL THIS FOR LESS THAN 1 PERCENT OF THE TOTAL U.S. BUDGET.

AND WHEN YOU ADD BOTH ECONOMIC AND MILITARY FOREIGN ASSISTANCE TOGETHER, IT COMES TO ABOUT ONE AND A HALF PERCENT OF THE TOTAL FEDERAL BUDGET.

NOW, NO ONE -- LEAST OF ALL ME -- WOULD DENY THIS IS STILL A GREAT DEAL OF MONEY. NONETHELESS, I AM ABSOLUTELY CONVINCED IT IS A GOOD INVESTMENT IN THE ECONOMIC STABILITY, PEACE AND PROGRESS OF AMERICA'S NEIGHBORS. IT'S ALSO RELEVANT TO NOTE THAT 70 CENTS OUT OF EVERY DOLLAR WE SPEND IS SPENT ON U.S. GOODS AND SERVICES. AN AWFUL LOT OF WHAT WE PROVIDE PROTECTS U.S. JOBS AND EXPORTS.

(PACE OUT)

OUR ASSISTANCE PROGRAM IS ALSO ALSO A GOOD INVESTMENT IN OUR OWN SECURITY.

LET ME TELL YOU HOW.

TO BEGIN WITH I NEEDN'T DWELL ON THE FACT THAT DEVELOPMENTS IN A NUMBER OF COUNTRIES IN CENTRAL AMERICA, THE MIDDLE EAST, AND AFRICA, HAVE MADE US PAINFULLY AWARE OF JUST HOW MUCH OUR SECURITY DEPENDS ON WHAT HAPPENS ELSEWHERE IN THE WORLD.

AND, AS I SAID, OUR OWN ECONOMIC WELL-BEING IS ALSO HEAVILY DEPENDENT ON GOOD RELATIONS WITH THESE COUNTRIES. FOR EXAMPLE:

- THIRD WORLD COUNTRIES ARE THE CUSTOMERS FOR 40 PERCENT OF OUR EXPORTS. THAT'S MORE THAN ALL OF WESTERN EUROPE, AND FOUR TIMES AS MUCH AS JAPAN.
- OVER A MILLION U.S. JOBS ARE DEPENDENT ON EXPORTS TO THE LESS DEVELOPED WORLD;

- THESE NATIONS REPRESENT A MARKET FOR 36 PERCENT OF OUR AGRICULTURAL PRODUCTS;
- AND, WE ALSO NEED THE STRATEGIC MATERIALS THEY PROVIDE.
- FOR EXAMPLE, WE GET MORE THAN HALF OUR TUNGSTEN, BAUXITE, TIN, AND COBALT FROM THEM. THESE ARE ALL VITAL TO OUR NATIONAL DEFENSE.

SO, YOU SEE, THE PROSPERITY, STABILITY, AND FREEDOM OF THESE PEOPLE ARE REALLY VITALLY IMPORTANT TO US.

LET ME GIVE YOU JUST ONE EXAMPLE OF WHAT I MEAN. THE AFRICAN NATION OF ZAIRE IS ONE OF THOSE COUNTRIES "ON THE OTHER SIDE OF THE WORLD" WE KNOW SO LITTLE ABOUT. WHAT POSSIBLE INTEREST COULD WE HAVE IN ASSISTING ZAIRE? WELL, ZAIRE HAPPENS TO BE OUR MAJOR SUPPLIER OF COBALT - 52% TO BE EXACT. COBALT IS A CRITICAL COMPONENT OF THE HEAT AND STRESS-RESISTANT ALLOYS NECESSARY TO THE CONSTRUCTION OF JET ENGINES. SO, THE NEXT TIME YOU SEE AN F-16 JET FIGHTER OR A BOEING 747 FLYING OVERHEAD, YOU'LL UNDERSTAND WHY AN AFRICAN COUNTRY LIKE ZAIRE IS SO IMPORTANT TO THE DEFENSE AND TRANSPORTATION NEEDS OF AMERICA.

(PAUSE - SHIFT)

THE REAL WORLD DEMANDS THAT THE MEANS OF ACHIEVING THESE GOALS KEEP PACE WITH CONSTANTLY CHANGING INTERNATIONAL CONDITIONS. THE POST-WAR PROBLEMS OF WESTERN EUROPE WERE OBVIOUSLY DIFFERENT FROM THOSE IN TODAY'S AFRICA.

THAT'S WHY WHEN THIS ADMINISTRATION CAME INTO OFFICE MORE THAN FOUR YEARS AGO, WE MADE A CAREFUL ASSESSMENT OF AID PROGRAMS AND POLICIES THEN IN EFFECT. WE EXAMINED WHAT WAS WORKING--AND, WHAT WAS NOT. THOSE DEVELOPMENT PRACTICES THAT WERE VALID IN TODAY'S TERMS WERE RE-CONFIRMED. OTHERS WERE MODIFIED. AND THOSE THAT WERE FOUND TO BE IMPRACTICAL WERE ELIMINATED I ASSURE YOU.

I'D ALSO POINT OUT THAT OVER THE PAST FOUR YEARS, THIS MOST CONSERVATIVE OF PRESIDENTS, HAS INCREASED THE A.I.D. BUDGET OVER \$3 BILLION. I'M SURE, KNOWING HIM AS YOU DO, YOU WOULD AGREE HE MUST HAVE HAD GOOD REASONS FOR DOING SO. WELL, HE DID. AND ONE OF THEM IS THAT WE'VE CUT THE FAT OUT OF THE SYSTEM.

AS MANAGERS WE KNOW BUREAUCRACIES ARE BORN TO BLOAT.

TEN YEARS AGO, A.I.D. HAD 17,000 PEOPLE. NOW, IT HAS LESS THAN 5,000.

1,000 JOBS HAVE BEEN CUT IN THE LAST FOUR YEARS. 250 MORE ARE BEING ELIMINATED OVER THE NEXT 12 MONTHS. WE'RE NOW DOWN TO BARE BONES I ASSURE YOU AND WE INTEND TO STAY THAT WAY. IN FACT, NEXT YEAR'S OPERATING BUDGET (STAFF SALARIES, TRAVEL AND THE LIKE) IS LOWER THAN THIS YEAR'S. THERE WAS SOME FAT EARLIER, BUT THERE ISN'T ANY LEFT NOW. IN FACT, ANY MORE CUTS WOULD REALLY ENDANGER OUR ABILITY TO ADEQUATELY MANAGE YOUR MONEY.

THIS PROCESS OF EVALUATION AND BELT-TIGHTENING CONTINUES TO THIS DAY -- AND WILL GO ON AS LONG AS THE COUNTRY NEEDS A FOREIGN ASSISTANCE PROGRAM. BUT, FOR THE MOMENT, WE'VE DECIDED TO RESTRUCTURE OUR APPROACH TO ECONOMIC DEVELOPMENT AROUND FOUR BASIC POLICIES OR PILLARS.

1. THE FIRST IS WHAT WE CALL POLICY DIALOGUE AND REFORM: NOW WHAT THIS MEANS IS WHEN OUR HELP IS REQUESTED, WE WORK WITH A COUNTRY'S LEADERS TO IMPLEMENT POLICIES THAT WILL ALLOW OUR ECONOMIC DEVELOPMENT ASSISTANCE TO SUCCEED. WE DON'T FORCE OUR IDEAS ON THEM. WE CAN'T. WE DO FEEL OBLIGATED, HOWEVER, AS PRESIDENT REAGAN HAS POINTED OUT, TO MAKE IT CLEAR THAT NO NATION CAN ACHIEVE PROSPERITY WITHOUT ECONOMIC FREEDOM. FOR EXAMPLE, WE KNOW THAT FARMERS MUST HAVE THE FREEDOM TO SELL THEIR PRODUCTS AT MARKET PRICES RATHER THAN AT SOME ARTIFICIALLY LOW PRICE IMPOSED BY THE GOVERNMENT TO PROVIDE CHEAP FOOD FOR CITY DWELLERS. THUS, WHERE POSSIBLE, WE WORK CLOSELY WITH GOVERNMENTS TO IMPLEMENT POLICIES THAT PERMIT FREE AND OPEN MARKETS TO EXIST. WE'VE EXPERIENCED SOME GOOD RESULTS IN THIS AREA BY THE WAY.
FOR INSTANCE:

- SIXTEEN AFRICAN COUNTRIES HAVE SUBSTANTIALLY INCREASED PRICES TO FARMERS TO PROVIDE INCENTIVES TO GROW MORE AND BETTER CROPS. IN THIS WAY WE HOPE TO PREVENT FAMINE IN THE FUTURE.
 - A.I.D. ALSO WORKED WITH THE GOVERNMENT OF BANGLADESH TO HELP THEM MOVE THEIR FERTILIZER DISTRIBUTION SYSTEM COMPLETELY OUT OF GOVERNMENT BUREAUCRACIES AND INTO THEIR PRIVATE SECTOR. AS A RESULT, OVER 45,000 BANGLADESHI BUSINESSMEN ARE NOW GETTING FERTILIZER INTO THE HANDS OF SMALL FARMERS.
 - EVEN SUCH SOCIALIST COUNTRIES AS GUINEA, GHANA, MADAGASCAR, AND OTHERS, ARE SHOWING A WILLINGNESS TO MOVE A NUMBER OF ECONOMIC ACTIVITIES FROM GOVERNMENT CONTROL TO THE PRIVATE SECTOR WHERE THEY BELONG.
2. OUR SECOND POLICY DEALS WITH THE TRANSFER OF WHAT WE CALL APPROPRIATE TECHNOLOGY, THAT IS TECHNOLOGY FOLKS CAN USE IN THEIR DAILY LIVES. TWO PROGRAMS, IN PARTICULAR, YOU SHOULD KNOW ABOUT. ONE, IS TO USE U.S. UNIVERSITIES, THE AGRIBUSINESS INDUSTRY, AND THE U.S. PRIVATE SECTOR GENERALLY IN THE RESEARCH AND DEVELOPMENT OF TECHNOLOGIES THAT THESE COUNTRIES NEED--AND CAN USE. THE OTHER, IS TO HELP BUILD WITHIN THE COUNTRIES THEMSELVES THE ABILITY TO CONDUCT THEIR OWN RESEARCH, DEVELOPMENT AND DISTRIBUTION OF TECHNOLOGY. BOTH OF THESE APPROACHES ARE WELL UNDERWAY THROUGHOUT THE WORLD.

