

Speeches of  
Peter M. McPherson  
USAID Administrator

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Press Copies

Opening Address by  
M. Peter McPherson, Administrator  
Agency for International Development  
at the  
Second International Conference on Oral Rehydration Therapy  
(ICORT II)  
Hyatt Regency Hotel  
Washington, D. C.  
December 10, 1985

I am pleased to officially open the Second International Conference on Oral Rehydration Therapy or ICORT II. Let me welcome you to the U.S. Capitol and to a week of productive talks and discussions.

I'm pleased to see some special friends of ours here today. They are the 4th, 5th and 6th grade students at the Glencarlyn Elementary School in Arlington, Virginia. Glencarlyn School has been 'adopted' by A.I.D. as part of the Administration's "Adopt A School" program. These youngsters have been learning about oral rehydration therapy from A.I.D. scientists and health officers who have visited their school. Following their briefing, the students prepared posters about ORT. Their work is being displayed around the conference center. I'd like to have the students stand up for a moment so we can all see who you are.

This conference is truly a major international event. Close to a thousand people representing nearly one hundred countries are here tonight. We are gathered to learn more about ways to save an estimated four million children who die every year from dehydration resulting from diarrhea.

Over the last few years we have seen growing interest in this problem. We have seen increased appreciation of the effective treatment which can save millions of these lives -- Oral Rehydration Therapy (ORT).

It was just two and a half years ago that the first ICORT was held. My participation in that conference and subsequent discussions with scientists and leaders from around the world have strengthened my conviction that we can and should increase our support for ORT.

This technology can be administered in hospitals, clinics, communities, and in homes. It is safe, effective, and inexpensive. Most importantly, it can save millions of lives.

At ICORT I, I read a statement to the governments and peoples of the world. I would like to repeat and reflect on that statement again today.

In 1983 I called upon governments in developing countries, donors, and private groups around the world to increase their efforts to save children's lives through this therapy. We wish all to feel our sense of urgency, our sense that we can save millions of children.

My statement continued: "To that end, we ask the world community and we pledge our efforts to make substantial progress to having this therapy widely available within five years. We challenge each developing country government to determine specific goals for ORT use in their land. Worldwide doubling the use of ORT each year for the next five years is a reasonable goal."

"Further, we ask the world community and we pledge ourselves to the effort to attain near universal availability of the therapy within ten years. These are practical goals, goals that must be achieved."

These were the goals we laid out in June 1983. I know that you're as pleased as I am that significant progress has been made worldwide over the past years.

- o ORT is now widely recognized as appropriate and desirable at all levels of the health system.
- o Many countries have developed policies and plans to address the diarrhea problem.
- o Mothers are now regarded as key to the treatment of diarrhea.
- o There is agreement that integrated communication channels, such as face-to-face, print, and radio and television, are necessary to promote ORT messages.

Within A.I.D., financial support for ORT has been considerably increased since the 1983 conference.

With strong Congressional support, our expenditures for ORT exceeded \$35 million in fiscal year 1985. That is almost triple our funding of 1983. This funding has made it possible for A.I.D. to assist over 50 countries in the development of their ORT programs.

I said in my Closing Remarks at ICORT I that A.I.D. was prepared to undertake five specific tasks in the effort to make ORT widely available. These were:

1. To continue our long standing support of research on diarrhea;
2. To include ORT to the maximum extent possible through our primary health care programs worldwide;
3. To report on the findings of ICORT One and to urge our representatives abroad to seek new opportunities to strengthen ORT efforts;
4. To launch the Primary Health Care Technologies Project (PRITECH) to assist in the development of new worldwide programs;
5. To develop a collaborative program with the Peace Corps to promote ORT at the community level.

A.I.D. has not only fulfilled these pledges, but we are actively pursuing many new avenues in order to further expand the availability and use of ORT. Let me highlight a few of these areas for you.

A.I.D. believes that each country needs a sound and feasible national strategy to control diarrheal diseases. Through the A.I.D.-funded PRITECH project, we have assisted over 27 countries in developing these critical plans. We have also provided essential technical assistance to governments and private organizations for their implementation. We have coordinated this work closely with other donor agencies, many of whom are seated here on the podium tonight.

We have continued and expanded our innovative activities in ORT communication and social marketing. We regard this as a top priority for the future! The A.I.D.-supported HEALTHCOM project, launched on the heels of our successful project for Mass Media and Health Practices, will expand our understanding in this area to new countries and new types of environments.

Innovative radio and TV programs are combined with graphic approaches to spread the message of ORT. In this way, large populations may be reached effectively at very low cost. Evaluations from Stanford University show that in one project area in Honduras, death from dehydration related to diarrhea in children under five dropped from 40% to 24% during the first two-year period.

In the Gambia, West Africa, only 55% of the mothers even knew about ORT. When tested, virtually none of the mothers were treating their children with correctly mixed solution. American and Gambian health professionals working together undertook an intensive two-year publicity and training effort. As a result, knowledge of ORT rose to almost 90%. These results are indeed encouraging.

A.I.D. believes that, where feasible, production of Oral Rehydration Salts should be carried out in the developing countries. One of the accomplishments in the ORT field these past few years has been just such a shift of ORS production from developed to developing country.

In fact, in 1985 for the first time, developing countries will become, the world's largest supplier of ORS. To support this trend, A.I.D. has launched a new project, called SUPPORT. It will provide loans and technical assistance for domestic private sector companies so they can produce ORS locally. We also use marketing expertise to assist in pricing, advertising and improving the distribution system.

During this past year, alone, the U.S. government provided over 7 million ORS packets for use in developing countries. A.I.D. is proud to have been a major supporter of basic and applied research in the field of diarrhea. We have supported the International Centre of Diarrheal Disease Research in Bangladesh since its inception. We also contribute directly to many research projects which are funded through the World Health Organization (WHO) and various American universities.

Over this period, we have broadened our research attention to the critical question of "What after Rehydration?" A new A.I.D. project, Dietary Management of Diarrhea, will examine the important questions of nutrition during and after diarrhea. It should provide critical data and field experience for all programs.

As a former Peace Corps Volunteer, I have personally experienced the value of community-level programs. I am very pleased that A.I.D. and the Peace Corps have developed three new projects to support volunteer activities in ORT.

These projects provide training materials, workshops and conferences, technical assistance, and even small grants to assist volunteers so they can develop ORT activities in their host country.

Also, as suggested at ICORT I, we have helped organize regional workshops in Africa and Asia. These workshops gave national leaders an opportunity to share experiences with each other in small group settings and helped stimulate further interest in ORT. We will be supporting similar workshops in the Near East in 1986.

Information about ORT is now reaching more countries and people than ever before. We are pleased to join UNICEF and WHO in the support of the newsletter, Dialogue on Diarrhoea.

With A.I.D. support, the newsletter has increased circulation to 100,000 readers. That's a 500% increase in one year. This publication now has one of the largest circulations in the world. We have also supported numerous tapes, films, and other publications so the ORT message can be widely disseminated.

In 1985, A.I.D. launched the Child Survival Action Program. This effort has greatly increased the resources available to our projects. It has expanded the role that private volunteer agencies will play in ORT.

In a few minutes, you will be hearing from our keynote speaker, Dr. Gabr, about the remarkable success of the ORT project in Egypt. This project is one of the most comprehensive of those supported by A.I.D. and has provided us with many important lessons. We all look forward to hearing more about this exciting program and its excellent outcomes. I commend Dr. Gabr for his early support and valuable work which helped make this joint Egypt/AID effort so successful.

These are a few of A.I.D.'s activities and accomplishments in the field of ORT. I'm sure the other cooperating agencies on this podium and many of you in our audience have similar stories to tell.

The facts are clear -- governments, donors, private groups and the people of the world have felt the sense of urgency at ICORT I.....the sense that we can save millions of children.

However, we are still far from total success. There continue to be many children who die because they do not have access to this technology or who do not receive proper ORT treatment.

Although global usage rates have risen over the past several years, they remain below 4% and worldwide access rates are estimated at only 21%. We pledge our continued support of efforts to make ORT universal in the next ten years. As with any development program, we face many barriers and constraints in achieving our goals.

As we prepare to spend the next three days discussing ways to overcome implementation problems in ORT programs, I would like you to keep several critical questions in mind.

We must ask ourselves:

1. How do we get beyond the current low worldwide levels of ORT access and actual use?
2. What is the best means to get this simple, effective technology into the homes of those who need it most?
3. When ORT is accessible, how do we ensure effective use?
4. How do we draw on the potential and talents of the private sector to complement those in the public domain?
5. How do we integrate ORT efforts with related primary health care activities such as sanitation and nutrition?
6. How do we institutionalize these efforts so that successes will be long-lasting rather than short-term?
7. How can governments and the donor agencies represented here best work together to achieve these goals?

These are all difficult questions. But they must be addressed and their answers tested against our real world experiences. The goal of universal ORT coverage presents a complexity of problems which must be met with realistic and practical solutions.

During this conference, A.I.D. will be assessing our strategy to promote ORT over the next five years and we stand willing and able to help provide leadership in this effort.

We in this room are very much aware of the major work that remains to be done. This is a key reason why A.I.D. and the other five cooperating agencies agreed to convene this meeting. Though each country must develop its own strategy and solutions for its individual problems, we recognize that an international forum is needed -- needed for ORT implementers to share their experiences and discuss ways to overcome the major barriers to implementing programs in this field.

I wish you the best of luck for a productive and successful conference.

Thank you

Remarks  
Foreign Economic Aid:  
America's Investment in Peace  
by  
Peter McPherson, Administrator  
Agency for International Development  
Humphrey Institute  
University of Minnesota  
January 28, 1986

Thank you. It's good to be here. I'd like to talk with you today about some questions that are often raised concerning foreign economic aid. For example:

- What is the purpose of foreign aid;
- Why it is important to others and to ourselves;
- What are the policies that guide us; and,
- What are the results and benefits we can expect to achieve?

By way of definition, the Agency for International Development administers most of the nonmilitary, economic assistance programs of the United States Government. The three essential functions of the Agency include: economic development, foreign policy, and humanitarianism.

As a nation, we care about the fate of those who are the victims of conditions they cannot control. An example is the help we have provided to people suffering from famine in Africa. I was in these famine camps several times last year and we can be proud of the lives American foods saved.

A principal goal--even in the distribution of emergency food aid--is long term economic development. Such development benefits the people of developing countries and foreign aid serves our own economic and foreign policy requirements.

The security of the United States and the western world is closely linked to the social, political, and economic development of Third World countries.

We cannot realistically expect to live in a stable world when large portions of its people remain in the kind of deep poverty that generates only despair and unrest.

Events in Central America, Africa and the Middle East serve as daily reminders of how much our own security relies on developments in those and other regions of the world.

Aside from our security, our economic well-being is dependent on good neighbors and trading partners among the developing nations. For example:

- They are customers for about 40% of our exports. That's more than all Western Europe -- four times as much as Japan;
- Over a million U.S. jobs are dependent on exports to the Third World countries;
- These nations represent a market for about 30% of our agricultural products.
- We need the strategic materials imported from less developed countries. For example, we get more than half of our tungsten, bauxite, tin and cobalt from them.

These are all vital to our national defense. For these and other reasons, the prosperity, stability and freedom of the people of developing nations are important to us.

In recognition of this, the goal of AID is a free, secure, humane world in which growth and development are self-sustaining -- and the extremes of poverty are eliminated.

From the days of the European Marshall Plan right up to today, this has always been the goal of foreign aid.

But world conditions change and the means of reaching our goal has to change, too. The post-war problems of Western Europe required different solutions than those that will work today for Africa.

When this Administration came to office more than five years ago, we took a long, hard look at the programs and policies that were in effect. We made the necessary changes to meet the needs of a different world. We maintained the things that were working well, and we eliminated some that were not.

We have implemented four basic policy pillars.

First is Policy Dialogue. When our help is requested, we work with a country's leaders to design and implement economic policies that will allow development to succeed.

Let me give you an example. Farmers must be allowed a policy climate that gives them the freedom to sell their products at prices that are generally determined by the marketplace rather than the government. Too often, governments impose below-cost-of-production prices in order to provide cheap food to politically powerful urban

consumers. This is usually discrimination against the poorest people - farmer. Because of the policy, the farmer makes a rational economic decision to grow only enough for his family needs plus a little extra to sell on the black market. The result, of course, is widespread food shortages. In Africa per capita food production has fallen each year for 20 years, in part because of bad farmer price policy.

A combination of AID assistance and a growing recognition of the negative effects of bad policies have prompted a number of policy reforms in the Third World in recent year. For example:

- Some sixteen African countries have increased prices to farmers to provide incentives to produce more;
- In Somalia, prices farmers could receive for sorghum were raised and last year's production went up 40%.
- Bangladesh is turning the marketing of agricultural inputs, such as fertilizer, over to the private sector. As a result, fertilizer is much more widely available.
- A number of traditional socialist countries such as Guinea, Ghana, Madagascar, and others, have shown a willingness to move some economic activities from government control to the free market.

Yes we've had a lot of success in helping countries design and implement policy reforms that support and encourage development.

The second related policy pillar involves the strengthening of the private sector and reliance on market forces. Third World countries that have developed strong private sectors have achieved faster, sounder, and more sustained economic growth. A number of Asian countries stand out in this regard.

We've been giving a lot of thought to a part of the private sector that hasn't gotten much attention.

A combination of factors...a crumbling of centralized planning schemes, rapid population growth, and high unemployment... has resulted in a tremendous number of small enterprises cropping up in many countries.

Statistics gathered by Michigan State University suggest that the largest group of employers, as well as the fastest growing employers in many countries, are people that employ less than twenty workers.

Walking through a small town in the Delta in Egypt...or along the streets of Dhaka, Bangladesh, you see many little shops busily producing furniture, metalwork, baskets and a great variety of

things. It's apparent there is an entrepreneurial revolution going on. It's not a big business revolution, but grassroots movement. At AID, we are working hard at a development program that will encourage the rising small-scale entrepreneur - we are doing this with credit training and other means.

Our third policy pillar concerns the creation and the transfer of technology.

Let me give you a few examples. The development and widespread use of high yield rice and wheat seeds in areas where water is available has changed many parts of the world from regions of chronic hunger to self-reliance in grain production. India is one such country. Some of you remember the famine of India just 20 years ago.

AID and the international agriculture research centers are working to extend this "green revolution" to the 'dry-land' regions of the world. A green revolution for Africa is a major priority. Another example of our technical effort is our major research program to create a malaria vaccine. It looks like it will pay off.

A fourth policy pillar deals with building and strengthening institutions -- institutions that are responsive to the real needs of people -- institutions that increase the citizen participation in decision-making. Examples are small business and farmer-controlled cooperatives, local school boards, and health clinics. It also includes the establishment of many institutions we take for granted in our country such as systems for freely transferring title to property and free, democratic elections.

Encouraging the building and strengthening of democracy 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.

Democracies tend to have the efficiency and dynamism necessary to maintain economic strength. They encourage competition and have a built-in process of self-correction through accountability. Democratic societies are better able to bend with the shifting economic markets. Of obvious importance, democratic societies generally have much greater freedom for the individual.

As part of our programs, AID promotes democracy by providing support for cooperatives, and labor unions, and other such institutions. These are important democratic institutions which provide the means for people to express their views, choose their leaders and lobby for needed reforms. It provides experience to the democratic process for people who would be outside the process.

This is democracy at its core.

AID 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 1984 elections in El Salvador, AID funded a project for computerized election registry as well as logistical support to the Center for Election Promotion and Assistance based in Costa Rica. This organization is providing training, technical advice, and research to encourage free and fair elections throughout Latin America.

In sum, through our development programs we help create the climate and the means by which people freely and democratically elect their leadership.

In closing, we believe -- and I 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, safer place for all of us.

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Remarks by  
Peter McPherson, Administrator  
Agency for International Development  
AFRICA: AN END TO FAMINE  
Minneapolis World Affairs Council  
January 28, 1986  
and  
Notre Dame University  
January 29, 1986

Thank you. It's good to be here. I would like to discuss the African famine; its causes; the response the United States has made; and, the measures that must be taken to deal with this situation long term.

The suffering of the people of Africa -- especially that of the children -- has been beyond measure. Several times during the worst of the emergency, I visited the villages and feeding camps. I have heard the silence of starvation. But, I have also heard the cries and laughter of children brought back from the edge of death by the help and food provided by the United States.

We can be proud -- and thankful -- that U.S. aid saved millions of lives and tempered the worst effects of the famine. Our country has provided more than three million tons of food to Africa worth more than \$1.1 billion.

However, this great human suffering -- which I should say continues -- dramatically underlines the need to find long-term solutions to Africa's development problems.

The problem of achieving food self-reliance in Africa is complex. There are no quick and easy solutions. It will not come as the result of international assistance alone. It requires the long-term commitment and dedicated efforts of both the donor nations and the African governments.

I am convinced that sub-Saharan Africa can be self-reliant in food. The experience of, for example, India, is evidence that nations can move from recurring famine to grain self-reliance if certain steps are taken. Only 20 years ago India had a famine worse than Africa's famine -- now grain self-reliant India has given some grain to Africa.

Nevertheless efforts to ultimately achieve food self-reliance for Africa must realistically take into account the magnitude of problems unique to Africa.

Over the past two decades per capita food production has declined by 20%. This is not surprising considering that most African nations have until recently neglected agriculture and stifled private initiative. For example:

- o Prices to farmers have been kept artificially low to satisfy the demand for cheap food by politically powerful urban populations.
- o Inefficient state marketing monopolies have been slow to collect the crop or pay the farmer.
- o Country-to-country agricultural trade within Africa has been restricted by unrealistic exchange rates and self-imposed trade barriers.

Additionally, a population growth rate of more than three percent is outpacing food production and putting extreme pressure on marginal lands. This is contributing to the advance of the desert, the loss of forest lands, and the erosion of top soil.

The cumulative effect of these and other forces has created food shortages, poverty and malnutrition in the household, and retarded growth of countries.

It must also be recognized that improving agricultural production in Africa may be a more difficult task than in some other regions of the world. For example:

- o Africa grows a wide variety of food and industrial crops compared to the almost single-crop production of rice in Southeast Asia or the wheat in India's Punjab.
- o African rainfall is erratic, there is very little irrigation, and soils are often fragile.
- o The development of seed and other technologies adapted to these conditions may be difficult and time-consuming.

To further complicate matters: farmers are generally widely scattered and rely heavily on manual labor rather than draft animals or machinery; and there is a lack of farm-to-market roads which limits distribution and sale of surplus production.

In addition, we find unresponsive agricultural institutions, service delivery and extension systems, and a limited supply of scientists, managers and technicians.

However, despite these and other difficulties, the potential is present for adequate food production. I should note that in years of good rainfall, Africa has achieved near self-sufficiency in aggregate, continent-wide production. The 1985-86 bumper harvests

of certain parts of Africa are estimated at about 54 million metric tons of food grain. This is compared to an estimated total demand of about 57 million tons this year. What you have is large surplus in certain areas this year like Kenya, Zimbabwe and Western Sudan. Picture is not hopeless.

I argue tonight that a long term self-reliance program requires the following implementation of proper farm price policies, the development of high yielding crop strain; the creation of production and marketing infrastructure; and the management of African natural resources such as its soils, and trees.

Let me take these requirements one at a time.

Policy reforms offer one of the most effective and quickest ways to increase production. We're encouraged about what is happening. There is a growing awareness and desire among Africans to undertake needed policy reforms, especially in agriculture. AID is providing special assistance in policy design and our assistance programs are geared to assure such reforms are made.

In the past few years many countries have begun to implement an impressive array of reforms. These include:

- o increased prices paid to farmers for their crops;
- o reforming or turning over to the private sector inefficient state-run agricultural enterprises;
- o devaluing their currencies and liberalizing trade to stimulate external trade; and,
- o reducing subsidies on agricultural tools, seeds and fertilizers.

The results of these changes are already being felt. For example: dramatic increases in food production have occurred in Malawi, Somalia, and Zambia as a result of increased prices paid to farmers and greater reliance on the free market. To be specific, in 1981, Malawi increased prices paid to farmers for corn. Within a year, corn production doubled.

Next, agricultural research deserves high priority.

The U.S. is providing strong support here - about \$75 million a year. Our efforts are focused on selected countries, crops and animal production problems where the greatest payoff in results can be expected.

I should point out African governments must provide more support for agricultural research.

We have some success stories. Sorghum, a major African cereal crop demonstrates the potential payoff we can expect from agricultural research. A new drought tolerant hybrid sorghum has been developed in Sudan. Field trials have produced up to two times the yield of traditional varieties.

A new white corn variety developed in Nigeria has generated yields nine times greater than other corn strains. This was done despite drought conditions and a severe outbreak of corn virus.

Improved varieties of cassava -- a root crop which currently provides half the calorie intake for over 200 million Africans -- have outyielded local strains by 200 to 1,800 percent.

These are only a few examples. But they illustrate the immense potential of new seed strains designed for Africa's widely varying climate, soils, and plant diseases.

The availability of water and the frequency of rainfall is always a major consideration in improved crop production. Africa has less than two percent of cultivated land under irrigation. Irrigation development has proved difficult and costly. But there is considerable untapped potential for irrigation that could significantly reduce the threat of recurring drought. It needs to be harnessed, but in ways that are cost-effective and beneficial to the small-scale farmer. Farms to market roads are critical.

Better management of Africa's natural resources is vital. The advance of the desert, the destruction of forests, and the depletion of soils are working to undermine agricultural production and increase the incidence of drought.

It is caused mainly by misuse or overuse of land by people and livestock. It is aggravated by rapid population growth that depletes productive land and pushes people into marginal lands. This process, known as 'desertification', is primarily man-made. And, because it is man-made, it can also be halted or reversed by human intervention. AID is working extensively in this area.

Population growth rates are an important factor in the African food development equation. Many leaders of African countries are becoming increasingly aware of the consequences of continued growth at current rates.

Demands for AID assistance are growing, and we are now supporting voluntary family planning activities in 40 African countries.

Overall the United States is doing a great deal.

AID now provides over \$1 billion a year to Africa. This represents a 50 percent increase since 1981. This is in addition to emergency famine relief costs.

In closing, clearly, there is hope for progress in Africa. America's scientific and technical expertise is finding solutions to problems that previously were considered insurmountable.

Economic reforms are being designed and implemented. Institutions are being built or strengthened.

Increasing food production in Africa -- as well as more even distribution of what is grown -- is going to take time and hard work by donor nations and especially, the African countries themselves.

It's going to require the active support of people like you. It will take several years to do but it can happen. If the world works together to make it happen.

Thank you.

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Keynote Address  
Peter McPherson, Administrator  
Agency for International Development  
The International Conference on Privatization  
Washington, D. C.  
February 17, 1986

Good morning. It is a real pleasure for me to keynote this International Conference on Privatization. I view this conference with special satisfaction for two reasons. First, never before have so many decision-makers and technical authorities from so many countries been brought together in one place to discuss, deliberate, and, when we leave here, to act on --- privatization.

Thus, over the next two and a half days we have a unique opportunity to build a strong knowledge base -- a foundation for action for this emerging instrument of development. Second, I view this conference as a dramatic symbol of change. Five years ago, there would have been trouble filling even five rows of this room on the strength of a subject like privatization. But because of a gradual but profound shift in attitudes about the beneficial role of the private sector, privatization has come into the mainstream, and we celebrate that change today. So it is in the spirit of both international collaboration and constructive change that I am pleased to open this conference.

Our approach to economic growth has changed, mainly because the development community has caught up with certain Third World realities. Let me mention two.

First, developing countries which use market forces as an engine for their economic systems have, by and large, grown more rapidly than those with economies planned, directed and controlled by government.

Several Asia basin countries are outstanding examples of successful, market-driven economies. These successful nations, as well as others, have common characteristics: They save, they invest, they invite investment, and they export. Above all, they channel substantial creative energies of their people through the private, rather than the public sector.

The second reality is that market economies seem to have greater diversity and resilience. These characteristics are needed for economies to bounce back from shocks that all economies encounter over time. For example: in recent years many countries have been forced to deal with sky-high fuel costs, plunging prices for their commodities, and high debt. The greater ability of market economies to adjustment has not been lost on some Third World leaders. They have observed what works and what fails to work as they chart a new path to achieve greater economic performance.

At the core of this continuing dialogue is privatization. Over the past several years, many countries have found that state-owned enterprises failed to generate the resources and rapid development expected. State-owned enterprises have actually been roadblocks in the way of those goals. These enterprises, more often than not, have wasted money, been ineffective, and have put severe strains on scarce national resources--scarce resources that could have been used to better educate children or help create real jobs.

A number of developing countries have taken action to correct this situation in the past few years. They have boldly reexamined the roles of the public sector versus the private sector in development and economic growth, and moved to reduce one and expand the other.

Privatization has moved forward more rapidly where developing country leaders have made highly visible political commitments to economic reform, and has moved forward best in those countries that have the financial mechanisms that facilitate privatization.

In the next few days, we will learn more about privatization and how to harness it for growth. But the experiences to date lead to certain broad conclusions which I would like to set forth.

First, none of the steps needed to advance economic reform are easy to adopt. Privatization is no exception. Divestment of a state enterprise steps on toes. It may be counter to the interests of powerful elements in a society. It may also be difficult in a technological sense --- where state-owned plants must be modernized to attract investors.

Second, there is no single model. Privatization can range from outright sale to a private sector buyer, to partial sale, or, to the transfer of shares to employees. Of course, the form of privatization should be consistent with national and cultural patterns. Our experience with privatization is too limited at present to identify the ideal mechanism to follow, and there probably is not one anyway.

Third, privatization is still being learned in the industrial world as well as the developing world. It is not some gift, long ago perfected, that is ready to be handed on from donor to aid-recipient. In Britain, Italy, Spain and some other European countries, increased privatization is still being debated and argued. The United States is considered by many as the most privatized nation. Here over 90 percent of the economy is in private hands.-- But, even in the U.S. we are still encouraging more transfer of government operations to the private sector. Congress has before it the sale of Conrail, a state-owned railroad. We are, in effect, practicing what we preach.

Fourth, privatization is not only a matter of converting factories or public services to the private sector. It also means freeing the market of other impediments, such as price controls on farmers set by agricultural marketing boards. All too often these controls resulted in impoverishing the farmers and driving them from the land, and it has radically reduced production of food. Yes, privatization cannot be carried out in a vacuum.

Privatization often should be accompanied by commitments to ease regulation, develop capital market structures, provide credit facilities for private borrowers, and let the market set interest rates. These are macro-economic policy changes designed to expand the private sector and create a truly open and competitive economy.

Now, let's examine what the United States is doing to help developing countries deal with privatization. The importance the United States attaches to privatization is indicated in the initiative of Treasury Secretary Baker on the developing country debt problem. As you know, Secretary Baker put forward a three-point "program for sustained growth" before the World Bank governors in Seoul last year. Significant in the Baker plan, is the linkage made between lending by the multilateral banks and a borrower's progress in privatizing state-owned and state-controlled enterprises.

AID itself has responded quickly to the greater interest in privatization worldwide. We have helped by providing technical assistance and working with host governments.

For example:

-- In Jamaica,

A 1984 agreement with that country included private sector lease or management agreements of 40 public sector companies.

The lease of government-owned hotels was provided in a later agreement.

- In Costa Rica, we responded to a request from the government to establish a private trust fund to finance the sale or liquidation of eighteen enterprises owned by the state holding company, Codesa.

Established in 1972, Codesa, by 1983, had amassed a debt of \$266 million and represented a great drain on the country. The first Codesa industry, an aluminum mill, has recently been purchased by the trust and is being managed by it. Formal offers for sale of the aluminum mill will soon be on the street. It will be followed in the next few months by a cotton mill, a sugar-processing plant and a number of smaller enterprises. The process is really just beginning and we and the Costa Ricans are learning as we go. It is clear that it is a complicated undertaking and that each enterprise carries with its own unique financial, managerial and, yes, political, characteristics.

Our AID mission in Mali

has established an Economic Policy Reform Program. This is aimed at the privatization or liquidation of selected public enterprises.

When recently in Mali,

I had an opportunity to review the situation closely. In Bangladesh, we worked with the government to privatize the distribution of fertilizer,

a very big business in that country where most of its population live on the land. The private system does a better job of getting the fertilizer out to the farms. I have walked through a Bangladesh village and talked to the fertilizer merchant who had his goods out for display.

These are only a few examples of what A. I.D. is doing.

In order to provide the technical assistance so often required to take privatization off the drawing boards and into action AID has contracted with a team of companies. This consortium of firms with broad experience in international corporate and financial matters is sending short-term consultancies on request from our AID missions around the world. This contract is managed by AID's Bureau for Private Enterprise.

The technical expertise is helping:

- Analyze the financial status of state-owned companies
- Develop specific strategies and projects involving divestiture.

In this way AID missions and host countries can identify privatization targets, analyze roadblocks in the way and provide solutions.

AID is preparing a detailed manual on the divestment and privatization process for use in Washington and the field. In that effort, AID is drawing on the experiences of one developing country to help another.