3. OUR THIRD POLICY OR PILLAR STRESSES THE NEED TO BUILD OR STRENGTHEN INSTITUTIONS WHICH SERVE THE REAL NEEDS OF THE COUNTRY. THESE INCLUDE EVERYTHING FROM FARMER-OWNED COOPERATIVES TO CREDIT UNIONS AND EVEN LOCAL SCHOOL BOARDS. IN THIS WAY, WE BUILD DEMOCRACY AS WELL AS ECONOMIC DEVELOPMENT.

4. THE FOURTH POLICY POINTS TO THE ABSOLUTE NEED FOR A STRONG PRIVATE SECTOR AND RELIANCE ON MARKET FORCES. THERE ARE MANY THINGS WHICH GOVERNMENT CANNOT DO, OR SHOULD NOT DO. (PAUSE) BECAUSE IT CANNOT DO THEM WELL. WE REJECT THE IDEA THAT GOVERNMENT IS THE SOLE, OR, BEST INSTRUMENT FOR DELIVERING GOODS AND SERVICES UNDER ALL CONDITIONS.

IF DEVELOPMENT IS TO WORK, THERE MUST BE ROOM FOR THE PRIVATE SECTOR TO ACT AS AN ENGINE FOR GROWTH. I'VE ALREADY MENTIONED THE BENEFITS IN BANGLADESH THAT CAME WITH THE PRIVITIZING OF FERTILIZER SALES THERE. FROM THE OTHER SIDE OF THE WORLD -- IN PANAMA -- COMES YET ANOTHER EXAMPLE.

NOW, THE PROBLEM THERE WAS THERE SIMPLY WEREN'T ENOUGH JOBS. THE SOLUTION: A.I.D. HELPED PANAMA ADOPT POLICIES FAVORABLE TO PRIVATE FOREIGN INVESTMENT. A PANAMANIAN INVESTMENT COUNCIL WAS FORMED IN 1983. WE HELPED IT DEVELOP MARKET RESEARCH AND SALES CAPABILITIES. WE BORROWED IDEAS USED SUCCESSFULLY BY

NEARLY EVERY CITY IN AMERICA TO LURE INVESTMENT AND BUSINESS AS I'M SURE YOU'VE DONE RIGHT HERE IN _____ . BUT, IT WAS A BRAND NEW IDEA IN PANAMA...AND IT WAS AN IDEA THAT WORKED. SINCE OCTOBER '83, NINE INVESTMENT PROJECTS HAVE CREATED OVER 1,000 NEW JOBS... AND, MORE ARE ON THE WAY.

THE KEY WAS GOVERNMENT POLICIES THAT GAVE INCENTIVES TO PRIVATE BUSINESSES FROM THE FAR EAST, OTHER LATIN COUNTRIES, THE U.S. AND EUROPE TO LOOK TO PANAMA FOR OPPORTUNITIES.

(PAUSE)

WE'VE LEARNED THAT DEVELOPING NATIONS WHICH LACK FREE ENTERPRISE SYSTEMS INVITE POLITICAL UNREST. ON THE OTHER HAND, THOSE THAT HAVE STRONG PRIVATE SECTORS ACHIEVE FASTER AND MORE SUSTAINED ECONOMIC GROWTH. SOUTH KOREA, TAIWAN, SINGAPORE, AND BRAZIL ARE PROOF OF THAT.

INDEED, AS YOU'VE READ IN RECENT NEWS STORIES, THAT MESSAGE HASN'T BEEN LOST EVEN ON MAINLAND CHINA WHERE DECISIONS ARE NOW BEING MADE TO STRENGTHEN INDIVIDUAL INCENTIVES AND PERMIT A FREER MARKET-PLACE.

THESE FOUR PRINCIPLES--POLICY DIALOGUE AND REFORM;
DEVELOPMENT AND TRANSFER OF APPROPRIATE TECHNOLOGY; INSTITUTION
BUILDING; AND GREATER RELIANCE ON THE PRIVATE SECTOR NOW

PROVIDE THE BASIS FOR OUR DEVELOPMENT PROGRAMS IN THIRD WORLD COUNTRIES. THEY'RE SERVING US WELL. THEY'RE SERVING THESE NATIONS AND THEIR PEOPLE WELL, TOO.

(TRANSITION)

FOR THE FORESEEABLE FUTURE, THE UNITED STATES HAS AN IMPORTANT ROLE TO FULFILL THROUGHOUT THE DEVELOPING WORLD. THAT ROLE IS TO HELP PEOPLE HELP THEMSELVES. WHAT WE'RE REALLY TRYING TO DO IS GIVE THEM A HAND UP RATHER THAN A HAND OUT.

IN THE WORDS OF A.I.D. ADMINISTRATOR, PETER MCPHERSON, "ALL THE WORLD SHOULD KNOW THAT IN THIS ROLE WE SEEK FRIENDS, NOT EMPIRES; (PAUSE) PARTNERS IN DEMOCRACY, NOT DEPENDENTS."

NOW THERE'S EVERY REASON FOR THE SOVIETS TO FEAR THE US FOREIGN ASSISTANCE PROGRAM. IT IS WE, NOT THEY, THAT ARE THE TRUE EXPORTERS OF REVOLUTION. IT IS OUR IDEAS AS MUCH AS OUR MILITARY STRENGTH THAT MAKES US SO POWERFUL AN ADVERSARY FOR THEM. WE BELIEVE IN FREEDOM - INDIVIDUAL FREEDOM - THE RIGHT OF A PERSON TO USE HIS OR HER INITIATIVE AND ENERGY AS HE OR SHE SEES FIT. WE BELIEVE IN INCENTIVES - IN EXPORTING THE ENTREPRENEURIAL SPIRIT - TO PROVIDE GROWTH AND, THROUGH GROWTH - JOBS - AND THROUGH JOBS, THE WHEREWITHAL TO MEET BASIC SOCIAL NEEDS AND CREATE POLITICAL STABILITY. IN FACT, WHAT WE'RE REALLY ABOUT IS EXPORTING AN ENTREPRENEURIAL REVOLUTION.

(PAUSE)

IN THIS WAY, WE'LL INOCULATE AGAINST THE DISEASE OF COMMUNISM WHICH SO EXPLOITS THE DESPAIR THAT COMES FROM LACK OF OPPORTUNITY. NO WONDER THEY FEAR US SO. WHAT COULD MORE BE THREATENING TO A TOTALITIAN SYSTEM THAN THE MESSAGE OF INDIVIDUAL FREEDOM.

(BIG PAUSE)

YOU KNOW, IN THIS EFFORT WE REALLY HAVE NO CHOICE ANYWAY. EVEN IF WE WANTED TO, WE CAN'T SHRINK FROM OUR GLOBAL RESPONSIBILITIES WITHOUT GRAVE RISKS TO OUR OWN ECONOMIC AND MILITARY SECURITY. FOR BETTER OR FOR WORSE, AMERICA HAS BEEN CHOSEN BY DESTINY OR FATE TO BE THE LEADER OF THE FREE WORLD. LEAD WE MUST. LEAD WE WILL. AND FOREIGN ASSISTANCE / IS AN ESSENTIAL TOOL / IN MEETING THAT MANDATE.

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THESE ARE THE MESSAGES TO THE RADIO SOCIAL

NATIONAL RESEARCH COUNCIL SEMINAR
M. PETER MCPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

September 20, 1985

I am very pleased that Frank Press, Bob White, and Fred Robbins have given me this opportunity to share with you some thoughts on the role of science and technology in international development.

I would like to tell you about what A.I.D. is doing and to enlist your support.

At the Agency for International Development we have identified the generation and transfer of improved technologies as one of the "cornerstones" of our program.

Science and technology have been a major factor in America's economic prosperity. Our world leadership in science and technology today gives us a special advantage, and a responsibility, to help less-favored countries find solutions to the pressing problems that constrain their growth. However, the problems are many. No one organization, or even one donor country, can address them all.

A.I.D. is focusing on research, development and transfer of technology in a few selected areas of greatest need:

Let me just mention the areas of our principal focus:

- food and agriculture;
- forestry -- fuelwood production and use;
- biomedical research and development on major tropical diseases; and,
- family planning methods.

I believe the results of these efforts will have an important impact in the years to come.

Although I believe that U.S. scientists and laboratories are the best in the world, these problems cannot be solved by any one country working in isolation.

We all know that to come up with lasting solutions that fit local needs, research must involve continuing cooperation with scientists in the countries where the problems are found.