Similar activity is under way by the multilateral organizations. Indeed, interest in financial reform by the World Bank and the International Monetary Fund have been an important stimulus to the privatization trend. The Bank is also helping developing countries prepare divestment plans and reviewing the current position of state-owned companies in selected countries with a view to improving their managerial operations.

Now, as we get under way, what are the goals of this conference?

To my mind, we are here:

- o To share our experiences -  
letting the successes or problems of one country  
illuminate the path for another.

We are here to establish a broad knowledge base including the techniques, the policies, the legal and tax problems, and the policy climate required.

Finally, we are here to rekindle in all of us a commitment to explore market solutions to short and long term development problems.

Privatization is more than a way to cut government costs. Although the loss of revenues may be the initial incentive for governments to turn to privatization, the benefits of this step are far greater.

Privatization leads to open, competitive economies that produce wealth and jobs. Yes, privatization can be the right step at the right time to finally liberate developing countries' economies from slow growth or stagnation.

I look forward to working with you in the next two days as we explore ways we can carry forward the work of this conference long after its formal conclusion.

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Peter McPherson, Administrator  
Agency for International Development  
Conference on  
U.S. Foreign Policy on Water Resources  
In the Middle East and Horn of Africa  
Center for Strategic and International Studies  
Washington, D. C.  
February 20, 1986

Good morning. I am pleased to be here to participate in this discussion on water resources. The Center for Strategic and International Studies is an excellent institution to host this important conference.

In the water scarce areas of the world the development, management and conservation of water resources is a critical foreign policy issue within and between countries. The constant struggle for the limited life-giving water is a sensitive and highly political issue. Of course A.I.D. must be attuned to these matters in our foreign assistance programs. I know you will be hearing a lot about these foreign policy issues.

I understand there are several panels today and tomorrow that will address the relationship of water resources to regional stability. Therefore, I would like to focus my remarks on the importance of effective management of water resources on long-term economic development and A.I.D.'s role in this process. I think you will see that the impact of water is a theme that comes through much of what we do.

The development of water resources cuts across several key economic sectors in which A.I.D. has major investments. These include agriculture, rural and urban development, and health and housing. These investments increase agricultural production, improve health and the quality of life, and expand income-generating opportunities.

In recent years the pressures of rapid population growth and the development of modern industrial economies in the Third World countries have led to increasing competition for these water resources. For example, the competing demand to meet the needs for irrigation, hydropower, industrial use and still maintain municipal water supplies for growing population centers is a serious concern in the water-scarce Middle East.

Despite the diverse nature of water resource investments, our experience has led us to a very similar set of conclusions about exploiting water resources. In every sector -- agriculture, health, and industry -- the underlying issues involve the efficient

management of water. More specifically, the issues include conservation, operations and maintenance, financial management, institutional development, and rationalization of the public and private sector roles.

Water resources development has traditionally been one of our most powerful tools for promoting national development. During the past several decades the developing world has seen a significant increase in the exploitation of water resources for agricultural development.

Irrigation development strategies have played a vital role in meeting the challenge of feeding the world's increasing population. By some estimates, irrigated agriculture produces 40% of all crops while constituting only 20% of the arable land in the developing world. In the near future, by far the largest increases in food production for Asia, Northern Africa and the Middle East will come from irrigated agriculture.

In the Asian subcontinent, it is hard to imagine what life would be like today without the massive system of hydraulic works begun under British colonial administration and continued by the modern governments of independent India and Pakistan. One recent study attributes between one-half and two-thirds of the gains in agricultural production in India during the last thirty years to irrigation and the introduction of green revolution technology, a technology requiring water.

In Egypt, where virtually all the country's agricultural production is dependent on irrigation from the Nile, the importance of irrigation is obvious.

Consequently, developing world and donor nations have concentrated large shares of their development budgets on irrigation. From the mid-1970s to the start of this decade, nearly 20% of the donor foreign aid budgets for food and agriculture have gone for irrigation.

In Asia and the Near East, where about 85% of the irrigated land in the Third World exists, A.I.D.'s commitment for irrigation is about \$900 million. Our current commitment to irrigation development represents about 25% of our food and agriculture budget for our Asia and Near East Bureau.

In Africa, where a very small percentage of agricultural land is currently irrigated, we are increasing our long-term commitment to irrigation.

Despite its importance for food production, the rate of growth in irrigated acreage has begun to decline in many areas of the Third World. This is because the most accessible and readily developed

sites for irrigation have been built. New irrigation facilities in many Third World countries will require more sophisticated design and construction techniques. They will also require more time, planning and management to develop. Because these new investments are increasingly complex, the management and economics of irrigation systems will have to be carefully assessed.

While the rate of growth of irrigated acreage is declining in many countries, the amount of land under irrigation is still increasing at the rate of about 4 million hectares annually worldwide. In order to exploit the remaining irrigation opportunities in many developing countries, water resources will increasingly have to be shared among nations. Further, multiple uses of water resources will need to be considered in our irrigation schemes.

Complicated political arrangements that sort out national and international use and reuse of water resources as well as balancing agricultural, industrial, energy and human consumptions needs will have to be addressed in many of the new irrigation schemes. For example, working out water problems between Nepal, India and Bangladesh and between Jordan and Israel will require political arrangements that stretch the world's negotiation skills and technical and implementation expertise.

Partly because of the difficult political arrangements posed by some new irrigation facilities and because of the increasing development costs, host governments and international donors have begun to re-examine existing irrigation schemes. We have found a failure to realize the full potential of existing facilities.

By some estimates, half of the irrigation water resources are wasted before reaching the crops. Significant environmental degradation in the form of water logging and salinization have occurred in many irrigation facilities throughout the world pointing out the shocking waste of water resources and agricultural potential in the face of food shortages. For example, I have flown over vast areas in the Sind in Pakistan that are white with salt.

The Food and Agriculture Organization estimates that 50% of the world's irrigated land is salinized to the extent of affecting productivity. In many countries of the Near East and South Asia, 70% of the irrigated land is reportedly affected.

Frequently in existing irrigation schemes, we find that water resources are not shared equally. In fact, the management, operation and maintenance of many irrigation facilities have not changed appreciably since construction despite significant demographic, social and political changes. Often, the performance of large scale irrigation systems, constructed at enormous cost and

sacrifice in the developing world, do not reach the design expectations or offer hope to the millions of poor farmers living within their command areas.

Consequently, A.I.D. as well as many other donors have begun programs to remedy the lost potential of existing irrigation facilities. Increasingly, rehabilitation of existing facilities is seen as a partial answer to the high costs of new construction and shortage of water resources. However, rehabilitation without addressing the structural arrangements in the management of these resources offers only a partial and short-term answer.

There are substantial issues about the relationship between the public and private sectors and the responsibility for management and utilization of water resources. We need greater participation of beneficiary groups in the management of irrigation systems, and the beneficiaries must bear the primary financial burdens.

These problems are much broader than irrigation and the utilization of water resources alone. They suggest that irrigation and water resource policy cannot be addressed in isolation. They must be part of the overall development policies and the social, economic and political systems in developing countries.

In addition to irrigation, A.I.D. has domestic water supply and sanitation projects currently functioning in several countries. During 1985 A.I.D.'s obligations totaled approximately \$300 million. We estimate that almost 4 million children in the Third World die each year from dehydration caused by diarrhea; diarrhea caused primarily by poor water and unsanitary conditions.

The use of Oral Rehydration Therapy, a simple solution of a pinch of salt, handful of sugar and a quart of water, is our primary weapon in this fight for child survival. In Egypt and Africa, I have seen children in the arms of their mothers literally brought back to life as they are given this ORT solution spoonful by spoonful. ORT saves lives and it opens the door for broader dialogue on the importance of national and community investments in water supply and sanitation.

Outside the Middle East we are not putting much money directly into clean water because dollar for dollar we can save more lives with oral rehydration therapy but certainly, long term clean water must be dealt with by countries.

In the Middle East, the availability of Economic Support Funds has allowed us to make substantial investments in water supply and sanitation for the growing urban centers.

The Government of Egypt for example needs to take more steps in conservation, financial viability and operations and maintenance

of its sanitation and water systems. I have personally had some long discussions with Mubarak about this issue. In fact during the Mubarak visit to the United States, President Reagan and Mubarak spent about ten minutes discussing the problem and Secretary Shultz spent even more time. These are part of a \$1.2 billion agreement for improving water and sanitation systems in Cairo, Alexandria, and a number of smaller cities.

Our efforts are linked to reforms by the Government of Egypt. These reforms include:

- phasing in tariff increases which are adequate to the cost of operations, maintenance, service and routine improvements;
- the establishment of locally controlled water and sanitation organizations; and
- the provision of training.

A.I.D. is encouraged by Egypt's progress in meeting these reforms but more needs to be done. A.I.D. plans to continue its investment in water and sanitation in Egypt beyond the current \$1.2 billion level and our policy dialogue on reform issues.

In Africa, the severe droughts have brought widespread human suffering and economic devastation to countries across the continent. A.I.D. has responded to these needs with a massive food aid program. In addition, there has been a program of emergency water and sanitation assistance to relief camps and villages. I have personally seen in camps in Ethiopia and Sudan the lifesaving impact of clean water.

These emergency efforts need to be coupled with the long-term solutions to problems of drought, soil degradation and famine. As a result we have initiated a number of water rehabilitation programs in response to the African drought. A.I.D. and the PVO community can point to a number of innovative programs in the environmental field for example in Somalia, Senegal, and Sudan.

Soil and water conservation measures cannot make more rainfall but, they can conserve what rain does fall. These programs do this by slowing runoff, improving soil texture and moisture retention capability and reducing erosion. River basin development is also a part of our program in Africa. In Somalia for example, we are embarking on a major activity in the Juba River Valley.

We recognize the critical role which water and sanitation play in virtually every aspect of development. A.I.D. will continue its commitment to the development and improved utilization of water resources.

Our past investments in this field have opened many opportunities for exporting American technical advisors, engineering management, and construction services, as well as American equipment and materials. We expect these export opportunities to continue. We, therefore, look to the American private sector to help us meet the challenges before us.

We must find ways to improve the management of existing irrigation and water supplies.

We must reorient irrigation and water supply authorities from construction agencies to make them service providers. These institutions should charge, collect and retain fees for their services.

We must find ways to incorporate the creativity and vitality of the private sector into water resources programs. Exploitation of ground water by the private sector coupled with realistic pricing policies is a good possibility. Strengthening the design and planning capability of private firms, as we are doing in Jordan, is another.

The drought stricken areas of Africa present a particular problem. We must find better ways to couple emergency responses with basic development assistance to overcome the long-term problems of drought and famine.

In closing, tackling these problems is going to require the active support of the private and public sectors. It is going to require the creativity of people like you. It is a long term investment, but one we must be prepared to make. Because, without efficient management of the world's water resources, economic development cannot proceed.

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Peter McPherson, Administrator  
Agency for International Development  
Brandeis University's Center for  
Social Policy in the Middle East  
12:30 p.m., Room 2253, Rayburn House Office Building  
Monday, May 5, 1986

Good afternoon. It's fitting that we are meeting on Capitol Hill because Congress had a lot to do with starting this regional cooperation program between Israel and its Arab neighbors. Members of the House supported Middle East regional cooperation activities even before the Camp David Agreement was signed. Congressmen Henry Waxman and Ben Gilman were among the first to see the value of providing American support to help Arabs and Israelis begin cooperative endeavors.

Let's take a close look at what this partnership involves. A.I.D. has financed some small research projects. These projects involve Middle Eastern and American academic institutions in scientific fields such as agriculture, health, and the social sciences. That is, of course, a correct bureaucratic description of those projects, but it leaves out the dynamics of what is really going on.

As a practical matter, this is a research program that builds human relationships. It draws together people from Egypt, Israel and occasionally other Arab countries to conduct important research. People whose countries have been at war for decades work together in harmony. They start with a common interest in research and come to know each other as friends and co-workers. Through this process over the past seven years, Arab and Israeli scientists have found how much they have in common.

A.I.D. has been pleased to provide financial support for this regional cooperation program. Our first project in ocean sciences was a cooperative effort by the New Jersey Marine Consortium, and Egyptian and Israeli Research institutions. Their work in water and fish resource management, coastal erosion, and other areas of mutual concern have been impressive.

We have had a variety of other cooperative projects in agriculture and health. For example:

- An arid lands project with the San Diego State University Foundation. Those working on this project have made real progress in using saline water to produce crops in arid environments.

- A project with the National Institute of Health has done important work in malaria, rift valley fever and other diseases.
- An agricultural technical exchange project with our Department of Agriculture has involved a large number of Israeli and Egyptian institutions. Excellent work has been done in making more efficient use of scarce water used in irrigation.

We've also done social science research on:

- "Perceptions of Conflict" with City University of New York. It has helped both Egyptians and Israelis to understand each other better and,
- we've conducted seminars with the American Psychiatric Association.

These workshops have sought to openly deal with the serious problems and perceptions that divide the people of Egypt, Israel, the West Bank, and Gaza.

As you work together on the research, we see progress in overcoming the enmity of years of war. Now, what role does A.I.D. play in this partnership?

First, of course, A.I.D. works with you to keep this spirit of cooperation alive. At A.I.D. we:

- review your proposals,
- work out funding and operating problems.
- attend your workshops in Alexandria and Tel Aviv as well as your conferences in San Diego and Salzburg.
- work with the Egyptian and Israeli embassies in Washington and the foreign ministries overseas.

We believe in the principle of cooperative scientific research and, are committed to the process of building human relationships.

Many of you have continued through times of serious political adversity. You have also survived some financial problems. And by the way, I appreciate your ability to work with us in dealing with our serious budget crunch.

In closing, it's been a good partnership. Let me assure you that A.I.D. remains committed to this program. Moreover, we expect to keep supporting it for the foreseeable future. We hope that more of our friends in Israel, Egypt, and other Arab countries will join with us in this historic venture.

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Development: The New Name for Peace  
by  
Peter McPherson, Administrator  
Agency for International Development  
Mt. St. Mary's College  
Emmitsburg, Maryland  
May 18, 1986

President Wickenheiser, members of the Board of Trustees, platform guests, faculty members, family, friends, and especially -- graduates of the Class of '86.

I am honored to be here. Before I begin my talk, let me extend congratulations from a Mt. St. Mary's board member, and a long time friend of mine, Ed Piszek. Ed wanted to be here to share this happy occasion with you, but he is in Poland today delivering food and medicine to people whose food supplies were affected by the nuclear disaster in the Soviet Union.

As we sit here today, let's look at what the world was like when you were born, and the changes that have occurred in your lifetime.

It's hard to remember that just 20 years ago:

- Pope Paul VI called for peace in Vietnam,
- there were food riots in India,
- Winston Churchill died,
- Martin Luther King led civil rights demonstrators and,
- the first American astronaut walked in space.

Today, India is self-sufficient in grain. The rate of death of children in poor countries has been cut in half. We have experienced nuclear disasters. And, we watched via satellite as Filipinos marched peacefully for their freedom.

Yet, it is ironic that in 1986, the year dedicated by the United Nations as the "Year of Peace," we live in a world where there are those who follow the dictum that blood is cheaper than water.

Given the confines of that reality, how can development and economic progress contribute to peace. Just as the history of our nation was crafted by the visions of our forefathers, so too will the future be shaped by your actions. The gauntlet will pass to you.

Today I'd like to talk about what we should do together in the next 20 years. The correlation between development and peace

was eloquently stated in the Encyclical of Pope Paul VI "On the Development of Peoples." He said, "To wage war on misery and to struggle against injustice is to promote...the human and spiritual progress of all men, and therefore the common good of humanity. Peace cannot be limited to a mere absence of war...No, peace is something that is built up day after day."

I'd like to take a few minutes to discuss with you what we at the Agency for International Development, known as A.I.D., are doing to promote "the common good of humanity."

Let me emphasize that foreign aid is only one part of the development process. First and foremost, no efforts at development can be successful without the commitment and involvement of the people in poor countries themselves. History has taught us that it is the people who ultimately shape and energize a nation's future.

The "people power" which we saw in the Philippines on our television sets is a power that can change the history of a nation. Most people want a better life for themselves and their children. Most people are willing to work for it if they have some expectation that things can get better. But when people are desperately poor and on the edge of starvation, it's hard for them to bring about a better life. That's where our foreign aid comes in.

Our basic goals have never changed over the years. They are: economic development that fosters human dignity, and foreign policies that encourage human freedom.

We must remember that the security of the United States and the western world is closely linked to the social, political and economic development of Third World countries.

Current events in Central America, Africa and the Middle East serve as daily reminders of how much our own security relies on developments in other regions of the world.

We cannot realistically expect to have a stable world when large portions of its people remain in the kind of deep poverty that generates only despair and unrest. As Woodrow Wilson once said "Only a peace between equals can last."

Our objective then is a world in which growth and development are self-sustaining and the extremes of poverty are eliminated. How can this be done?

A good case study is Africa. In most of the world, per capita food production has continued to rise. But in Africa, it has fallen every year for 20 years.

Last year we all watched as pictures of people starving in Africa flashed on our TV screens. During one of my early trips to the feeding camps, I spoke with one of Mother Teresa's Sisters of Charity. She was a young woman about your age and she was holding a starving child in her arms. I asked if there was anything more I could do. "Mr. McPherson," she said, "pray for me. I cannot seem to do enough."

But to give us a better perspective on the Africa problem, we must consider India, where 20 years ago conditions were similar to conditions in Africa today. As you recall, there was a great famine in India in 1966. India was considered by many as beyond hope. Hunger was everywhere. Starvation was common.

But then a revolution began. It was a revolution of science and technology, of education and training, of global concern, coupled with the resolve that chronic hunger was a problem that could be solved. The development and widespread use of high yield rice and wheat changed India from a region of chronic hunger to one of self-reliance in grain production. India is an example of how we can solve problems.

Just as in India, Africa now needs her own green revolution and this I believe should be largely achieved in the next 20 years. I'm not talking about something that will begin in the distant future. It has already begun!

In Sudan, with support from A.I.D. and others, a breakthrough in grain research has been achieved. There are now new grain varieties that produce 150 percent more grain than traditional varieties. I have seen fields in Sudan where these new grains are planted and they are growing well.

In Nigeria, Cassava -- a potato-like crop -- is a food of the poor. A new cassava variety appears to outproduce local strains by as much as eighteen hundred percent!

These examples are encouraging. But they are only the first steps in a long and complex journey toward the goal of food self-reliance in Africa. However, I believe that with the help of the United States and a real effort on the part of the African people themselves, this is a job that can be accomplished in the next 20 years.

To survive, people also need good health. Because we have achieved so much as a nation in the health field, we have had much to offer the rest of the world. Just during your lifetime, we have helped cut the death rate of children throughout the

world by 50 percent. But 14 million Third World children still die each year. Of these, four million die from common diseases for which you were vaccinated as children -- polio, measles and tetanus. A.I.D. is part of the worldwide effort dedicated to the universal immunization of children against these common childhood killers.

An additional five million children die each year from dehydration caused by diarrheal diseases. But now we have a new weapon in our arsenal -- the discovery of a technology that will rehydrate these children. It's almost magical in its simplicity.

This inexpensive mixture consisting of a handful of sugar, and a pinch of salt mixed with clean water can mean the difference between life and death for many children. A few weeks ago in Egypt, I saw a mother holding her child who lay near death. The mother fed the solution spoonful by spoonful to her baby. A few hours later he opened his eyes and was alert and active. That is why A.I.D. is committed to spreading this simple technology and we are doing a good job of it. For example, through our efforts, 90 percent of Egyptian mothers now know about this solution and the lives of approximately 150,000 children have been saved since the start of this national rehydration program. By the way, this medical breakthrough was perfected by two young American doctors who only a few years ago sat in a graduation ceremony just as you are today.

The medical advances we are making now will greatly reduce the number of children who die in the next 20 years. With the technologies currently available and the improvements that are on the way, infant and child mortality rates in the developing world could be fifty percent lower than they are today. This is a goal worth working for.

The environment of the Third World is also critical. This year A.I.D. will commit \$400 million to environmental activities.

In a sense, it is part of the United States investment in the future. For example, in Haiti, we are planting seven million trees a year. Last summer in Haiti, I walked through the fields with a farmer who was able to show me how these trees are helping to preserve his land.

In the next 20 years, environmental progress in the Third World will go hand-in-hand with progress in agriculture and health. Our experience overall shows that development efforts work best when the people affected believe they can have some part in improving the quality of their lives.

Yes, development should build democracy. History shows a strong linkage between political freedom and economic growth...between a democratic environment and social progress. And recent events in the Philippines and Haiti remind us of what can happen when people begin to take charge of their own destiny. As we move toward our goals, new markets open, political and social stability improve, and the world becomes a better, safer place for all of us.

In closing, let me say again that the survival of developing nations must lie first with individuals.

And so I say to you today that the future of our nation...and indeed the world...lies with you. The degree of success will be in direct proportion to your personal involvement. Regardless of the careers you follow during your lifetime, you have a personal stake in assuring that our direction as a nation remains true to its historic course.

We cannot turn away from the world, because the world is at our doorstep. Your counterparts -- the youth of the Third World -- desperately need the education, the freedom, and the choices others have made possible for you.

In truth, we cannot be truly free until all who seek freedom are free. We cannot be fully fed in mind and body until all are equipped with the knowledge of how to feed themselves.

To wisely use your education to diminish want in the world around us is to reduce the struggle for others and, ultimately, for ourselves.

Let us be worthy of the challenge ahead for development really is the new name for peace. As Pope Pius XII expressed it, the desire for peace through development arises from a deep "law of human solidarity and charity which is dictated by the equality of all men."

I extend to you my congratulations. And, I wish you Godspeed in your future endeavors.

PETER MCPHERSON, ADMINISTRATOR  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED NATIONS GENERAL ASSEMBLY SPECIAL SESSION  
ON THE CRITICAL ECONOMIC SITUATION IN AFRICA  
NEW YORK, JUNE 1, 1986

Mr. President, Mr. Secretary General, distinguished ambassadors, ladies and gentlemen, this has been a successful week. You and your colleagues deserve congratulations on the fine job you have done. We have been able to come together here and reaffirm those priorities necessary for stimulating economic recovery and renewed growth in Africa.

We have accomplished this knowing that Africa's problems are complex and there are no easy solutions.

We are now at a crossroads. We leave this hall having charted a new course this week. One that concentrates resources on the high priorities and based on a partnership of mutual understanding.

During the past few days a lot of good will has been generated. Obviously some problems have been encountered but -- that was inevitable given the importance of the subject.

Nevertheless, we've come out of this with the political will to implement the United Nations Program of Action adopted here.

I would like to outline how the United States will support Economic Recovery of Africa.

We will focus our assistance on four of the highest priorities:

- economic restructuring;
- agricultural growth;
- human resources development and,
- famine preparedness.

To do so, we will concentrate our efforts on finding the most effective and efficient ways to implement these priorities with the resources at hand.

Let's take them one at a time. Economic restructuring is the number one priority for Africa. Nothing short of this will spark renewed growth.

The United States strongly supports the bold steps for policy reform called for in the program of action.

We know that austerity alone is not enough. Economic stabilization is absolutely necessary, but it must be accompanied by reforms which produce jobs and growth. Each country will employ different means to achieve these goals; but an increased role for prices, markets, and individual initiative is fundamental.

The results of policy changes are already being felt. Dramatic increases in food production have occurred in a number of countries as the result of the increased prices paid to farmers and the greater reliance on the free market.

For example, in Malawi, an 85 percent increase in maize prices to farmers resulted in over a 200 percent increase in marketed output.

Donors can support the innovative and courageous efforts of committed countries in a number of ways. For example, the United States has developed the African Economic Policy Reform Program which, along with the Baker Initiative, is directed at accelerating policy reforms.

We are also supporting the World Bank Special Facility. However, as our African colleagues have said, growth will not come from foreign assistance alone. Leadership by African nations is critical to manage the resources, and to carry out essential reform programs.

Our second priority for Africa is agriculture -- the principal engine of growth.

The United Nations Program of Action and previous documents of the OAU and ECA should be commended for their renewed commitment to agriculture.

Progress in key areas is vital for agricultural growth. The most important area is a favorable policy framework to support small farmer production and marketing.

Next, farmers need appropriate technologies. Much progress has been made. However, to bring about a breakthrough in research -- to bring a Green Revolution to Africa -- will require a long-term effort and substantial funding.

As Secretary Schultz stated on Wednesday the United States plans to give \$1 billion for agricultural research for Africa over the next 15 years.

The facts are that there has not been enough spent on research for the crops grown and consumed by people in Africa. We plan to make a major contribution.

Also, we believe that a system of agricultural universities will be needed to support research, extension and education and we will contribute to that effort.

Another area needing support is agricultural marketing. The surplus of grains in many areas of Africa this year underlines the necessity for expanding trade among African neighbors.

There is an enormous need to develop closer rural and urban ties for the marketing of agricultural goods. We need to find the best means for processing and marketing local foods and move away from reliance on food aid.

Finally, for agricultural growth, we are supporting better management of the natural resources of Africa.

The advance of the desert, the destruction of forests, and the depletion of soils undermine agricultural production and increase the chance of famine. Desertification is real. I remember last year when I was in Niger with Vice President Bush and we could not take an in-country plane trip because there was too much sand in the air.

Environmental degradation is increasing due to misuse and overuse of land by people and livestock. Population pressure is pushing people into marginal areas, often causing further loss of productive land and forests.

These conditions, made worse by man, can also be changed by man. In this regard, tree planting works best where local families and communities are given the responsibility for trees that protect their own land.

It is human nature that people protect their own trees and chop down other trees, especially if no one else clearly owns the other trees. I have seen this time after time around the world. We try to build on these concepts of human nature.

For example, in Niger, working with the CARE organization, the U.S. has helped local people plant over 500 kilometers of windbreaks, which now produce fuelwood, valuable wood products, and have increased millet yields by 20 percent.

This type of community based forestry activity can be promoted and organized by NGO's and serves as a model for other parts of Africa. In fact, four new A.I.D. forestry projects with American NGO's are now underway in Senegal, Mali, Sudan and Somalia.

We applaud the Canadian forestry initiative which also builds on the concept of working with NGO's in local communities.

Development of Africa's human resources is our third priority. To make economic policy reforms and agricultural development work, we must never lose sight of the most important resource of any country -- its people. Accordingly, the U.S. is putting substantial resources into training African men and women.

Child survival is also a key area. Here we have seen great success in the development and distribution of appropriate low-cost technologies such as immunization and oral rehydration therapy. We are saving thousands of African babies already and the job has only begun.

For example, ORT is almost magic in the way it can bring back a child who is near death from diarrhea and dehydration in a matter of hours. This simple mixture of a pinch of salt, handful of sugar and clean water is fed spoonful by spoonful to children. I have seen this all over Africa, and it is really something.

Working in partnership with NGO's has been a very effective approach in implementing child survival programs. For example, local churches in Zaire have developed a primary health care system which has resulted in healthier children and adults in many villages.

Of course, population growth rates are a factor in the African development equation. Many leaders of African countries are heeding the Kilimanjaro Declaration in its call for increased attention to this issue, including strong government support for the provision of family planning programs.

During the six years I have served at A.I.D., I have watched this matter closely and I can tell you that there is a much deeper commitment to family planning in Africa than ever before. Accordingly, the United States will continue to support and encourage the availability of family planning services.

Also, the development of women's capacities is essential. We must recognize that attention to women's roles in development is critical, particularly in agriculture. In addition to their daily domestic tasks, women farmers in many parts of Africa produce as much as 80-90 percent of the food.

Therefore, as we allocate scarce resources, women must be integrated into economic assistance activities through training and development programs.

Finally, a fourth priority is an African drought early warning capacity. Famine is a slow-moving disaster which can be detected by monitoring various physical and social factors. This monitoring capability must be a continuous effort. It should combine first-hand knowledge of local conditions with high technology such as remote sensing data.

Such a system will have to be inexpensive and relatively simple to operate and maintain. If it is not inexpensive and simple, it will not be kept in place for the next time we need it. It should be fully professional and demonstrably free of political manipulation.

We have such a professional, apolitical system to determine when there is an epidemic. That system produces conclusions upon which decision-makers rely. We need such a system for famine determinations.

The Bonn Economic Summit Report recognizes that an early warning system cannot be successful without the development of national and regional capabilities.

Organizations such as CILSS, IGAAD and SADCC should strengthen their coordination with FAO and donors with early warning systems. The remote sensing regional centers in East and West Africa and the AGRHYMET Facility in Niamey are key organizations in the development of early warning.

We are not proposing a new bureaucracy but the United States wants to work with African countries and other donors to draw upon our combined experience and technical strengths to support this effort.

We know that there will be another drought. The question is whether we will take the steps to avoid another wide-spread famine. I firmly believe such famines can be avoided in the future. We have the technology. The question is will we work together to put in place an effective early warning system.

To carry out the four priorities I have outlined, we must mobilize all available resources. For example, the potential for unleashing the energies and resources of the African private sector is enormous. Clearly, they have not been fully marshalled.

Also, support from the NGO's has been massive. They continue to be extremely important as a source of direct assistance, and they can mobilize additional financial aid from public and private sources.

The African people have the energy and the desire to realize the promise of a productive, self-reliant life, if they can get the tools, if they are given the chance, and if they take the lead.