Thus, the process of research to develop new technologies is also an effort to strengthen scientific institutions in the developing countries. Indeed, the ultimate goal of our support and cooperation is to lay the foundation for genuine self-reliance. This approach proved effective in the Green Revolution of the 1960s and 1970s which enabled Asia and Latin America to become largely self-reliant in food. We at the Agency for International Development are committed to a long-term effort to bring about a comparable green revolution for Africa.

We all, of course, recognize that the current food crisis in Africa is not just a temporary problem that can be solved by humanitarian food aid alone. Rather, it is a continuing problem which will require improved technologies to increase agricultural productivity.

Agricultural technologies are usually location-specific and sensitive to agro-ecological and socio-economic environments of the farmers who use them. History has shown that a country must first establish its own research capacity in agriculture in order to do two things: (1) to gain access to advances in knowledge from the global scientific community; and, (2) to embody that knowledge in the technology suited to its own resource and cultural endowments. When one asks, "why put more money into agricultural research in Africa?", the clear answer is that strong support for agricultural research is necessary to promote African development.

Some progress has already been made to provide products which could stimulate a green revolution for rainfed areas of the world, and especially sub-Saharan Africa. Scientists at international agricultural research centers based in Africa have followed the paths taken by centers in Asia and Latin America.

Already, through cooperative work among scientists, superior varieties of sorghum, millet, cassava, dry beans, potatoes, sweet potatoes and lentils are beginning to appear. Not only do these varieties have higher yield but they are more drought tolerant and resistant to insect pests and diseases.

For example: In Sudan, a hybrid variety of sorghum has been developed that produces 150 percent over traditional yields and is more drought-resistant as well.

In West Africa, the International Institute for Tropical Agriculture has developed a cowpea (sometimes called the black-eyed pea) which grows in 60 days instead of the usual 90 to 100 days. Farmers are so anxious to have the seeds that the plants are frequently stolen from the research center.

But the job of providing superior genetic materials has only begun.

A.I.D. has developed a plan to strengthen the contribution of agricultural science and technology in Africa. The plan focuses on countries and commodities that will most effectively use our Agency's financial and human resources. We are committing 20 to 25 years of continuous support. Only with such focus and long-term commitment is it possible to build a research and human capital base which can achieve the desired results. The World Bank has taken the lead in encouraging other donors to support this plan.

Our plan calls for strengthening national agricultural research systems in some eight selected African countries.

We will support the formation of "research networks" linking the eight countries with neighboring countries in order to strengthen adaptive research throughout Africa.

In addition, we will provide long-term assistance to, initially, four to six schools of agriculture in selected African countries.

This agriculture research strategy is a good example of the approach that A.I.D. is taking to science and technology worldwide. It includes:

- selectivity;
- focus,
- long-term commitment; and,
- attention not only to the products of research but also to institution-building as part of the research process.

Now I'd like to talk about one research avenue that I believe can speed the process of achieving improved technologies to meet the food, health, and energy needs of developing countries. It is the new set of research tools known as "biotechnology."

A.I.D. is starting a major new biotechnology research program which will seek new controls or diagnostics for selected plant and animal diseases and ways to increase the tolerance of crops to environmental stresses.

In human health, genetic engineering technology has put A.I.D. on the threshold of developing a prototype vaccine against malaria. Fifty-nine percent of the world's population is exposed to malaria, and it produces over 225 million cases a year.

Last year, I announced a major breakthrough in malaria vaccine research. Drs. Ruth and Victor Nussenweig and their colleagues at New York University have demonstrated the capability to produce a vaccine against the mosquito stage of the most deadly form of human malaria (P. Falciparum). I am proud to say that human trials with this product will begin shortly.

Additionally, these two researchers have succeeded in preparing a prototype vaccine against the most common type of malaria, which causes the relapsing form of the disease (P. Vivax).

In April, the Agency held a meeting with Asian scientists to select sites for field testing the malaria vaccines. Similar meetings are planned for Latin America and Africa.

What we have here is the fruit of long-term research that A.I.D. started in 1966 and has supported ever since. Relatively small amounts were being spent each year until 1982, at which time we dramatically increased the dollars going in. The project is now funded at \$7 to \$8 million a year. We will be increasing this amount to help with the clinical trials.

More needs to be done -- but we have "stayed the course" thus far, and we intend to go all the way.

We are also working on other vaccines in our health program.

Last year, A.I.D. signed an agreement with the U.S. Public Health Service to develop new and improved vaccines for other preventable diseases that plague third world countries.

The first two vaccines to be tested under this program are:

1. An Aerosol measles vaccine, developed by Dr. Albert Sabin, which is expected to protect children as young as six months; and...
2. A vaccine against (rotavirus) diarrhea, one of the most common causes of death among children in the third world.

We at A.I.D. endorse and support the efforts of developing countries to conduct and enjoy the fruits of cutting-edge research. At the same time, we continue support for research and development on very simple technologies that do work.

One example is oral rehydration therapy, an inexpensive treatment for diarrhea. It has been found through systematic research, that a simple solution of salts and sugar mixed with water can be fed to the child at home. It helps the body to retain fluid while the system is fighting off the illness.

However, oral rehydration therapy is still not as available as it should be. One reason is poor distribution systems. Another is cost. However, we're working on ways to reduce the cost even further. Moreover, we're creating mass media campaigns to inform and educate mothers about ORT; and, developing packages of ORT which can be mixed in containers commonly found at home.

This is not glamorous research, but it can help to save millions of lives every year.

What I have just described is, obviously, not an inventory of A.I.D.'s science and technology program, by any means. Rather, I have selected a few examples as indicators of where A.I.D. is going in science and technology for development and what we hope can be achieved.

We have been very fortunate in having a strong ally in the National Academy of Sciences. The Academy has given A.I.D. invaluable expert advice on research directions and priorities.

Under A.I.D.'s Program for Scientific and Technical Cooperation to fund innovative research, the National Academy of Science has a grant to identify untapped resources of potential value, and to establish networks of research institutions in less developed countries in six selected topic areas. These networks have involved a large number of scientists from developing countries.

Frank and I are co-hosts of a luncheon seminar series on Science and Technology for Development, jointly sponsored by the National Academy of Sciences and the Agency for International Development. This past year we held a half dozen seminars exploring two themes as they relate to economic development -- biological diversity and biotechnology.

The purpose of these seminars is to raise the consciousness of policy makers in government and in other organizations interested in development. Because science and technology activities take years to bear fruit, support from the public and from policy makers is vital.

Where does all this lead?

As developing countries become stronger in their scientific capacity, we are able to enter into new bilateral cooperative arrangements with them. Three countries in which A.I.D. has new S&T agreements underway are India, Thailand, and Egypt. All of these countries have benefited from sustained U.S. support for building up their scientific infrastructure.

Now the payoff is at hand.

Under the new bilateral S&T agreements, these countries' scientific institutions will be working in partnership with American institutions on development problems. The solutions they find may be relevant to other countries as well.

Thus, these countries are making the transition from "recipients" of technology to creators and suppliers.

This gratifying outcome can be repeated in more countries if we have the will, patience, and vision to commit support for the long haul.

I can think of no other cause in international development more worthy of joint support from the U.S. government and American foundations.

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REMARKS
M. PETER McPHERSON, ADMINISTRATOR
WORLD FOOD DAY
PRESS CONFERENCE
October 15, 1985

The purpose of World Food Day is two-fold.

It is to honor people and institutions which have made significant contributions to the alleviation of world hunger.

It also helps fulfill the objective of promoting greater public understanding of the problem of hunger and its solution.

The award winners result from many nominations by thousands of individuals and organizations involved in hunger issues.

The panel of judges consists of distinguished representatives of the corporate, academic, media, and international development community sectors.

The recommendations of the judges were presented to President Reagan. and he made the final decision.

There are six categories this year, plus a special awards category.

The winner of the Educator/Scientist category is -- Dr. Norman Borlaug.

Dr. Borlaug is the Director of Wheat Research and Production Program of the International Maize and Wheat Improvement Center. He was awarded the Nobel Prize in 1970 as a principal in the research which lead to the Green Revolution. He has been a member of the Presidential Commission on World Hunger. He is currently serving on several international boards formed to address the issue of hunger.

The winner of the corporate category is -- Land O'Lakes, Incorporated.

Land O'Lakes has made a great contribution to the hunger issue by making its food and agriculture technology, management 'know-how,' and products available to help solve hunger problems in many developing countries.

Representing Land O'Lakes today is Dr. Lavern Freeh.

The winner of the Government/Legislative category is -- Senator John Danforth.

The Senator from the 'Show Me' state of Missouri has always 'Shown America' his outstanding leadership in finding solutions to the problems of world hunger. Especially important have been his successful efforts in Congress to obtain hundreds of millions of dollars for aid to the hungry of the world. Also outstanding is his work for private, voluntary organizations; the Peace Corps; and, world agencies supplying food and development aid to the impoverished of many nations.

In the celebrity category -- Mr. John Denver.

I think we all know of John's long commitment and active participation in the hunger issue. Since 1977, he has brought attention to world hunger matters through his actions and music. In 1984 he traveled to Africa and brought back his assessment of the seriousness of the famine. Following that, he has given generously of his time and first-hand knowledge to raise public awareness of the famine through countless media interviews.

In the category for Private and Voluntary Organizations and Cooperatives, the winner is -- CARE.

With its 35 country programs -- including 17 in Africa -- CARE has been a leader in development education as well as providing effective assistance to the people of the world in their times of greatest need. For example, CARE efficiently delivered close to one hundred thousand tons of food to over 700,000 refugees in thirty-five emergency camps in Somalia this year.

Representing CARE is Executive Director Philip Johnston.