African governments are working to create the environment in which citizens can prosper.

The United States and the international community are pledging to deepen and broaden the partnership we have with you -- the governments and people of Africa -- to help make these goals a reality.

In closing, this Special Session has aroused public interest in the development problems of Africa. It has focused the attention of donor decision-makers. We must now move forward with a determination to tailor development programs which focus on the priorities of individual countries.

We have confidence that the people of Africa will make it a success.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

JUL 11 1986

MEMORANDUM TO ASSISTANT ADMINISTRATORS  
and OFFICE DIRECTORS

FROM: Sarah Tinsley, AA/XA, Acting

SUBJECT: Administrator's Speech Delivered to the UNDP  
Governing Council in Geneva on June 9, 1986

For your information, attached is the above speech given by  
Peter McPherson.

Speech by  
PETER MCPHERSON, ADMINISTRATOR  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNDP GOVERNING COUNCIL  
GENEVA, MONDAY, JUNE 9, 1986

This Governing Council meeting represents a watershed. UNDP is moving into the second half of the decade and into the fourth programming cycle. The worst of the African drought is behind us. This makes it even more urgent that we address the longer term development needs of that continent as well as elsewhere. UNDP's Administrator of ten years departs, leaving a strengthened organization, ready to face today's challenges, among them strengthening the capacities of developing countries to manage their own resources effectively and improving the coordination of development assistance.

As this Council welcomes a new Administrator and approves the first of the new fourth cycle country programs, we can look to the future with renewed confidence.

First, I must take this opportunity to pay personal and official tribute to Brad Morse, the man who has led the United Nations Development Program for the past ten years through some of its most challenging and difficult times. We all owe him a great debt for his energy, goodwill and imagination.

Brad Morse's influence extended far beyond UNDP. He led the United Nations system's response to the African drought, using the Office for Emergency Operations in Africa to bring about an extraordinary degree of cooperation. His work saved many lives. He taught us much about how to get things done. As he takes up his new responsibilities at the Salzburg Seminar, I know he will continue to be an active spokesman on development issues. He will not be forgotten.

To his successor, William Draper, we extend our congratulations on his appointment and our best wishes for success, as he begins to confront the sobering problems and the opportunities which await him. My government remains firmly committed to cooperating with UNDP and with our colleagues in the Governing Council in strengthening and supporting this organization's contribution to economic development.

Recently, I attended the UN General Assembly's Special Session on Africa in New York. In the aftermath of last year's tragic drought emergency, it is noteworthy that the international community, led by African governments, is examining the lessons to be learned from this shattering experience. It's particularly

encouraging that many of the African states are reaching consensus on the root causes of Africa's economic ills, and are beginning to find ways of making better use of scarce resources to create the basis for economic growth. UNDP can make an important contribution to this effort in Africa.

In the international climate of the 1980s, multilateral aid remains an essential element in international development cooperation. As the needs of development cooperation have evolved over the years, we have worked together on a number of efforts to adapt and improve the mechanisms of multilateral assistance to assure they address development problems effectively. While there have been successes, all of us recognize that there are significant opportunities to strengthen these assistance modalities further. The impact of such improvements in UNDP has begun to show.

My Government welcomes the decision of the 1985 Governing Council of UNDP to direct the bulk of UNDP resources to the poorer countries. We commend higher-income developing countries which will increasingly finance UNDP technical assistance from their own resources. Under the current financial constraints that trend must continue. Put simply, UNDP cannot afford to provide grant assistance to all who would like to have it. The largest portion of UNDP resources must go to the poorest countries.

The Governing Council has before it some fifty UNDP country programs for approval. In reviewing them we have found evidence of substantial effort to improve their quality and relevance to development priorities. This was the result of concerted cooperation between recipient governments and UNDP. We support UNDP efforts to relate country programs more directly to development strategies and coordinate plans with those of other donors.

Our review of country programs also convinces us that UNDP -- its member governments and the Secretariat -- must continue to pay more attention to setting priorities for use of its development resources. On its own, UNDP assistance has limited influence on the development process. But, combined with other external assistance, domestic resources and recipient government policy improvements, UNDP can play a catalytic role in supporting developing countries' strategies.

In considering the effective use of resources, we believe all members of this Governing Council have an obligation to hold the UNDP Administrator accountable for working out and applying, with UNDP's partners, appropriate standards for design, monitoring and evaluation.

This past week's discussions of country programs have illustrated the fruitful cooperation that can occur between the Secretariat and members of the Council, in achieving quality programs. We attach great importance to the Committee of the Whole and its newly-constituted Working Group as a means to this end. We must adapt the budgeting and management of aid -- bilateral and multilateral, public and private -- to these tasks. We do this precisely at a time when overall official development assistance is not likely to increase substantially and private flows will not reach desired levels. Success, in the demanding efforts ahead must depend on better aid, rather than more aid and on the fuller mobilization of domestic resources, both public and private. We would like to see UNDP make a greater effort to energize private initiative and resources in developing countries.

Experience in developing countries repeatedly shows that appropriate incentives help make the development process more productive. The roles and relationships of the public and private sectors, the price structure, subsidies, trade restrictions, tax structures, excessive government regulations, and inefficient parastatals -- involve critical and difficult policy issues which it is important for UNDP to address through the Roundtables and by its technical assistance.

Mr. President, last year my government welcomed the Administrator's institution of a set of key management reforms. UNDP's headquarters program review and project review is becoming more disciplined; the Committee of the Whole and its Working Group are showing promise as a means for exploring program issues and helping UNDP improve its management and stewardship of development resources; Roundtables are becoming more useful fora for decision and action.

We look to UNDP's new Administrator to carry through on these management improvements and establish them firmly in UNDP's institutional structure. Last week's reviews touched on two matters of particular concern to us:

- the declining rate of program delivery, and
- the large share of scarce grant technical assistance used for purchase of equipment.

Improved project budgeting and management should help to bring expenditures more in line with commitments. The practice of using a large share of UNDP project funds for equipment undermines UNDP's institutional role and should be discontinued to the maximum extent possible. The multiplicity of donors and of donor projects imposes a sometimes overwhelming burden on developing country ministries.

We expect UNDP to play an important role in helping to integrate and coordinate economic development activities and build developing country capacity to manage the external assistance they receive. The World Bank and UNDP must give greater attention to in-country coordination, follow-up to major meetings, and provision of coordination frameworks for countries where these are still lacking. The U.S. warmly supports the UNDP's proposals for further improvements in the roundtables.

The roundtables must become effective vehicles for analysis of development priorities and must contribute to structural adjustment and policy reform directed at growth. We also encourage UNDP's efforts to play an active role in assessing country technical assistance needs and increasing the attention paid to technical assistance in IBRD consultative groups.

We are pleased to see that UNDP is taking steps to strengthen its coordinating role. We see the UNDP country program process as a key element in improving the coherence and coordination of U.N. system operational activities for development.

I must, however, express disappointment in those situations where the UNDP and the specialized and technical agencies do not work effectively together. It is a problem which UNDP recipients and donors must confront.

The United States has stressed in this Governing Council and in the governing bodies of other UN organizations, including the specialized agencies, the importance we attach to cooperation -- not competition -- of specialized agencies with UNDP.

We 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 UNDP is accountable to this Council for assuring the optimum use of its resources. We look to UNDP's new leadership to make a special effort in this area in the coming years. We ask other member governments to join us in this effort. With declining budget resources, smooth cooperation among UN agencies is absolutely crucial -- and, it is the responsibility of governments to ensure that this happens.

Last October the Mid-Term Global Review of the Substantial New Program of Action (SNPA) for the Least Developed Countries highlighted the importance of coordination. It also recognized the need for a broader coordinating role for the UN Resident Coordinator in response to the specific requests of some least developed countries. UN General Assembly Resolution 40/205 endorsed the conclusions and recommendations of the Midterm Review. We expect the UN system to respond appropriately and quickly.

The Fourth Programming Cycle offers an excellent opportunity for the UNDP, through its Resident Representatives, to work with host governments and other donors, in particular the UN specialized agencies, to make the best use of resources in a domestic policy environment which helps make them effective. This means that UNDP must be concerned about strengthening its cooperation with UNDP to strive for improved efficiency and delivery of results. We are supporting this effort in New York and Washington. We have reaffirmed our instructions to our field missions to make a point of cooperating actively with UN Resident Coordinators and to keep us informed on how the process is going.

It is evident that UNDP Resident Representatives in a number of countries are actively pursuing their coordination responsibilities. I would encourage UNDP headquarters to see that this effort becomes more widespread and to provide continuing support for it. Active cooperation requires a useful exchange of information. To this end it is important that every stage of the UNDP program and budget process be made more transparent to member nations, so they can make informed, constructive recommendations to UNDP leadership on resource allocation.

Let me turn now to the policy theme of this Council session. The United States supports the UNDP initiative to make human resources development a more central concern within the UNDP program. For this effort to be fruitful, however, UNDP will need to examine its experience and use the results to guide the direction of its future efforts.

The United States welcomes UNDP initiatives to facilitate coordination on human resources development programs, as described in paragraph 52B of the policy review document, DP/1986/10, on UNDP's role and human resources development. We also agree with proposals to coordinate the flows of training fellowships and to improve institutions and the utilization of technical assistance personnel as described in paragraphs 52B, E and F of the same document.

The United States encourages UNDP initiatives to address public administration aspects of human resources development. This includes the financing and administration of education and training systems, the more efficient use of personnel in the public sector and capacity building in institutions which are strategic to human resources programs and services. In implementing these proposals, UNDP should also look at how it can help the private sector upgrade its human resource base. We look forward to exploring this effort with the UNDP Secretariat.

The United States remains concerned that the discussion and program recommendations to date remain excessively broad and diffuse. We urge that they be made more specific and operational within the structure, mandate and resources available to UNDP. Further, we urge that any additional regional workshops or other planning initiatives UNDP may undertake be focussed on exchanging the lessons of experience and on establishing program guidelines and workplans rather than on further philosophical, theoretical or technical refinements of concepts of human resources development.

The United States is particularly concerned that UNDP not exceed its technical capacities by attempting to address technical issues more properly addressed by specialized agencies and countries or by attempting to arbitrate technical debates about optimum approaches to education and training.

The UNDP effort in the area of human resources development is an example of the intellectual role UNDP can and should play in providing a vision and guidance on problem areas and developmental issues where more knowledge is needed, where practical strategies must be developed, and where common policies are desirable. We envision in fact, the UNDP engaging the operational agencies of the UN system, and the member countries in the search for practical means of overcoming constraints to development and maximizing the impact of assistance programs. We believe this is an appropriate objective of global and interregional programs. The Governing Council will decide whether or not to continue the life of the Working Group of the Committee of the Whole.

The United States has found that in its short life the Working Group has already shown itself to be a helpful mechanism in increasing the Governing Council's practical understanding of UNDP's activity and in serving as a needed forum to air problems, and support UNDP in its efforts to tighten its management and procedures. We strongly recommend that the Working Group be extended, in full accordance with its mandate as contained in Decision 85/17.

In conclusion, Mr. President, I reiterate that the United States holds the UNDP and its leadership in high regard. This organization has the capacity to make a unique contribution to the development process. We wish to cooperate with all represented here to help UNDP continue as an organization which merits the support of its members and which makes a vital, growing contribution to development achievement.

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Remarks by  
Peter McPherson, Administrator  
Agency for International Development  
to the InterAction Annual Board Meeting  
Riverside Church, New York  
November 6, 1986

Good evening. It's good to be here at the culmination of a year of important work done by InterAction and the PVO community. Let me start by saying a few words about a subject that I know is very much on the minds of all of us: the foreign assistance budget. I don't need to remind you that this has been a difficult year - and that A.I.D. faces a period of significant belt-tightening. In all of our programs, this means that we confront a renewed challenge to make the best possible use of the - unfortunately - limited resources at our disposal.

Having said this, I want to emphasize that we in A.I.D. are fully mindful of the extremely important role the PVO community played this year in generating support for foreign aid. Your combined efforts were a tremendous help. I would add that they will be just as important in the future, because of the continuing pressures on the Congress to reduce the federal deficit.

We have not yet reached final decisions on the allocation of our FY 1987 budget. We are wrestling with ways in which budget reductions can best be absorbed with the least damage to essential programs and priorities. I expect to make these decisions in the next few weeks. In grappling with the difficult choices that face us, A.I.D. will not forget the important role played by PVOs. As we make our decisions, I want you to know that I will keep your concerns very much in mind.

In talking with you tonight, I want to spend most of my time looking forward -- to share with you some thoughts on the shape and potential of the PVO/AID partnership as it continues to evolve in the years ahead.

But before moving to this principal theme, I must share with you my admiration and gratitude with respect to the role of the PVO community -- and the effectiveness of PVO/AID partnership -- in responding to the exceptional humanitarian challenges of the recent past during the African drought.

We have heard the figures many times since the fall of 1984: 200 million people in 22 countries were affected; the lives of 30 million people were in immediate jeopardy.

Over the past two years A.I.D. moved almost \$2 billion in food assistance to Africa, with no increase in staff and no decrease in normal business. And the food got there. Thirty-four PVOs received grants or food totaling \$748 million. These same

organizations - your organizations - assumed the major responsibility for distributing this assistance to residents of the multitude of camps and villages -- and for ensuring that the food and other supplies actually reached those in need. Our A.I.D. Missions provided logistic assistance and intervened with governments where necessary to smooth the way. Working together the dedication of the American and other private voluntary agencies saved Africa from even further devastation. To all of you, I say, well done.

Now that the worst is over it is imperative that we continue to work together to effect real and lasting improvement in the quality of life in Africa and throughout the developing world.

With respect to Africa we have a four-point program to support economic recovery. Our priorities are these:

- economic restructuring;
- agricultural growth;
- famine preparedness; and
- human resources development.

Economic restructuring is the first requisite of renewed African growth. Economic stabilization must be accompanied by reforms which produce jobs and growth. An increased role for prices, markets and individual initiative is fundamental.

Our second priority for Africa is agriculture -- the principal engine of growth. We must encourage the development of a favorable policy framework to support small farmer production and marketing. We must work together to bring about a breakthrough in research and to bring a Green Revolution to Africa. I am convinced this is absolutely necessary -- and possible.

Our further priority is an African drought early warning system. Famine is a slow-moving disaster which can be detected by monitoring physical and social factors. A key question lies in how we can work together to put the necessary mechanisms in place, to respond to early indicators in a timely and appropriate fashion.

We know that there will be another drought. The question is whether we will take the steps to avoid another wide-spread famine.