The award winner for outstanding individual achievement is -- Brad Morse.

Mr. Morse Brad is the Administrator of the United Nations Development Program and Director of the United Nations Office for Emergency Operations in Africa. He was nominated for his work in 1984 as Director of the U.N. Office for Emergency Actions in Africa and for his life-long commitment to end hunger. Mr. Morse has been involved in all aspects of development. He served as an outstanding member of congress from the state of Massachusetts for many years. During that time he contributed significantly to the fight against hunger.

This year there is a Special Awards category. There are three winners whose outstanding efforts have done much to raise the awareness of the American people -- and the people all over the world. The effort has been to bring attention to the great need in Africa. Their work and talent is a wonderful example of how the people of the world can work together to end hunger.

There are three winners:

USA for Africa. Accepting the award on behalf of the group is Marty Rogol.

Next, The Live Aid Foundation.

Here to accept on behalf of Live Aid Trust is David Fein producer of the live aid information segment visual, and Anselm Rothschild, production coordinator.

And, The Band Aid Trust.

Here to accept on behalf of Band Aid Trust is Father Harold Bradley of Georgetown University.

On behalf of President Reagan, congratulations to all of the winners of the 1985 World Without Hunger awards.

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REMARKS

M. PETER McPHERSON, ADMINISTRATOR

WORLD FOOD DAY

BERENDZEN DINNER

October 15, 1985

The events of the past year have shown us once again how small the world has become.

The miracle of instant, global communications has brought the suffering of Africa -- especially the children -- into our homes and hearts as never before.

Those same global communications have brought the words and songs of hope into the front room of millions.

We have been reminded that indeed, "we are the world."

Whether we're desert nomads or Iowa farmers, we depend on each other for our lives and futures.

Millions of people in sub-Saharan Africa were -- and are -- in need.

Millions of people in America have responded -- and are responding.

We can be proud of what has been done.

During the past year, the United States has approved a total of over three million metric tons of food valued at more than one billion dollars for the hungry of Africa.

The American people have given \$143 million to 34 private, voluntary organizations.

Added to that is \$62 million given by Americans in response to the Live Aid and USA for Africa events.

Children, adults, corporations, the news media -- the whole cross-section of American society -- worked together with the African people. Thousands -- even millions -- of lives have been saved.

The work goes on.

More than ever, we need the focus of global communications and the spirit of cooperation to attack and solve the long-term problems of agriculture and economic development in the poor nations of the world.

The 1985 World Without Hunger award winners, announced this morning, have shown us the way.

All of us are better for their work and dedication.

All of us live in a better world because of them.

Dr. Norman Borlaug; Senator John Danforth; Bradford Morse; John Denver; CARE; Land O'Lakes; and, USA for Africa, The Live Aid Foundation, and The Band Aid Trust...

Thank you from our hearts.

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REMARKS BY
M. PETER MCPHERSON, ADMINISTRATOR
WORLD FOOD DAY
USDA PATIO CEREMONY
October 16, 1985

World Food Day has taken on special significance this year.

The famine in Africa is a grim reminder of the urgent need to develop the means to bring an end to hunger in the world.

Yesterday, on behalf of President Reagan, I was honored to present the annual World Without Hunger awards.

They were won by people who have been doing outstanding work in the effort to end hunger. People like....

Dr. Norman Borlaug -- Nobel Prize winner and Green Revolution leader;

Senator John Danforth -- a strong voice in Congress for the hungry of the world;

John Denver -- who has successfully combined his musical career with his work to raise public awareness of hunger issues;

Brad Morse -- the Administrator of the United Nations Development program who has devoted a life-time to ending poverty and hunger;

Land O'Lakes, Incorporated -- which has taken a strong corporate leadership position in finding solutions to world hunger;

CARE -- which provides a standard of excellence for all private voluntary organizations; and,

three special award winners this year....

Live Aid, Band Aid, and USA for Africa.

These people and organizations are an inspiration to all of us. But there are others that should be recognized.

For example, the American farmer, whose great productivity supplied the food that has saved literally millions from famine this year.

For that matter, all Americans can be proud of the action of their country on behalf of the hungry of Africa.

During the past year, the United States has approved more than three million metric tons of food valued at more than one billion dollars for the people of Africa.

Sixty-two million dollars was given by Americans in response to the Live Aid and USA for Africa events.

Another \$143 million was sent by Americans to 34 Private Voluntary Organizations.

I have seen the results of this giving with my own eyes.

On my trips to the hardest hit areas of Africa, I have seen thousands of children change from just skin and bones to laughing, playing youngsters with another chance at life.

The difference has been the tons of food and other supplies sent from the fields and hearts of America.

The food has traveled by ships, trains, trucks, airplanes -- even by camel caravan. It's been a huge undertaking. But the larger job of helping these people become food self-sufficient still lies ahead.

We know it can be done.

The presence of Dr. Borlaug at the Awards ceremony yesterday is living proof that a green revolution for Africa can be a reality.

As recently as the 1960's, India was considered by many as beyond hope. Hunger was everywhere. Starvation was common. Yet today in India, rice production has tripled and wheat production has increased by seven times. India is grain self-sufficient. This didn't happen by accident:

- International scientists like Dr. Borlaug developed the new 'miracle' seeds;
- price-incentive policies for farmers were implemented;

- agricultural universities were created;
- farmers adapted to the new farming methods and passed their knowledge to their neighbors;
- and there was more.

But the important thing is that it was made to happen -- and it can be made to happen in Africa.

Indeed, if the cycle of starvation is to end, it must be made to happen.

World Food Day is a time to re-dedicate ourselves to the goal of ending hunger in the world.

From experience, we know how to develop the tools of technology; the policies of incentive; and the institutional framework.

Tools must be developed and placed in the hands of those who can use them and profit by them -- the researcher, the student, the small-business man, the farmer.

It's going to take hard work and determination. A green revolution for Africa and the other food deficient regions of the world can succeed if all of us work together to make it succeed.

In the light of what has happened in Africa during the past several months -- and continues even today -- we know that we have no other choice.

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M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
ADDRESS TO
INTERNATIONAL COOPERATIVE ALLIANCE
October 16, 1985

Today is the 40th anniversary of the United Nations Food and Agriculture Organization.

Throughout the world, FAO's anniversary is honored by the observance of World Food Day.

It's a day set aside to honor people and institutions which have made significant contributions to ending world hunger.

And, it promotes greater public understanding of the problem of hunger and its solution.

Yesterday I had the honor of presenting -- on behalf of President Reagan -- the World Without Hunger awards for 1985.

I'm sure most of the names of the winners are familiar to you:

Dr. Norman Borlaug, the research leader of the Green Revolution and Nobel Prize winner;

Senator John Danforth, who has been a strong voice in Congress for the hungry of the world;

John Denver, an outstanding entertainer who has done much to publicize hunger issues among the American people;

Brad Morse, Administrator of the United Nations Development Program;

Land O'Lakes, which has taken a strong corporate leadership position in finding solutions to hunger in many parts of the world; and,

CARE, which everyone recognizes as a leader among U.S. Private Voluntary Organizations.

There were also special awards given to three organizations that have been responsible for focusing attention on the victims of famine in Africa. They are:

The Live Aid Foundation, USA for Africa, and The Band Aid Trust.

The response to the concerts and records of USA for Africa and Live Aid has been impressive. These groups have raised some \$62 million dollars for aid to Africa.

In addition, the American people have given some \$143 million to 34 Private Voluntary Organizations since the beginning of the famine relief effort.

And, the United States government has mounted -- and sustained -- the largest food relief program in Africa's history.

During fiscal year 1985, we have approved more than 3.2 million metric tons of food for Africa.

Over 1.8 million tons of that is for emergency feeding programs -- an average of more than 130 pounds per person.

In Ethiopia and Sudan alone, the abundance produced by American farmers is now feeding 9.5 million people -- a number which exceeds the entire population of my home state of Michigan (1984 census -- 9,075,000).

Nearly all of the emergency food approved has been delivered to Africa and much of it has moved through the ports.

As you can imagine, the logistics of moving this huge volume of food have been extremely complex.

For example, in Sudan: roads -- where there are roads -- are marginal to treacherous; there are never enough trucks; railroad cars and locomotives break down; roads are washed out and embankments cave in; many people are isolated in areas so remote they can't be reached by even the most rugged overland vehicles.

The United States is supplying 85% of the total emergency food to Sudan -- but it's useless until it's in the hands and stomachs of starving people.

To overcome these logistical problems in Sudan, the U.S. has contributed:

- \$4.5 million for three helicopters and transport for food drops in those remote places;
- \$5.7 million for fuel and a C-130 fuel supply plane;
- \$1.1 million for road maintenance equipment and trucks;

- Over \$11 million for ten locomotives, technical assistance, and spare parts; and,
- \$1 million for railway bed and embankment maintenance and repair.

I'm pleased to say that in spite of all the logistical problems in Sudan, we have a cooperative, internationally supported delivery system in place.

In Ethiopia, logistical problems have been complicated by periods of foot-dragging and insensitivity by the central government and its officials.

I'm convinced that it is only because of our continued pressure on the government that the delivery of food has been as successful as it has.

Much credit is due to the often heroic work of the private and voluntary organizations which are carrying out the relief efforts there.

The massive food relief effort in Ethiopia is also a testimony to the generosity of the American people. Our contribution to Ethiopian relief is equal to a full year's basic rations for two and a half million people. This is equivalent to the combined populations of Cleveland, Ohio, and Richmond, Virginia.

And it's right that we should do this.

We may have serious differences with the government of Ethiopia...but we have no differences with starving children.

I have spoken only of Sudan and Ethiopia. But for every country in sub-Saharan Africa there are stories of almost overwhelming challenges that have been met and solved.

The important thing is this; the help is being delivered and people are being fed, treated and sheltered.

It has saved hundreds of thousands -- perhaps millions -- of lives.

I've been to the feeding camps and villages. Last November in Alamata, Ethiopia, I saw hundreds of children that were just skin and bone -- like stick children, barely able to hold up their heads.

A few weeks ago, I returned to Ethiopia and Sudan. I was able to see, first hand, the progress that has been made as a result of the food we and other free world nations have sent. I saw little children in that same camp in Ethiopia who were running about, playing and laughing.

By saying this, I don't want to imply that the famine is over or the need has been met. But I can say that there has been a vast improvement since the terrible days of last winter.

The job has been enormous. It has also been successful.

However, our aid has treated only the symptoms of an economic disease -- not the causes.

The famine has been largely man-made and only partly caused by nature. The drought was the work of nature but the:

- shortsighted agricultural practices;

- the misuse of fragile lands;
- centralized government planning;
- civil disorders; and,
- government policies that discriminate against farmers in production pricing and marketing -- these were caused by man.

In most of the world, per capita food production has risen. But in Africa it has fallen each year during the past twenty years.

This trend must be reversed.

We know that it can be done.

You are all familiar with the Green Revolution that has been of such great benefit to the people of India and other areas of the world.

Well, I'm convinced that a new green revolution is not only required -- but possible -- for Africa.

It's true that there are great differences between the soil, moisture, and other conditions in India and Africa. These differences can and must be overcome.

In order to achieve our goal in Africa, these steps must be taken:

- The U.S. and other donors must continue and increase their support of the International Agricultural Research Centers and African research programs.

- Research efforts must be sharply focused on selected countries and crops where the greatest payoff can be expected;
- The 'know-how' of the private sector and American Universities must concentrate on the application of new technologies and training programs that work for Africa;
- African agricultural universities must be strengthened and research made an important part of their program;
- It is required that African governments assure the market incentives -- the profits -- that farmers must have to increase their production and adopt the new technologies;
- The governments must implement policies that reinforce a strong private sector, a tax structure that encourages savings and investment, and a greater reliance on market forces.

Even when these steps have been taken, there are no guarantees that hunger will be totally eliminated in Africa.

But, I believe that if they are implemented, the kind of mass famine Africa is suffering today will not be repeated over and over again.

What is needed is a long-term commitment of African governments and donor nations to bring an end to famine. It requires government officials and government policies that will allow people to help themselves.

This will not be accomplished in the next few months or years.

It's going to take decades of hard work, patience, and determination.

Feeding hungry people today is our immediate objective. But helping them feed themselves remains our long-term goal.

The alternative to ultimate success is the creation of conditions that can pose a threat not only to the poor of Africa, but to the social and political stability of all the world.

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REMARKS BY
M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
TO
NEWSMAKERS BREAKFAST/
INTERNATIONAL SYMPOSIUM ON DROUGHT AND DESERTIFICATION
HOWARD UNIVERSITY
October 26, 1985

I'm happy to see so many people from the media here this morning.

I feel the media have done a professional and responsible job of reporting the African famine to the American people.

The coverage given to this tragedy has drawn Americans together in support of the largest famine relief effort in the history of Africa.

During the past year, the United States government has approved more than three million tons of food valued at more than one billion dollars.

This is in addition to about \$800 million for our regular economic development assistance to African countries.

Another \$143 million in famine relief has been given by Americans to 34 Private Voluntary Organizations working in Africa.

And, \$62 million has been pledged in response to the Live Aid concert and the USA for Africa appeal.

All of this giving has had dramatic results. The famine isn't over. Emergency help is still needed. But our aid has saved thousands -- perhaps millions -- of lives.

It has been -- and continues to be -- a big job.

But an even bigger, more challenging job lies ahead. It is the long-term task of helping the people of Africa become food self-reliant. Just think what a green revolution in rain-fed areas can do for Africa.

It can be done!!

The green revolution of India and other parts of Asia gives real hope that such a revolution can succeed in Africa. Conditions and technologies will differ -- but the result can be the same.

But there must be a clear understanding of the causes of famine and the difficult steps that must be taken to end the cycle of starvation and malnutrition.

First, the causes of famine.

The drought was caused by nature...but it has been only one part of the equation of famine.

Other underlying causes have played an equally important role. They include:

- policies that discriminate against farmers in production pricing and marketing;
- inefficient, centralized government planning;
- growing population pressures;
- civil disorders;
- shortsighted agricultural practices, the misuse of fragile lands, and excessive cutting of trees for firewood.

As a result of this combination of factors, African per-capita food production has fallen each year during the past twenty years.

In order to reverse this steady decline, certain steps must be taken. For example:

- The African people and their governments must fully recognize the dimensions of the problems they face; establish priorities; and, commit themselves to action. The decision of African governments to allocate an increasing share of their budgets to agriculture taken at the Organizations of African Unity meeting in July is an important step in this direction.
- Governments must reform and implement policies that reinforce a strong private sector; a tax structure that encourages savings and investment; a greater reliance on market forces; and, reasonable profit incentives for farmers.

It is encouraging that a number of governments have made significant policy reforms of this nature.

This trend must be encouraged and continued.

- International donors must continue and increase support to the International Agricultural Research Centers and African research programs.
- Research must be focused on selected countries and crops where the greatest payoff can be expected.
- The 'know-how' of the private sector and American universities must concentrate on the development and application of new technologies and training programs that work for Africa, and,
- African agricultural universities must be strengthened;

And there is yet another factor:

The steady spread of desert must be halted and reversed.

Desertification is Africa's number one environmental problem.

It affects millions of farmers and their families throughout the semi-arid regions of the continent.

A principal cause is the misuse, or overuse, of land by people and their livestock.

Because it is principally man-made, I believe its spread can be halted by man.

But we should not underestimate the complexity of the problem -- or the range of efforts needed to resolve it.

The affected countries and donors need to map out an effective, long-term strategy to combat it.

Experience has taught us that there are no quick fixes.

The individual farm family and its community is an essential key to successful reforestation, soil and water conservation.

Massive government programs are generally not successful because of high costs and inefficient centralized control. It's also true that everybody's trees are nobody's trees...everybody's land is nobody's land.

It is basic human nature to protect and preserve what you own.

And when individual farmers have an understanding of the benefits to be gained; secure tenure; the investment of time and labor; and, the expectation of reward...reforestation will succeed in many areas, and desertification will be reduced.

Some methods exist that are low cost and fairly simple, such as soil and water techniques. They include terracing, bunding, no-till agriculture, and -- especially in Africa -- tree planting techniques that include:

- interplanting with food crops;
- windbreaks or shelter belts; and,
- the stabilization of moving sand dunes.

Earlier, I mentioned the benefits to farmers.

Soil and water conservation and selective tree planting can't make more rain fall, but they can:

- conserve the rain that does fall by slowing runoff;
- improve the soil texture and its ability to retain moisture;
- reduce soil erosion from wind and rain;
- provide natural fertilizers by fixing nitrogen and recycling other soil nutrients; and,
- result in increased food crop yield.

For example:

In the Maggia (Ma'jah) Valley in Niger, an A.I.D. financed CARE project has protected half of the valley -- 7,500 acres -- with 217 miles of neem trees planted along parallel corridors. As a result, millet harvest this year were 20 percent higher than yields outside the areas protected by the windbreaks. And remember, this was a drought year with less than six and a half inches of rain in that area.

Farmers in adjacent fields all want seedlings, tools and technical assistance so they can plant the trees on their land.

In Senegal, some 150 miles of moving sand dunes have been stabilized with farmer participation tree plantings.

In Somalia, 15,000 acres of sand dunes are being stabilized with the help of Food for Work programs sponsored by A.I.D.

Farmer participation and support for these projects has been enthusiastic because they can see the benefits of protecting their gardens and small farmsteads.

Almost overlooked is the great success being realized from the role of private individuals and voluntary organizations in land reconstruction in Africa.

In February, a conference was held in Dakar, Senegal by 33 non-governmental development organizations (Council of Non-Governmental Organizations in Support to Development - CONGAD).

Among other findings, it was reported that privately organized tree planting efforts had exceeded government administered programs. In Senegal, about 11,660 acres of tree plantings were done by the government. Twelve thousand six hundred acres of trees had been planted and grown under non-government, grass roots organizations with the direct involvement of the farmers.

We have had a very successful program in Haiti that can be a model for African reforestation efforts. In less than four years, 15 million trees have been planted with a 50 to 80 percent survival rate. This, in a country where there has never been a successful reforestation program.

In Haiti, we have worked exclusively through private voluntary organizations and 'for-profit' private groups such as CARE, the Pan-American Development Foundation and Operation Double Harvest.

Resource centers have been established using local and foreign forestry experts. Their activities and those of the entire operation were tied to local community groups, farmer organizations, and individual farmers.

No central government office or network has been directly involved in the project.

These successful efforts -- in Africa and Haiti -- don't get very much publicity because they don't have huge costs that make major news stories.

But I think that, in itself, it is a major story. Significant reforestation, soil and water conservation, is happening. It is the farmers, working together with non-government organizations, solving problems.

These are the kinds of projects that the Agency for International Development enthusiastically supports. We support them because they work. They work because individual farmers, making rational economic decisions, see and reap the benefits to their families and communities.

But there are benefits that go well beyond the individual family or village.