Development of Africa's human resources is our fourth vital priority. To make economic policy reforms and agricultural development work, we must not lose sight of the most important resource of any country -- its people. Therefore, A.I.D. will continue training African men and women, and expand child survival techniques.

We have seen great success in the development and distribution of low-cost technologies such as ORT and immunizations. We are saving thousands of African babies already and the job has only begun.

For example, ORT is almost magic in the way it can bring back a child who is near death from diarrhea and dehydration in a matter of hours. Working in partnership with PVOs has been a very effective approach in implementing child survival programs.

In Kenya the Salvation Army's Home League is being trained to teach village women to improve the health of the children in their communities.

One of the most important steps to furthering the A.I.D./PVO partnership is a better understanding of the true extent of PVO activities in Africa. On this note, I would like to compliment InterAction on the excellent job it did in creating the two-volume study called Diversity in Development. The study, which lists all U.S. PVO activities in Africa, will be enormously helpful to A.I.D. staff -- and particularly Africa Bureau staff -- in project design.

Particularly in the areas of Child Survival and agroforestry, I continue to urge the private voluntary organizations to commit themselves to the furthering of these programs -- to mobilize and harness the American public's interest and commitment to post-drought "Child Survival" and "Greening of Africa" campaigns. Over the years our partnership has proven itself. Our experience during the drought showed how truly effective we can be working together. Now, I am anxious to take the next step forward.

The concept of a partnership between A.I.D. and the PVO community is not new. And this partnership has never been static. Private voluntary assistance efforts directed at the relief of Third World poverty have undergone important changes over the years as their practitioners have grown in sophistication and professionalism. In the past 15 years in particular, A.I.D. and the PVO community have been involved in a long-term process of cooperation that seeks to broaden your involvement in the Third World beyond the relief and social welfare focus of traditional humanitarian assistance.

The development community has come to realize that improving lives of the poor depends on increasing their capacity to meet their own needs with their own resources. We now recognize that to relieve poverty through the direct delivery of food, health care and shelter attacks only the symptoms of the problem. It does not address the root causes. While relief and social welfare efforts are an essential response to emergency situations, programs which address the longer-term causes of this human suffering are clearly needed.

Over the past decade, A.I.D. and the PVO community have invested significant resources so that PVOs can undertake and fund development efforts at the community level. The result has been a remarkable expansion of the roles and scale of PVO involvement in the development process. A.I.D. support alone has grown from \$39 million in 1973 to over \$400 million in 1985.

From this long association together, we have learned that PVOs offer tremendous potential in promoting broadly based, self-sustaining development in the Third World.

As cases in point, evaluations of PVO programs in the fields of small enterprise development and primary health care highlight the important role PVOs have played. They have delivered credit and technical assistance to men and women who are not reached by the formal institutions. They have extended the availability of basic health care to remote locations. Other studies have identified the valuable role of PVOs in helping communities preserve their natural resources, through reforestation, land terracing or more energy-efficient practices. PVOs are particularly well-suited to working with indigenous grass roots organizations to improve their effectiveness.

However, I think we would all agree that we have yet to realize the full potential of the private voluntary community as a major force for self-sustaining, broadly based development. Too often PVO projects are small, scattered and do not significantly impact on the root problems in a given country. While there is much that can be said in defense of "small being beautiful," we have examined our own bilateral program to determine how A.I.D.'s small piece fits into the overall development picture.

It seems to me that PVOs may also want to consider ways in which they too can better fit into the larger context -- of the host government, A.I.D., other donor, and NGO plans, programs and strategies.

I am aware of several pilot efforts to try to integrate NGO program planning. I believe PACT has tried one such experiment in Mali, the World Bank in Togo, and the Indonesian government is exploring this too. At a time when resources are severely limited, the question of the strategic management of resources becomes ever more critical. The effective use of resources will require us to more closely coordinate our development strategies. We must maximize our resources by targeting them for priority activities, rather than just allocating money to good projects. We must target key countries and key problems.

We must define what is needed from the village up so it can be sustained at the local level. We must sustain the outcomes of self-reliant community development initiatives on a scale that will have an impact on a country's root problems.

What specifically does this imply for PVOs and the PVO/AID partnership? Let me put on the table the germ of an idea I have been struggling with as we tried to focus A.I.D.'s programs on these questions of sustainability and scale of impact.

First of all, I would note that a focus on sustainability and scale of impact requires attention to achieving structural changes in systems which A.I.D. and PVOs can only hope to influence, but can never control.

For this reason, if we are to be more than actors standing in the wings in this process, we must apply our resources with considerable care in order to be catalysts for the basic structural changes that are needed.

What types of skills does such a focus imply? First, there must be increased ability to manage resources strategically, the know-how to direct resources to increase our impact. But strategic management capability by itself is not sufficient. If we hope to influence the allocation of resources and the ways in which these resources are applied -- whether by doctors, engineers, politicians, administrators or village leaders -- we must also develop sufficient technical capacity to gain their attention. That is, we need more highly developed technical competence relating to the specific problems on which we choose to work.

The idea of technical competence is not new to the AID/PVO partnership. Through our evaluation work and -- more recently -- through our experience with the child survival program, we have come to recognize the need for adequate technical expertise if PVOs are to be effective in implementing technically oriented programs such as those involving oral rehydration therapy and immunization.

Those PVOs engaged in child survival programs have recognized the need to expand their technical capacity either through using outside consultants extensively or by bringing on board medical doctors and other health practitioners.

There is an important lesson to be learned from this experience: as our work becomes increasingly complex, we must build into our staff the expertise needed to effectively implement the programs. Those PVOs working in this manner, in areas such as agroforestry, water, health or energy, need to have the know-how to assure that performance is satisfactory and draws upon state-of-the-art knowledge. It is in this context that I believe we have reached a critical juncture in our partnership.

I see a significant opportunity before us, to maximize the potential of the private, voluntary development community as a major force in attacking the root problems of hunger, illiteracy, disease and premature death in the poorer countries of the world.

I have already suggested some of the implications of such an effort. Let me be more explicit. I believe it will involve refining some objectives and making some choices regarding those areas -- both technical and geographic -- in which our efforts will be concentrated.

For the PVO community, we see a challenge to sharpen and define organizational strategies and objectives, to clearly identify the needs for carrying out these strategies -- both management staff and technical expertise, and to build your constituencies to generate the resources and support for your programs. For A.I.D.'s part, where there are mutual interests and priorities, We want to help PVOs who choose this path to develop their potential by building the strategic management capability as well as by acquiring necessary technical expertise.

I know that many of you share this goal. Last summer a number of you participated in a retreat that focused on training needs for PVO managers. I understand that you may also be preparing a directory on PVO training resources and expertise.

We are ready to work with you in carrying out this evolution of the AID/PVO relationship. Our partnership grant and matching grants have already begun moving in this direction.

What I have outlined to you tonight is just the beginning of an idea that I think will take some time to crystalize. And, we at A.I.D. will need your help to think this through. I would appreciate your assessment of the strengths and weaknesses of the AID/PVO partnership. As we consider our agenda for the future, I think that it is important that we honestly and candidly assess our progress.

We have just recently completed an assessment of the first decade of cooperation between A.I.D. and the Land Grant Universities. The part of this exercise that was particularly valuable to me as we look toward future needs was a survey of all Title XII institutions and A.I.D. field missions. I propose to do the same thing as we consider the future of the AID/PVO partnership. A survey of all registered PVOs and all of our field missions will help identify gaps and weaknesses in our relationship.

We have covered a lot of ground tonight, so let me try to summarize what I consider the key points. We see an increasingly important role for PVOs as effective instruments for development. This expanded role is consistent with the increasing constraints imposed by financial limitations on our bilateral assistance program. It is consistent with PVO strengths in working at the grass roots. And it is consistent with the needs and realities of the African development context.

A.I.D. wants to work with those PVOs who wish to take this step towards increased "professionalization." We will incorporate the support that PVOs need to accomplish this as part of our on-going programs. I am not proposing to develop another program mechanism. I think our existing instruments can incorporate support for these kinds of strengthening.

Along this path of professionalization, we see both need and opportunity for further emphasis on:

- developing PVO capabilities to work with and provide leadership in creating local non-government organizations. We see this as a priority for the AID/PVO partnership.
- Next, promoting in-country or intra-regional collaboration -- through various means, be it consortia, information sharing or formal and informal mechanisms to foster collaboration.
- And finally, strengthening PVO/AID dialogue at the Mission level.

Let me close by saying that I hope you will give me your own ideas on the future of the AID/PVO partnership. I look forward to reviewing the results of our survey. I think it is important that we have a wide exchange of ideas so we can build an even stronger framework for cooperation in the future.

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Peter McPherson, Administrator  
Agency for International Development  
National Press Club  
Washington, D.C.  
November 12, 1986

Thank you Mary Kay. It's a pleasure to be here. There's an African proverb that says, "For news of the heart, ask the face." You, the media--brought us millions of African faces last year. And, thank God you did. Without your coverage, the conscience of the Western World might not have been stirred. Through your coverage, we saw the heartbreak of hunger and Americans responded generously to a continent in need.

This is, I am proud to say, the twenty-fifth anniversary of America's foreign aid program. I would submit that it remains the most underestimated--yet one of the most successful--programs our government has ever created. In its first 25 years, no other program rivals A.I.D.'s global accomplishments. Twenty-five years have given us confidence in people in less developed countries and in our ability to help them solve their own problems and live better lives.

Allow me to talk history for a minute and tell you how A.I.D. got its start.

A.I.D. was created in 1961. Its purpose was: to save lives and to help build stronger economies. Secretary of State Dean Rusk was clear on A.I.D.'s objectives. It was, he told Congress, created "to build frontiers of freedom throughout the world."

Unfortunately, all most people know about foreign aid is--that they don't like it. They think it's a wasteful give-away that can't even buy gratitude. The truth is just the opposite.

Foreign aid works! The problem is that not enough Americans know it works. And they aren't going to support a program they don't know much about, particularly when budgets are tight.

As you know, shrinking budgets are forcing critical choices among important domestic and international programs.

President Reagan's objective has been to see that these budget cuts do not stop the economic and individual advances in developing nations dead in their tracks.

My own fear is that Congress will continue to cut foreign aid, just at a time when we have gone so far and can do so much more. Such cuts would occur for reasons that simply are not valid.

The fact is, United States foreign assistance is not a handout. It is a well thought out plan to promote peace and stability. Moreover, foreign aid does not put our own economy in jeopardy. In fact, it results in the development of new trading opportunities for American business.

Development of the Third World is an investment which benefits both Americans and the people of developing countries! It is not a zero sum situation, where we lose and the Third World gains.

Foreign aid has a history of helping both the giver and the receiver. The predecessor of our foreign aid program was the Marshall Plan, which put Europe back on its feet after the Second World War. The Plan left Americans feeling proud about themselves. It left Europe as a working economic unit, a trading partner, and a strategic ally.

More recently, the Green Revolution in India was akin to the Marshall Plan in Europe. Twenty years ago, India had a famine of historic proportions. Without the miracle wheat and rice varieties developed and provided to India with A.I.D.'s help, the subcontinent would probably still face great starvation. Instead it is roughly self-reliant in grain products.

Without the Green Revolution India would surely be less stable and quite likely not a democracy. Without a democratic India, how different Asia would be today. Brazil, Korea and many other countries previously classified as "less developed" are now "newly industrialized." They were large aid recipients in the past, but now have much higher incomes for their people and are part of a more stable world. No doubt these newly industrialized countries must now accept more international economic responsibility commensurate with the maturity and our discussion with them are sometimes frustrating for us. But the point is that the world is safer and better because these countries are not the "hell hole of misery" Korea was called in the fifties.

By the way, many of these countries have been good markets for our agricultural exports.

In fact, in 1981, Korea bought more food from the United States

than we had given them in 24 years of Food for Peace shipments. Mexico, which received \$78 million in assistance from us, bought \$1.7 billion worth of products in 1983 alone.

To really appreciate what has happened in the last 25 years we need to be reminded of what the developing world was like before A.I.D.

- one out of four children died before the age of five;
- only a small minority of children attended school;
- most parents could not choose the size of their families;
- life expectancy averaged about 40 years of age.

Over the past 25 years, American foreign aid has played a major role in changing these conditions.

- child mortality has been reduced by one-half;
- smallpox has been eliminated from the world;
- the majority of children in developing countries enter primary school;
- safe and effective family planning methods are available;
- life expectancy has increased by 10 to 20 years in the Third World.

Under this Administration, during the past six years, there has been some dramatic progress.

-- There are 200 million cases of malaria each year, and the problem is getting worse. A new vaccine against a major strain of malaria has been developed and field trials are now beginning.

-- A.I.D. is supporting distribution of oral rehydration therapy to prevent diarrheal diseases -- diseases which kill 5 million children under age five each year.

-- A.I.D. played the lead role in combating famine in Africa. America organized one of the greatest efforts ever undertaken by a single country, providing over three million tons of food and other emergency supplies to Africa in 1985.

-- An early warning system is in place to help monitor African countries for signs of drought in the future.

-- Two years ago in Bangladesh another storm detection and forecasting system warned the people of a cyclone and saved over 100,000 lives.

Also, A.I.D. has been on the cutting edge of economic policy reforms in Africa and elsewhere that motivate people to invest their energies as well as their capital.

These past twenty-five years have taught us much about what works and what doesn't work in promoting economic development.

◦ We have learned that simply giving money away does not work.

We have learned that foreign assistance can only succeed where there are growth-oriented economic policies coupled with sustained political commitment by governments in recipient countries.

◦ We have learned that individuals, families and communities want to improve their lives and control their destinies. People are willing to change how they do things for the better.

◦ We have learned that individuals will respond when there are economic incentives for their work and productivity. For example, farmers will grow more if the government will allow them to be paid more. Families will respond when they are able to provide for all their members--to ensure the health and education of their children. Why should we be surprised that poor people will repair the school for their children.

Communities will respond when they know that by acting together they can have responsibility for improving their own environment.

The success of A.I.D. in the next 25 years depends on how well we blend what we have learned from the past with what we are finding out about the future.

We know that there are Economic problems in the world today whose solutions require far more than foreign aid to solve. There are three central problem areas which need to be addressed, and addressed through a comprehensive strategy which includes aid, trade, finance and security-related policies.

A.I.D. cannot solve these problems, itself. But they are realities of the world in which we must work. The first

problem is the world trade system. Export markets for traditional commodities are shrinking. Mineral raw materials are being replaced by synthetics or being overtaken by new technologies. Agricultural commodities, such as sugar and rice, face highly protected markets abroad and competing export subsidies.

The second problem is in the area of capital markets. Let me explain. Private sector incentives and individual motivation need a functioning banking sector at the national level in order to flourish.