All of us are the ultimate beneficiaries of an end to the expansion of the deserts...the beginnings of a new Green Revolution, and an era of food self-reliance and prosperity for the poor of Africa.

The news media has a very important role in achieving this goal.

The challenge is for you to focus the attention of the world on the future of Africa with the same intensity that has been given to the famine of Africa.

We have people in our agency who will help you with information on the issues of desertification, soil and water conservation and reforestation in Africa and elsewhere.

This is a story that needs to be told. It's an exciting story that has all the elements of solid news and human interest. It's a story about the rebirth of a continent and the survival of millions of our neighbors.

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REMARKS

BY

M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

INAUGURATION CEREMONIES
INTERNATIONAL INSTITUTE OF INFANT NUTRITION
BUFFALO, NEW YORK
October 28, 1985

It's good to be a part of the inauguration of this important new research facility.

With its state-of-the-art equipment and dedicated staff, it is both a tribute and a reminder.

It's a tribute to the leadership of Dr. Lebenthal and everyone involved in its development and funding. It is a special tribute to the people of the Buffalo community.

It's a reminder of how fortunate we are to live in a country where:

- health care is the best in the world;
- disease epidemics have become virtually unknown;
- pure water and efficient sanitation is taken for granted; and,
- life expectancy is among the highest in the world.

It's also a reminder of the opportunity we have been given to bring the benefits of health to millions of children and adults in the poorest of the developing world.

The people of that world desperately need our help.

It's a world in which 14 million children die every year...40 thousand every day.

Five million of those deaths are the result of dehydration caused by diarrheal disease.

Another five million children die every year from six other diseases...all of which can be prevented by immunization.

The Agency for International Development is pledged to help save thousands of children a day by the end of this decade.

Our health program is designed to substantially increase access to known health technologies. These, of course, include immunization, oral rehydration therapy, and nutritional techniques.

It is also designed to speed the development of new and improved health technologies.

We place a lot of importance on helping the developing countries build up their own capacity for research, development, and distribution.

Most of the research solutions are complex. Others are so simple.

An example of the complex is the development of two prototype vaccines for the most deadly and the most common types of malaria. They are the results of 20 years of research. AID has invested \$43 million in this effort...most of that since 1982.

In April, we held a meeting with Asian scientists to select sites for field testing the malaria vaccines. Similar meetings are planned for Latin America and Africa. More needs to be done. We intend to go all the way.

One example of a simple solution to a massive health problem is Oral Rehydration Therapy...ORT.

It is a safe, inexpensive, and effective treatment for dehydration brought on by cholera and other viruses and bacteria that thrive in unsanitary environments. Sugar and salts mixed with pure water can be administered orally with a spoon or cup by parents at home. This helps the body retain fluid and nutrition. It gives the child the strength to overcome the underlying illness.

AID is working now to make ORT available world-wide.

We have programs in 42 countries.

Last year, 220 million packets were provided.

We have come a long way in the treatment of diarrheal disease. But ORT is treatment -- not prevention. Hence, we are also supporting the development and testing of several possible vaccines against diarrheal disease.

AID has had an opportunity to participate in the training of many health workers, scientists, and doctors -- both here and abroad -- in our continuing battle against disease.

For example, in 1984, AID awarded a grant to the Children's Hospital of Buffalo to train promising young pediatricians from developing countries. They will be given the latest research skills to take home and continue their work on diarrheal disease control.

This grant for training in advance research techniques was a departure from our customary support for the design and delivery of basic health technologies. It was a reflection of our great respect for Dr. Leberthal and this institution.

That association has been very valuable.

Again, it's a great pleasure to be associated with the inauguration of this important program and facility.

It is my profound hope that the generation of research scientists who pass through this program will provide us the solutions that the people of the developing world so desperately need.

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REMARKS

M. PETER McPHERSON, ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT

PARK EAST SYNAGOGUE

NEW YORK, N.Y.

November 4, 1985

It was Justice William Douglas who affirmed that our nation's institutions presuppose a Supreme Being.

It is a fact that the chartering documents of our country are based on time-tested Judeo-Christian moral principles.

They include:

- the equality of all mankind;
- the sanctity of human life;
- the right to liberty and freedom; and,
- the means to pursue and achieve happiness.

The policies this administration has implemented to guide the Agency for International Development are extensions of these principles.

Today, I would like to discuss:

- the moral and ethical dimensions of A.I.D. policies;
- our response to the present famine in Africa; and,
- what has to be done if Africa is to become food self-reliant.

I think we all know that the United States has a vital economic, political, security and humanitarian interest in the developing world.



We can all be proud of our record.

For example, life expectancy in the third world has increased from 35 years to 50 years. We have made a contribution to this improvement.

This is only one of many successes we have helped achieve. There are many others in education, health, and agricultural production.

But, while we've been successful in some areas, problems still remain.

For example:

It's estimated that by the year 2000, nearly 90 percent of the world's population will be living in developing nations where extreme poverty, population pressures, environmental degradation, and food shortages are the rule.

With that forecast in mind, let me first discuss the goals and policies that guide A.I.D. in its efforts to find moral and ethical solutions to the challenges we face.

Our goal is a free, secure world in which economic growth and human development are self-sustaining -- a world in which the extremes of poverty have been eliminated.

We believe that the development of human potential is the key to long-term development.

To reach their potential, individuals must be free to make their economic and family decisions in an environment which encourages initiative.

To assist this process, A.I.D. has established four basic policy principles. We call them our 'four pillars.'

First--when a country requests our help, we work with its leaders to design and implement sound economic policies based on free market forces...policies that will permit development to succeed.

We do not force our views on them. Rather, we help them see the logic and benefits of reforming policies that inhibit growth. We use our development programs to assist them in making these often difficult changes.

Our second policy pillar deals with the transfer of appropriate technologies. These include improved seed varieties, farming methods, medicines, vaccines, voluntary family planning programs, as well as training.

Our third policy pillar addresses the building and strengthening of institutions that serve people at the grass roots -- and in which they are the principal decision-makers. Examples are farmer cooperatives, credit unions, and village health clinics.

And our fourth policy pillar calls for establishing greater freedom of the private sector and reliance on free market forces. Real human and economic progress comes when the individual can:

- own a business or farm;
- have a decent job and a chance for a better one;
- buy and sell on a free, open market; and,
- realize the rewards of saving and investing for the future.

These are the policies this administration has established to guide us in our development assistance to third world countries:

- they address the equality of people;
- the sanctity and value of life;
- the substance of liberty and freedom; and,
- the means by which a person can pursue and have a fuller life.

Unfortunately, long-term goals are sometimes overshadowed by short-term catastrophes.

This has been the tragedy of much of sub-Saharan Africa during the past year.

As we all know, the people of Africa have been undergoing one of the most severe famines in history. Americans can be thankful that we have been able to respond to the need with speed and generosity. Since October of last year, the Agency for International Development has provided more than three million tons of food to Africa worth more than \$1.1 billion.

Included has been 430,000 tons of emergency food to Ethiopia. To give an idea of how much food that is...it would feed the city of Chicago for a year.

Almost all of this donated food has been distributed to people throughout Ethiopia by private and voluntary organizations. The costs of transportation to Ethiopia -- and within the country -- has been done with funding support from A.I.D.

In neighboring Sudan, more than a million tons of food has been provided by the American people through their government. It has accounted for nearly three-quarters of the food donated to Sudan.

In addition, the agency I head has provided over \$30 million for the movement of food by truck, airplane and helicopter in cooperation with other international donors.

We have been the donors of huge amounts of food and other emergency, humanitarian aid to the many African countries where the famine has struck.

At the present time, we are assessing Africa's food needs for the coming year. With the arrival of the rains, more food is being grown and harvested in Africa. However, the food shortage continues to be serious and we are committed to continuing deliveries of emergency food to areas of need.

Based on the trips I have made on several occasions to the feeding camps in the hardest-hit countries, I can tell you that the food has reached the people. Thousands -- perhaps millions -- of lives have been saved as the result of the help we have provided.

For example, when I first visited the camps nearly a year ago, it was just terrible. I saw hundreds of little children shriveled from hunger...just stick children, too weak to cry.

On a recent trip, just a few weeks ago, there was a great change. The children still in the camps were laughing -- and even playing. Others had returned to their farms and villages with the parents to take up their lives once again.

I don't want to give the impression that the problem is solved -- it's far from solved. But conditions have improved. Lives have been saved.

There have been many instances of individual and group action in Africa that have been directly responsible for saving lives and easing suffering.

One such action that stands out was the willingness -- even eagerness -- of the Israelis to welcome the Ethiopian Jews into their hearts and homeland.

Indeed, as it is written in the Book of Isaiah:

"If you pour yourself out for the hungry
and satisfy the desire of the afflicted,
then shall your light rise in the darkness
and your gloom be as the noonday."

But even as we respond to the remaining emergency needs of Africa...we must look to its future. We must help provide the means by which the people of Africa can become food self-reliant. This famine must never -- never -- be permitted to happen again.

As we take steps to fulfill this goal, we need to understand certain hard facts about the root causes of famine.

The drought was a large factor, but only part of the making of a famine.

Other underlying causes have played an equally important role. They include:

- policies that discriminate against farmers by setting prices for their production far too low;
- inefficient, centralized government planning;
- civil disorders; and,
- the misuse of fragile lands.

As a result of these factors, African per-capita food production has fallen each year during the past twenty years. These factors produced an agricultural sector unable to meet the needs of growing populations.

To reverse this decline, and to prevent repeated famines, certain steps must be taken. For example:

1. The African people and their governments must fully understand the dimensions of the problems they face; establish priorities; and, commit themselves to action. I see the beginnings of these steps taking place in several countries. This trend needs to be encouraged.
2. Governments must reform and implement policies that reinforce a strong private sector; a tax structure that encourages savings and investment; greater reliance on market forces; and profit incentives for farmers. Here again, I'm encouraged that a number of governments have made important policy reforms of this kind.

3. International donors must continue and increase support for the development of agricultural technologies appropriate to the needs and climate of Africa;
4. The 'know-how' of the private sector and American universities must concentrate on the development and application of new technologies and training programs that work for Africa.
5. African agricultural universities must be strengthened.

These are some of the vital steps that must be taken to create a Green Revolution for the semi-arid lands of Africa.

We know it can be done.

Not many years ago, India was the scene of recurring famine. Many of the steps I have mentioned were taken. They were difficult and they took time to accomplish. But today, India is virtually grain self-reliant.

The conditions and technologies for a green revolution in Africa will differ from those of India -- but the results can be the same if the challenges of change are met.

Your understanding of the dimensions of the problem is essential.

Your support of long-term efforts to help find realistic solutions to hunger is needed.

We all believe it is proper and moral to feed the hungry in the hour of their greatest need.

But helping the hungry achieve the means to feed themselves is the greater good---the higher goal.

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BRIEFING BY
JAY F. MORRIS, DEPUTY ADMINISTRATOR
AGENCY FOR INTERNATIONAL DEVELOPMENT
"CORPORATE COMMITMENT TO END WORLD HUNGER"
OLD EXECUTIVE OFFICE BUILDING
DECEMBER 4, 1985

HELLO, IT'S A PLEASURE TO BE WITH YOU TODAY. THE FACT THAT WE'RE TALKING ABOUT A CORPORATE RESPONSE TO WORLD HUNGER AT ALL - THAT, INDEED, THERE IS A NECESSARY ROLE FOR CORPORATE AMERICA IN THIS FIGHT -- SHOWS, I THINK, OUR GROWING SOPHISTICATION IN THE DIALOGUE OVER HUNGER. IN FACT, I'M SURE MANY OF YOU WILL BE QUITE FAMILIAR WITH SOME OF THE POINTS I WISH TO RAISE.

NOT SO LONG AGO, SOME MIGHT HAVE SAID YOU SOLVED WORLD HUNGER BY KEEPING AMERICA'S SURPLUS BINS FULL SO WE COULD SHIP FOOD OVERSEAS THE NEXT TIME THE RAINS FAILED. TODAY WE KNOW BETTER. WE KNOW THE FIGHT AGAINST HUNGER IS FAR MORE THAN SIMPLE RESOURCE TRANSFERS. [BUILD] WE KNOW IT'S LONG-TERM, AND THAT IT INVOLVES PRODUCTION, TECHNOLOGY, AND THE FREEING OF INDIVIDUAL INITIATIVE. IT'S THE SLOW, PAINSTAKING BUILDING OF FOOD SELF-RELIANCE IN COUNTRIES WHERE FOOD SHORTAGES ARE THE RULE RATHER THAN THE EXCEPTION.

OUR MOST RECENT EXPERIENCE WAS THE FAMINE IN AFRICA, OF COURSE. WE CAN BE PROUD OF THE RESPONSE OF THE UNITED STATES TO THE IMMEDIATE TRAGEDY. IT WAS SWIFT, GENEROUS AND COMPASSIONATE - FROM GOVERNMENT, FROM THE PRIVATE SECTOR, AND FROM INDIVIDUALS IN ALL WALKS OF LIFE WHO BESIEGED OUR OFFICES, ASKING, "WHAT CAN WE DO TO HELP?" SOME OF YOU WERE AMONG THEM.

AND, JUST WHAT DID WE DO TO HELP? WELL, [PAUSE] SINCE OCTOBER LAST YEAR, AID HAS PROVIDED OVER THREE MILLION TONS OF FOOD TO AFRICA, WORTH MORE THAN \$1 BILLION. NEARLY HALF A MILLION TONS, ENOUGH TO FEED THE CITY OF CHICAGO FOR A YEAR, WENT TO ETHIOPIA ALONE. WORKING WITH OTHER DONOR COUNTRIES, WE'VE PROVIDED AN ADDITIONAL \$30 MILLION TO MOVE FOOD BY TRUCK, PLANE AND HELICOPTER WHEREVER NEEDED.

BUT, BEYOND THE COLD STATISTICS, HOWEVER, THE AFRICAN EMERGENCY INVOLVED US PERSONALLY AS RARELY BEFORE. FROM VICE PRESIDENT GEORGE BUSH AND AID ADMINISTRATOR PETER MCPHERSON ON DOWN, WE VISITED THE RELIEF CAMPS, AND SAW THE SUFFERING FIRST-HAND. SO HAVE SOME OF YOU. WE ALL CAME AWAY I'M SURE, WITH ONE RESOLVE: // "MAY IT NEVER HAPPEN AGAIN!"

[ETHIOPIA EXPERIENCE]

IN THE AFRICAN EMERGENCY, THOUSANDS OF LIVES WERE SAVED, PERHAPS MILLIONS. WE CAN SAY WITH ASSURANCE THAT THE SHORT-TERM BATTLE WAS LAUNCHED, AND THAT WE'RE ON THE WINNING SIDE - THIS YEAR.

BUT CAN WE ALSO SAY WE KNOW HOW TO PREVENT TRAGEDY FROM RECURRING NEXT YEAR, OR THE YEAR AFTER THAT? I BELIEVE THE ANSWER TO THAT, TOO, IS YES. CAN WE WIN THE WAR AGAINST HUNGER? AGAIN, THE ANSWER IS "YES" - IF WE ALL PULL TOGETHER - GOVERNMENT, BUSINESS, VOLUNTARY ORGANIZATIONS, THE RESEARCHERS, AND, YES [PAUSE] THE RECIPIENT NATIONS THEMSELVES.

SO, THE MESSAGE WE REPRESENT TODAY IS:
ONE OF HOPE, NOT DISPAIR,
ONE OF PROGRESS, NOT PITY,
ONE OF TRIUMPH, NOT FAILURE.

WE KNOW THE WAY. WE NEED THE WILL. THAT WAY WILL NOT BE EASY, BUT THE PATH IS CLEAR.

AND, WHAT HAVE WE LEARNED? AFRICA REMINDED US THAT THE FAMINE THERE - LIKE FAMINES ANYWHERE - ARE NATURAL CATASTROPHES ONLY IN PART. THEY'RE ALSO MAN-MADE. FOR EXAMPLE, IN ADDITION TO DROUGHT, WE FACED IN AFRICA:

- POLICIES THAT DISCOURAGE PRODUCTION BY FARMERS / BY SETTING FARMGATE PRICES FAR TOO LOW; AND

- CENTRALIZED, OFTEN INEFFICIENT GOVERNMENT PLANNING THAT FREEZES OUT COMPETITION FROM THE PRIVATE SECTOR.

THIS, PLUS CIVIL DISORDER, POOR USES OF LAND, AND INEFFECTIVE FAMILY PLANNING PROGRAMS COMBINED TO PROVIDE A RECIPE FOR DISASTER. JUST THE SLIGHTEST BAD LUCK WITH THE WEATHER AND THEY'RE PUSHED OVER THE EDGE AGAIN. AS A RESULT, PER CAPITA FOOD PRODUCTION IN AFRICA HAS FALLEN EVERY YEAR IN THE PAST TWENTY [PUNCH] YEARS.

TO TURN THIS AROUND, AID HAS LAUNCHED AN INTENSIVE POLICY DIALOGUE WITH AFRICAN GOVERNMENTS TO BUILD AN ENVIRONMENT FOR EVENTUAL FOOD SELF-RELIANCE.

TO BEGIN, WE'RE MAKING A MAJOR EFFORT TO STRENGTHEN THE PRIVATE BUSINESS SECTORS OF THESE ECONOMIES. IN A NUTSHELL, OUR PRIVATE SECTOR INITIATIVE HELPS NATIONS SHIFT THEIR ECONOMIC DECISION-MAKING FROM GOVERNMENT BUREAUCRATS TO THE PEOPLE PRESIDENT REAGAN CALLS [PAUSE] "THE HEART AND SOUL OF DEVELOPMENT" - FARMERS, LABORERS, TRADERS, MANAGERS, AND

ENTREPRENEURS -- ALL IN THE PRIVATE SECTOR. [PUNCH] THIS ADDS A POWERFUL NEW FORCE TO AID'S OTHER PROGRAMS TO SPUR DEVELOPMENT IN AGRICULTURAL RESEARCH, TECHNICAL AID, EDUCATION AND HEALTH.

WE ESPECIALLY LOOK FOR OPPORTUNITIES TO HELP SMALL AND MEDIUM-SIZED AGRIBUSINESSES START UP AND EXPAND IN RURAL AREAS. WE ALSO WANT TO HELP DIVERSIFY ECONOMIES THAT TOO OFTEN ARE TIED TO ONLY A HANDFUL OF COMMODITIES.