All I can say after seeing the banking structures of many lesser developed nations is don't complain -- if you can't get money from the money machine. There are some big problems. The speculative outflow of national savings right now needs to be contained. And the cumulated foreign debt from past misguided policies has to be restructured, in connection with better economic policies.

The third problem has to do with political instability. Political instability must be overcome if foreign aid is to be successful. We need to coordinate our various resources and policy instruments.

We need to better use our moral position as the world's greatest democracy to assist the forces of political moderation and democratic change in developing countries.

So these are some of the problems. But there are many bright spots that will help us greatly accelerate the pace of development in the Third World.

° First, new technologies are transforming virtually all sectors of life, including manufacturing, commerce, agriculture and health. As I mentioned a new malaria vaccine is on the horizon. Agricultural research has resulted in a sorghum strain that yields 150% more than traditional sorghum.

° Second, a communications revolution is going on. It is opening up traditional societies at a breathtaking pace, through transistor radios and television. One example of the communication revolution is a pop record produced by A.I.D. and Johns Hopkins University. It markets a message of sexual responsibility. These songs are sung by two Mexican teenage idols and the songs reached the top of the charts in Latin America. In addition, these new communication tools are raising aspirations, improving teaching skills, and mandating a more open political process.

° Third, there is a wide-spread recognition of the importance of market-oriented economies as the best means of promoting economic growth. Within this new atmosphere it will be much easier for A.I.D. to support market-driven agricultural productivity, the growth of off-farm industries, expanded exports, and the entrepreneurial spirit.

° Another exciting change is the faith that is being placed in the individual as the source of economic development in the Third World. The energies and aspirations of individuals are the driving force behind development.

Our experience has shown us that people will work to improve their lives if they are given the choice. The task of foreign aid is to change the environment within which the individual citizens of developing countries work and live, so that they have more options and greater opportunities.

° Closely tied to a growing respect for what people can do on their own is a growing respect for what women can do for a country's economy. We have learned from our experience that women play a critical role in development.

In Africa, women are responsible for up to 80 percent of the food raised for home consumption. As we increase food security more women will be included in our programs. As mothers, women are the first line of defense against childhood disease. Our child-survival programs cannot succeed without their full participation.

° Finally, there is the trend toward democratic procedures and more open political systems throughout the developing world.

A pluralistic and open political climate is the best -- and only -- climate in which the aspirations and dreams of individuals can be fully realized. Simply put, with freedom comes economic and individual growth.

Against this background of our experience, of the most important problems and the most promising breakthroughs, I'd like to share my vision of what the future holds for development in the Third World in the next generation.

I see great strides in health. I believe that we will find the means to deal with most tropical diseases, including malaria. I believe we will almost see the end of death -- from common childhood diseases like polio and measles.

I believe that nearly all children will have some schooling and that most will complete the sixth grade.

I believe that safe, effective contraceptives will be available to most couples in developing countries. This will allow them to freely decide the number and spacing of their children.

I believe that we will see a Green Revolution in Africa. It will be more complicated than the agricultural revolution in Asia because it will be based on multiple crops.

I believe we will make great progress on increased production and drought resistant grains in the dryer areas of the world where so many millions of people live.

I believe that free markets and democratic institutions will be the norm rather than the exception.

The future is not some distant dream, it is a far off drum beat and, it has already begun.

All the children born this year will reach maturity in the next century. I want to make one last prediction about these children. Very few of their children will be born in what we now call the Third World.

The concept will pass out of existence. They will be born in a brighter world, a safer world, a better world. They will be born in a world where they have greater freedom to choose their own destiny.

Foreign aid is helping to create this world. We can't give up now. For, when people are given control of their lives, they're free to do more than exist. They can begin to live.

Revised  
from transcript

Keynote Address by  
Peter McPherson, Administrator  
Agency for International Development  
Individual Incentives, Decentralization  
and Development Strategy  
Global Development Conference,  
University of Maryland  
Friday, September 12, 1986

It is a pleasure to join you at your conference. The message I'd like to bring to you today is that all over the world in less developed countries the individual is a rational decision-maker about his or her own life. Moreover, that an individual will reach for an opportunity if the opportunity is there. Let me read a poem written by a Costa Rican farmer. The farmer writes:

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.

Ladies and gentlemen, it is my conviction that the individual can make rational decisions about his or her own life and that an individual will reach for an opportunity that is provided.

This is a fundamental principle, -- a principle often stated, but not always acted upon.

I remember as an undergraduate my anthropology professor argued that these poor unlettered people in villages over the centuries were not going to change. They were mired in tradition and the past.

The green revolution really put the lie to that argument. You remember that the green revolution in Asia produced miracle rice and wheat -- grains that produced three and four times more than historically been produced. It didn't cook up quite the same way as the traditional rice and wheat. The porridge didn't look or taste quite the same, but it grew in abundance. So when the anthropologist says they won't change, that they like the old formula they are wrong. That handful of rice or wheat in the Subcontinent of Asia began the green revolution. Why? Because it worked. People didn't need extensions services. The information and miracle seeds just spread.

I remember being a hundred miles from Shanghai in the mid-70s. Somehow farmers there had obtained some of that miracle rice and it was growing in the rice paddies. You see, when there is something new and good that provides an opportunity, the poor

person will make a rational decision. Basically they are very much like us and they make decisions just as we do. That is the fundamental principle. Let me talk about what I mean.

The strategy that we have been implementing at A.I.D. has two fundamental concepts: first, individual incentives to market forces are very important and secondly, decentralization of government functions to regions, to communities, to individuals are very important. This strategy will have important results. We believe it will produce: (1) a more efficient economy, (2) a more equitable distribution of goods and services and (3) a stronger base for democracy throughout the country.

Let me describe that strategy. Individual initiative. That concept is often praised. What does it mean?

Traditionally, people have talked about the need to continue to provide cheap food to people in poor countries. Many developing countries had very poor people that needed cheap food. What wasn't recognized was that cheap food was only obtained by holding down the price paid to farmers. You only get cheap food by holding prices down below market prices. When you look closely at the urbanites who get the cheap food versus the farmer whose price was being controlled, we found that by and large the farmer was

worse off in per capita income than the people in the cities receiving the subsidized food.

So the argument can be made that in our desire to do good, we supported discrimination against the poorest people. Now, I wasn't the first one to raise this issue, but I think it is fair to say I have been a forceful advocate for looking at this issue. We began to look at this in terms of equity. People began to say maybe the market system does produce a more equitable result. The market system allows the farmer to get what the market would pay.

The World Bank produced a very important report on the subject ? and in the last few years on an international basis that whole issue has been turned around.

There are a whole range of other sets of issues however, that strike the same way. For example, what about the government apparatuses in many countries that control the market, the farm goods and the distribution of fertilizers? We find those government apparatuses usually do not result in good distribution. Instead they often manipulated prices received by the farmer and create a whole range of problems. I can tell you that marketplace distribution of fertilizer works very well. I remember watching this whole process about a year ago when I

visited a little Bangladesh village. I talked to a fertilizer distributor and to the farmers buying fertilizer and the system works.

There are a whole range of other issues such as the overvalued (include?) exchange rates. Of course overvalued exchange rate usually means that urbanites get to buy cheap imports. Unfortunately, other people lose jobs...and those are jobs that could produce exports. My point here is that manipulating the system and thwarting market systems often creates real problems. It doesn't allow the individual to reach his potential.

The decentralization of government functions was the other leg of my two-prong strategy. What do we mean by this? As a Peace Corps volunteer in Lima, Peru, 20 years ago, I remember that the biggest building in town was the education ministry. It towered over the whole city and I have been in a lot of capitals where this is true. The whole education system in the country was controlled from the capital. The capital was supposed to hire the teachers, build and maintain the school buildings, provide books, supposed to do everything. You can imagine how well the Education Ministry in Lima, Peru operated in providing teachers for a province five miles out of the capital in the Andes mountains. Frankly, it didn't work. When you go out and talk to people in a little town

and you ask why their school doesn't function very well, they say, the Ministry is responsible for the teachers. If the school is dilapidated, they say the Ministry is supposed to repair it.

Unfortunately, what happens in so many countries is that the central authority preempts local responsibility by assuming it all but fulfilling only half at best. What we are now saying to countries is, you must recognize you are not going to be able to manage the education system entirely from the capital. It is critical to plan from the beginning for greater involvement by the local community. If the school needs repairs, parents should repair the school. If a window is cracked, or a chair is broken, parents in the community can take care of it. Parents are going to have to pay for books, or parents are going to have to pay a percentage of the teacher's salary. I like the idea of the community using local taxes to pay part of a teacher's salary, because then if the teacher doesn't show up the parents will really put the pressure on.

This creates a certain kind of economic democracy. When we demand services we demand service in turn. We (A.I.D.) have been supporting this increased role for local communities in a number of countries, and there really has been a positive response.

Probably one of the best examples is in Zimbabwe. When they decentralized the educational functions, the parents responded. This is no surprise to Americans because we've done that since our forefathers built schools out in the wilderness. They did this by themselves with the central government encouraging and supporting their efforts.

Next, let's look at housing. A few years ago if you talked to the average housing minister in a developing country, he would tell they have terrible housing problems. Every year they need another ten thousand new houses or hundred thousand new houses. They would say that is why I keep trying to tell the president, I need another ten million dollars or a hundred million dollars to build those houses.

We have begun to see a change of policy. I think it is fair to say A.I.D. had a lot to do this. We have said, look, you're never going to get the money to build all those houses. You're never going to get enough money to build everyone a house. We suggest the following. We provide money to buy a plot of land, lay out (AID or the LDC)? the streets, pave them, put in the sewer and water, put in a shell of a home. You can usually do that for very little money. Then you sell the shell to the poor person at realistic interest rate on a long-term basis. You know what that poor person does? He

and his wife and children and his relatives go to work fixing that house. People really sweat over a house they call their own. The government doesn't have to build nice new homes. The people will do that.

I remember talking to a man in a barriata, what we would call a slum, outside of Lima. He earned very little money, but he had this really nice house. I asked him how did you get the money to do this? He stepped back and didn't say anything, he just tightened his belt. You see in housing, poor people will do a lot for themselves with just a little bit of help.

Now, let's look at health. In many countries in Africa or in South America we talk to the health minister about the number of children dying and say, you must do something about it. Many health ministers will say we have a lot of children dying but there is no way to get health care to all of the people. The problem is that free health care has come to mean no health care. It is a goal without substance. What we have found is: (1) the average poor person pays a great deal for medical care. I don't care whether you're rich or poor if your child is sick, you do what you can to save that child. It is a cynical misunderstanding to assume that poor people have become immune to their child dying. They will do everything they can to help that child

live. They spend a lot of money and they even go to witch doctors. So poor people are willing to pay for medical care and when people pay they demand good service.

So A.I.D. has worked with countries to set up a new program. We go to the village and the local people select someone in the village that they want to be the health worker to represent the village council. That person will be responsive to you. We'll train that person and provide them with a basic supply of drugs for health care. That person will go back to the village and the supplies will be periodically replenished. That health worker can expect to sell the drugs and services. \_\_\_\_\_ major issue is lot of problems. Villages are are a long ways away\_\_\_\_\_

Let me give you an example. In Senegal the last major issue that came to my attention about the health program was whether the health workers should charge just the amount necessary to cover the cost of medicine or include the cost of administrative overhead as well. Now that is the beginning of health care. I believe that decentralizing functions and allowing local people to have control, really produces more benefits to them. So these are the key elements in A.I.D.'s strategy. We do this because we want to be more efficient; because two, there is a more equitable distribution and three, it builds democracy. Let me cover those last three points briefly.

First, more efficient. We know that when farmers are allowed to receive more money for what they produce, farmers produce more grain. Forty percent more sorghum has been produced in Somalia as a result of price increases just couple years ago.

Next, more equitable distribution. I often refer to the concept of equitability but let me bring it home with a personal experience. My Peace Corps experience in Peru really helped to formulate my thinking about equitability. I was responsible for Peace Corps volunteers in charge of distribution of food to schools around the country. We had only enough food for about a third of the children. Obviously what we should do is get that food to the third who are the most needy. But, I can tell you that politics and the logistics made that virtually impossible.

First of all, the poorest people lived far from the capital, high up in the Andes. So it was very hard to get the food there. It cost more money to transport food there. But politically we could not say that two-thirds of the children in Lima don't need the food because they're not as poor as the people who live up north. The reality was, the people in Lima could potentially riot. If you're a politician in Lima, you have to pay attention to that. We understand those concepts quite well. We have many government subsidies too. But there is a political system that says you've got to allocate things a certain way.

I came to the conclusion that the only way you're going to reach ?  
the poorest third which get everything. Now, if you don't have  
enough money to give every child food, you realize you're going to  
discriminate against the poorest person. I'm not saying that  
principle applied to everything but I deeply believe that  
subsidies, more often than not, when allocated as they must be in  
the context of the political process don't go to the people who  
need it most. Hence I would argue, that money that could be spent  
for food should be spent for things that are more likely to  
benefit everybody. Infrastructure such as roads, poor people ?  
will not support \_\_\_\_\_ education where you try to give  
an education to everybody.

Finally, a concept that's difficult but is one that I think is  
very important. I firmly believe in the policy of decentralizing  
the power of government functions, such as health, social programs  
and schools. I believe that providing the individual with the  
opportunity for initiative and pulling power away from the capital  
really helps build the foundation for democracy. When an  
individual does not have control of anything in his life, he is  
essentially being treated like the <sup>serf</sup> peon in feudal times. When the  
government tells people what to do about virtually everything, you  
don't really develop the feeling that you can be responsible for  
yourself. With local control in your community if the teacher

doesn't show up, you can say you don't want him or her anymore. You want another teacher. I believe the poor person can take initiative and is rational. We need to buttress that, knowing that as you pull away from arbitrary central authority, you build the foundation for democracy. I have seen examples of this as I have traveled in country after country.

I conclude today by saying again that individual initiative and the decentralization of governmental authority does: increase efficiency, provide the chance for a more equitable distribution of goods and services within a society and does help to build democracy. (These are our goals for global development.)

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REMARKS BY  
PETER MCPHERSON, ADMINISTRATOR  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
CHICAGO COUNCIL ON FOREIGN RELATIONS  
DECEMBER 10, 1986

Today, I want to talk about international family planning assistance. It is an important part of U.S. foreign aid. It is also a controversial component and, I believe, an area that is underestimated and misunderstood.

About 20 years ago, there began to be a growing awareness of the high population growth rates in many developing countries. Today rates of population growth in many poor countries are even higher than they were then. The recent and unprecedented growth rates - three to four percent in some countries - are a consequence of lower deathrates without corresponding reductions in birthrates. In fact, these growth rates are really the result of our success in lowering mortality in developing countries.