NOW, ONE WAY TO ENCOURAGE PRODUCTION IS THROUGH THE "SATELLITE FARMING" CONCEPT. AN AID LOAN IN THAILAND HAS HELPED START THAT COUNTRY'S FIRST MODERN, NON-GOVERNMENT MEAT PROCESSING FACILITY. THE KEY ELEMENT IS THE PLANT'S RELATIONSHIP WITH SURROUNDING FARMERS. IN ADDITION TO BUYING LIVESTOCK FROM UP TO 2,000 LOCAL PRODUCERS, THE PLANT OFFERS FARMERS EXTENSION SERVICES TO IMPROVE HERDS. BOTH SIDES BENEFIT. THE BUSINESS GETS ASSURED SUPPLIES OF GOOD QUALITY - AND CAN PUT RESOURCES INTO INPUTS AND TECHNOLOGY RATHER THAN TIEING UP CAPITAL IN LAND. AND, THE FARMERS! WHY, THE FARMERS GET NEW MARKETS AND TECHNOLOGY THAT'S TAILORED TO LOCAL REALITIES. WE'VE DOCUMENTED ABOUT A DOZEN SUCCESS STORIES LIKE THIS. AND / WE STAND READY TO ASSIST THE START UP OF OTHER SATELLITE FARMING PROJECTS SHOULD ANY OF YOU HAVE THE INTEREST.

AMERICAN COMPANIES - YOU IN THIS ROOM TODAY - HAVE A SPECIAL PART TO PLAY IN ENDING WORLD HUNGER. EXAMPLES OF YOUR EXPERTISE, YOUR PRODUCTION GENIUS AND YOUR TECHNOLOGY AS APPLIED TO THIRD WORLD FOOD PROBLEMS HAVE BEEN RECOGNIZED BY THE FOWLER-MCCRACKEN COMMISSION AND OTHER ORGANIZATIONS ACTIVE IN THE FIGHT. YOU'VE PROVEN AGAIN AND AGAIN THAT EFFORTS TO BUILD FOOD SELF-RELIANCE IN THESE COUNTRIES CAN PROVIDE A RETURN ON INVESTMENT AS WELL AS CONTRIBUTE TO PROGRESS.

THROUGH THE YEARS, WE AT AID HAVE TAPPED YOUR KNOW-HOW TO HELP US DO OUR JOB OVERSEAS. YOU'VE ANSWERED THE PLEA FOR SPECIAL EXPERTISE IN A PROGRAM WE CALL, "PROJECT SUSTAIN." THIS IS A MODEST PROJECT IN WHICH A PRIVATE AMERICAN CORPORATION RELEASES PERSONNEL TO UNDERTAKE SHORT-TERM ASSIGNMENTS TO HELP SMALL FOOD PROCESSING COMPANIES IN DEVELOPING COUNTRIES. THE EFFORTS ARE CONCENTRATED PRIMARILY IN THE CBI. BASICALLY, AID PROVIDES THE OVERALL COORDINATION AND IDENTIFIES THE NEEDS. THEN WE SOLICIT AN AMERICAN COMPANY. AND, SOME MAJOR U.S. COMPANIES ARE INVOLVED INCLUDING: GENERAL MILLS, PILLSBURY, GERBER, KRAFT AND MCCORMICK. THE COSTS ARE SHARED: THE U.S. COMPANY PROVIDES THE PERSONNEL AND PAYS THEIR SALARIES; THE HOST COUNTRY PAYS LOCAL EXPENSES; AND AID PROVIDES AIRLINE TRAVEL. WE'RE ALSO PREPARED TO HELP YOU JOINT-VENTURE WITH THE GROWING LOCAL PRIVATE SECTORS ON FOOD-RELATED AND OTHER PROJECTS. OUR BUREAU

FOR PRIVATE ENTERPRISE IS LOOKING FOR SUCH "SEED MONEY" OPPORTUNITIES AS PART OF ITS EFFORT TO STRENGTHEN LOCAL BUSINESS DEVELOPMENT. THE OPPORTUNITIES ARE MANY AND I URGE YOU TO GET INVOLVED IF YOU HAVEN'T ALREADY. THINK OF IT, YOU CAN BE AN ACTIVE PART OF THE GENERATION THAT ENDED HUNGER / AND MAKE A PROFIT DOING IT IN ADDITION YOU CONTRIBUTE TO THE SECURITY OF THE UNITED STATES / BY IMPROVING POLITICAL STABILITY. THAT'S A WIN - WIN PROPOSITION IF THERE EVER WAS ONE!

LET ME GIVE TWO MORE EXAMPLES OF THE "PARTNERSHIPS WITH INDUSTRY" THAT ARE POSSIBLE.

-- FIRST, THE INDUSTRY COUNCIL FOR DEVELOPMENT HAS PUT TOGETHER A PROPOSAL FOR AN AFRICAN DEVELOPMENT CONSORTIUM. NOW, THIS WILL JOIN TOGETHER CORPORATE AND PVO RESOURCES ON PRIORITY DEVELOPMENT PROBLEMS. THE INDUSTRY COUNCIL FOR DEVELOPMENT CAN CALL ON 44 MEMBER MULTINATIONALS WITH SPECIAL EXPERTISE IN AGRICULTURAL PRODUCTION, SEEDS AND FORESTRY. IBM WILL HELP PAY FOR A STUDY TEAM TRAVELING TO SENEGAL, NIGER AND MALI TO EXPLORE OPTIONS WITH PVOs -- THAT IS PRIVATE AND VOLUNTARY ORGANIZATIONS SUCH AS CARE AND SAVE THE CHILDREN -- AS WELL AS HOST GOVERNMENT OFFICIALS.

-- SECOND, WE'VE GIVEN A GRANT TO THE FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE, A PVO WHICH ORGANIZES "PEASANT BANKS" IN LATIN AMERICA. THE GRANT WILL FINANCE A STUDY TEAM IN BOLIVIA TO EXPLORE THE FEASIBILITY OF EXPORTING A "SUPERGRAIN" - QUINOA - (KEENE-WA] RECENTLY DISCOVERED BY U.S. AND EUROPEAN HEALTH FOOD EXPERTS. WESTERN INTERNATIONAL GRAIN CORP. AND QUINOA CORP. ARE INVOLVED.

FINAL AWARDS FOR THESE FEASIBILITY STUDY GRANTS ARE EXPECTED TO BE MADE IN JANUARY. SOME OF YOU MAY BE INTERESTED IN A JOINT VENTURE WITH A PVO UNDER THIS "PARTNERSHIP" PROGRAM. IF SO, CONTACT INTERACTION, THE PVO UMBRELLA GROUP OR OUR BUREAU FOR FOOD-FOR-PEACE AND VOLUNTARY ASSISTANCE.

IN GENERAL, THOUGH, THE MOST IMPORTANT CONTRIBUTION WE CAN MAKE IN THE FIGHT AGAINST HUNGER IS TO WORK TOGETHER AT CLEARING THE ROADBLOCKS TO GROWTH - ESPECIALLY THOSE THAT PUT HANDCUFFS ON PRIVATE BUSINESS AND STIFLE PRIVATE INVESTMENT. THIS APPROACH HELPS LOCAL ENTREPRENEURS. IT ALSO HELPS AMERICAN COUNTERPARTS LOOKING FOR SOUND TRADE, INVESTMENT OR JOINT-VENTURE OPPORTUNITIES.

WE'RE ESPECIALLY INTERESTED IN REFORMING TAX STRUCTURES TO ENCOURAGE SAVINGS AND INVESTMENTS; TO PLACE GREATER RELIANCE ON MARKET FORCES; AND TO ELIMINATE BARRIERS TO THE DEVELOPMENT OF NEW EXPORT MARKETS. [PAUSE/SHIFT] IN OTHER WORDS, WE NEED YOUR HELP -- YOUR KNOWLEDGE OF DISENTIVIES TO INVESTMENT YOU MAY ENCOUNTER -- SO WE CAN FOCUS ON THE MOST CRITICAL PROBLEM AREAS.

IT LOOK OVER 20 YEARS OF SUSTAINED EFFORT TO BRING ABOUT THE GREEN REVOLUTION IN LARGE PARTS OF ASIA AND LATIN AMERICA. IT WILL TAKE AT LEAST THAT LONG TO ACHIEVE A COMPARABLE REVOLUTION IN AFRICA.

AS I SAID BEFORE, IF WE HAVE THE WILL, THE PATIENCE, AND THE PERSEVERANCE -- WE KNOW THE WAY. HUNGER CAN AND WILL BE ENDED. THE HUNGRY, LIKE THE BIBLICAL POOR, NEED NOT ALWAYS BE WITH US.

[PAUSE/SHIFT]

IF MANKIND IS REALLY GOD'S INSTRUMENT ON THIS EARTH IS IT SO STRANGE TO ASSUME THAT HE HAS CHOSEN THIS GENERATION TO END THIS PROBLEM.

DURING THE PREVIOUS GENERATION, POLIO WAS ELIMINATED.
BEFORE THAT, EARLIER GENERATIONS SAW THE END OF CHOLERA,
SMALLPOX AND YELLOW FEVER.

WHY NOT HUNGER - NOW?

[PAUSE]

IT'S IMPORTANT, THOUGH, THAT EACH OF US DO WHAT HE CAN.
EACH OF US MUST PLAY HIS PART.

IN FACT, TO ME IT'S A MORAL IMPERATIVE.

BECAUSE, ALL TOO OFTEN, WE FIND THERE'S SOMETHING THAT
COULD BE DONE BY ANYBODY.

BUT BY LEAVING TO BE DONE BY SOMEBODY,

NOBODY WORRIES.

AND IN THE END,

EVERYBODY GETS THE BLAME.

AND, AS USUAL, IT'S THE INNOCENTS WHO SUFFER.

SO, JOIN US. IT'S A FIGHT WORTH WAGING.

AND / [PAUSE] IT'S A FIGHT WE CAN WIN.

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