There are many viewpoints on the subject of population growth. Some believe current high rates of growth constitute a global crisis; others are equally convinced that there is no cause for alarm.

The active debate surrounding these differences has centered on the relationship between population growth and economic growth, as well as on abortion. This controversy led us to carefully re-examine our programs and the rationales for them. The result of this reassessment is a strong affirmation of our commitment to voluntary family planning programs in developing countries.

A.I.D. has been a major donor in population assistance. Our contribution to family planning is over 40 percent of the support provided by the international donor community. Over the past two decades, A.I.D. has spent more than \$3 billion on family planning programs. The Reagan Administration has contributed almost one half of this funding -- about \$1.4 billion.

This year we will use about \$230 million in population funds. This contrasts with the \$190 million spent in 1981. In times of shrinking overall budgets, this signifies strong commitment.

Let me talk specifically about A.I.D.'s Population Assistance Program.

A large number of developing countries, upon examining their own circumstances, have chosen to support voluntary family planning programs. In fact, today, more than 70 countries have policies aimed at reducing their high rates of population growth through provision of voluntary family planning services. A.I.D. provides population assistance to more than 80 countries.

Let's look at what our population assistance pays for.

Over 80 percent of our assistance is spent on family planning services. Funds are used to train doctors, nurses, paramedics and field workers. They go toward purchasing contraceptive supplies, funding private and government family planning clinics, community-based distribution programs and contraceptive retail sales programs.

We've also made important investments in improved technology for safe, high quality family planning services. We support biomedical research that develops new methods of contraception and improves existing ones. Last year we spent about 12 percent of our population budget on contraceptive research.

We support better and more creative communication in all our family planning programs. An example of the power of mass communication is a pop record produced by A.I.D. and Johns Hopkins University. It markets a message of sexual responsibility sung by two Latin American teenage idols. The record reached the top of the charts in Latin America in a few short months with a song called "Wait!"

The future needs for family planning services in developing countries far exceed the resources available from all donor agencies together. Because of this, A.I.D. is engaging the for-profit private sector as a partner in the provision of services.

For example, in the for-profit sector, we are promoting family planning as an employee benefit. Millions of low-income families in developing countries receive health care from their employers. Few employers offer family planning as a benefit, even though it can lower company health care costs and improve the health status of employees. There has been enthusiastic interest from these companies as they realize they can contribute to social objectives and reap financial and health

benefits for their companies and employees. A.I.D. is also providing start-up training and family planning program management assistance to companies in Indonesia, Nigeria and Mexico.

A.I.D. also works with private pharmaceutical firms. In Nigeria, for example, the Nigerian subsidiary of Sterling Drug, an American pharmaceutical company, has added low-cost contraceptives to its line of products and is using the revenue generated by sales to promote contraceptive products. In the Dominican Republic, and in Brazil, A.I.D. will be supporting generic advertising of contraceptives while affiliates of international pharmaceutical companies have agreed to keep prices affordable for low-income couples. So, we have found low-cost ways to stimulate private sector investment in this important area.

Whether or not family planning services are available is of enormous consequence to many families and individuals in the developing world.

The availability of family planning services gives couples in developing countries the ability to make their own decisions about the number and spacing of their children. This was strongly reaffirmed by international consensus in 1984 at the International Conference on Population in Mexico City.

There once was a time when most families wanted and needed many children to contribute to the family's agricultural production. Big families also ensured that enough children survived to care for their parents in their old age. But the world has changed a great deal. Urbanization and drastically lower child mortality, has created a new situation for millions of families throughout the developing world. Fifty percent or more of the populations of many developing countries are now urban--and as many of you know, there is even a very strong movement to the cities in Africa. The world is very different for many families now, and they need and want fewer children.

Family planning is an option which American families take for granted. I suspect that most of us here are glad that we and our children will have the information and services so that we can decide the size and spacing of our own families. We must remember that these services are not available to millions of families in the Third World. The unfulfilled desire of Third World families to have fewer children is not just Western speculation. Surveys show a large number of women would like to space their children or limit their family size. But they can't because no family planning services are available.<sup>1</sup>

A well-designed study in Bangladesh demonstrated when high-quality family planning services were made available to poor villagers on a voluntary basis, contraceptive prevalence increased from 6.9 percent to 47 percent.<sup>2</sup>

We also believe that families who make conscious choices about family size are more likely to make choices about other areas of their lives. In this way our support for voluntary family planning programs encourages individual autonomy and decision-making which is consistent with a democratic system and a free enterprise economy.

The health and survival of mothers and children provides another important reason for family planning. Fourteen million children under five die each year in developing countries. And maternal mortality is the leading cause of death for women in developing nations. But many of these deaths can be prevented through family planning.

One of the most serious consequences of bearing many children in quick succession is that more children -- and more mothers -- die. A child born within two years of an earlier birth is twice as likely to die as a child born after an interval of two or more years. Also, the older child is more likely to die.<sup>3</sup> It's been found that spacing births at least two years apart could reduce the deaths of children under four years by over 20 percent.<sup>4</sup>

As many as 200,000 maternal deaths per year are attributed to too many pregnancies, too early or too late in the reproductive period.<sup>5</sup>

So, family planning saves lives. It is a critical component of mother and child survival.

This Administration, with strong Congressional support, has launched a major international health program that focuses on interventions to save children. Immunizations and oral rehydration therapy are a major thrust of this program. It makes sense to include family planning services as part of these health efforts since child spacing has such a powerful effect on reducing infant, child, and maternal deaths.

A third reason for family planning is the reduction of abortion. When couples want fewer children and family planning services are not accessible, they often resort to abortion.

This is true, whether or not it is legal. It is estimated that more than 25 million abortions occur in developing countries each year compared with 113 million births.<sup>6</sup> Evidence from some Latin American and Asian countries indicates that as many as one out of three women have had an abortion.

Many of these abortions would be prevented if family planning services were available. The Mexican Social Security Administration estimates that it has prevented 360,000 abortions since family planning services began in 1972.<sup>7</sup> In Chile, the number of women seeking help in hospitals for complications from illegal abortions declined substantially after 1965, when modern family planning services began to be widely available.<sup>8</sup>

I believe voluntary family planning is necessary.

- o It is necessary if families are to determine the number and spacing of their children;
- o Necessary if more mothers and children are to survive;
- o And it is necessary if we want to reduce the number of abortions in developing countries.

These reasons do not mean that we have forgotten the role of family planning in economic development.

Recent controversy over population assistance has centered on the relationship between economic growth and population growth. Some have argued that rapid population growth rates are a worldwide crisis and a primary reason for lack of progress in the Third World.

This crisis perception of population growth has been tempered in the minds of some - though not all - because of declining birthrates in some countries and the recognition that human resources, technological innovation and sound economic policy provide a key response to the needs of a growing population.

Existing data does not fully clarify the relationship between population growth and economic growth. I think we need further research on this subject before we really understand how these processes work. Nevertheless, we know that a number of countries with sustained economic growth in recent decades also had successful family planning services and substantial reductions in population growth rates.

The Pacific Rim countries, Korea, Taiwan, Singapore, Hong Kong, and others come to mind. It is not clear how much of the population growth reductions in these countries came because of economic growth or, on the other hand, what contribution the reduced population growth rates made to economic growth. We do know that family planning services, moderate population growth rates and sustained economic growth went hand-in-hand in these countries.

In contrast, there are a number of countries where there are high population growth rates and slow economic growth.

Africa is a noteworthy case. In many African countries, sustained negative per capita growth exists alongside very high population growth rates.

Let me further review the arguments of those who say that very high population growth rates reduce economic growth in some countries. They argue that a poor nation with too high a population growth rate cannot make the investment in education, health, and so forth, because of the ever-growing wave of newborns. Some also argue that high population growth rates contribute to the degradation of land.

The other side contends that nations, over time, are able to adjust to the pressures of more people; indeed that the pressure may be a very important stimulus to innovation and growth. It seems to me that those taking the position that nations can adjust assumes a degree of political flexibility in those countries. This argument may underestimate, for example, tribal conflicts and famines in many African countries. Also, it may unrealistically judge the ability of fairly primitive societies to obtain and implement technological innovation. In short, the situation may be so severe that reasonable adjustments will not occur in a timely fashion.

The inability of countries friendly to the United States to adjust rapidly enough to population increases, of course, may have grave foreign policy consequences to the United States. It is for this reason that many United States military and foreign policy experts support family planning.

I do not want to sell short the contribution that development programs and policy changes can make to economic growth. I think that several components -- about which there is a growing consensus -- are critical to obtaining economic growth.

The first is sound, market-oriented economic policies, without which the economic and social aspirations of countries cannot be achieved.

There also are several other components which are usually necessary to achieve sustained growth. Among the most important is human resource development -- education and training, for example. Dr. Theodore Shultz, a Nobel Prize winner, has documented the role of human resources in economic growth.

Another critical component is technology. Without the Green Revolution, technology which A.I.D. supported, India might still have terrible famines. Instead, that country is essentially self-reliant in grain production today. Investment in the technology for a similar Green Revolution for Africa is now a critical need which we have begun to address.

A.I.D. has worked hard for the last five years to promote sound economic policies, and is spending substantial money on both training and research in the Third World.

The impact of population growth on economic growth is not yet certain. But almost no one argues that family planning hurts economic growth. Moreover, it is rare to hear it argued that very rapid population growth contributes to economic growth. In fact, a large part of the development community with wide experience working in developing countries believes that population growth does pose problems for attainment of economic growth.

In any case, as any one of us walk through the slums of Lagos, Mexico City and Dhaka, it seems at the time that family planning is a common sense bet for economic growth.

But even without a conclusion about economic growth, as I said above, we must support a strong family planning program in the interests of families and individuals. I think that these interests alone justify the program.

Now let me turn to the issue of abortion.

This Administration has been consistent in its opposition to abortion as a method of family planning and in its support for voluntary family planning methods. A.I.D.'s goal has been to administer fairly, and with common sense, this two-pronged policy. It is my view that we have faithfully carried out both policies in the best way possible. We have applied our anti-abortion and pro-family planning positions to the particular circumstances of our program. In fact, our support for family planning programs provides a very important alternative to abortion.

In closing, I want to reiterate the important impact which voluntary family planning services has upon individuals and families in developing countries.

For couples, family planning means the ability to determine freely and responsibly the number and spacing of one's own children.

For a mother, the ability to space or limit her pregnancies may mean the difference between illness and health, between life and death.

Reasonably spaced children may mean the chance of adequate nutrition for each child, or even the chance to survive at all.

For the family, fewer, well-spaced pregnancies may mean the chance for educational opportunities for all children.

For parents, family planning means control over their own decisions.

Finally, family planning may also mean that the number of tragic abortions--the last resort of desperate parents--will decline.

I believe that these important interests justify A.I.D.'s international family planning program.

FOOTNOTES

- 1 Fertility and Family Planning Surveys, an update, Population Reports, September/October 1985; and Contraceptive Prevalence Surveys.
- 2 L. Chen and others, Estimating the Mortality Impact of Basic Health Services, IUSSP Conference, Manila, 1981; J. Phillips and others, The Matlab Family Planning Health Services Project Impact on Family Planning, Fertility and Child Survival, International Centre for Diarrhoeal Disease Research, Bangladesh, Dhaka, December 1985.
- 3 D. Maine and R. McNamara, Birth Spacing and Child Survival, 1985.
- 4 J. Trussel and A. Pebley, The Potential Impact of Changes in Fertility and Infant, Child and Maternal Mortality, Studies in Family Planning, Nov./Dec. 1984.
- 5 Healthier Mothers and Children through Family Planning, Population Reports, May/June 1984.
- 6 Complications of Abortion in Developing Countries, Population Reports, July 1980.
- 7 D. Nortman, A Cost-benefit Analysis of the Mexican Social Security Administration, IUSSP Conference, 1985.
- 8 D. Maine, Family Planning: Its Impact on the Health of Women and Children, 1981.

REMARKS BY  
PETER MCPHERSON, ADMINISTRATOR  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
CITY CLUB OF CLEVELAND  
DECEMBER 10, 1986

Today, I want to talk about international family planning assistance. It is an important part of U.S. foreign aid. It is also a controversial component and, I believe, an area that is underestimated and misunderstood.

About 20 years ago, there began to be a growing awareness of the high population growth rates in many developing countries. Today rates of population growth in many poor countries are even higher than they were then. The recent and unprecedented growth rates - three to four percent in some countries - are a consequence of lower deathrates without corresponding reductions in birthrates. In fact, these growth rates are really the result of our success in lowering mortality in developing countries.

There are many viewpoints on the subject of population growth floating around. Some believe current high rates of growth constitute a global crisis; others are equally convinced that there is no cause for alarm.

The active debate surrounding these differences has centered on the relationship between population growth and economic growth, as well as on abortion. This controversy led us to carefully re-examine our programs and the rationales for them. The result of this reassessment is a strong affirmation of our commitment to voluntary family planning programs in developing countries.

A.I.D. has been a major donor in population assistance. Our contribution to family planning is over 40 percent of the support provided by the international donor community. Over the past two decades, A.I.D. has spent more than \$3 billion on family planning programs. The Reagan Administration has contributed almost one half of this funding -- about \$1.4 billion.

This year we will use about \$230 million in population funds. This contrasts with the \$190 million spent in 1981. In times of shrinking overall budgets, this signifies strong commitment.

Let me talk specifically about A.I.D.'s Population Assistance Program.

A large number of developing countries, upon examining their own circumstances, have chosen to support voluntary family planning programs. In fact, today, more than 70 countries have policies aimed at reducing their high rates of population growth through provision of voluntary family planning services. A.I.D. provides population assistance to more than 80 countries.

Let's look at what our population assistance pays for.

Over 80 percent of our assistance is spent on family planning services. Funds are used to train doctors, nurses, paramedics and field workers. They go toward purchasing, contraceptive supplies, toward funding private and government family planning clinics, toward community-based distribution programs and contraceptive retail sales programs.

We've also made important investments in improved technology for high quality, safe family planning services. We support biomedical research that develops new methods of contraception and improves existing ones. Last year we spent about 12 percent of our population budget on contraceptive research.

We support better and more creative communication in all our family planning programs. An example of the power of mass communication is a pop record produced by A.I.D. and Johns Hopkins University. It markets a message of sexual responsibility sung by two Latin American teenage idols. The record reached the top of the charts in Latin America in a few short months with a song called "Wait!"

The future needs for family planning services in developing countries far exceed the resources available from all donor agencies together. Because of this, A.I.D. is engaging the for-profit private sector as a partner in the provision of services.

For example, in the for-profit sector, we are promoting family planning as an employee benefit. Millions of low-income families in developing countries receive health care from their employers. Few employers offer family planning as a benefit, even though it can lower company health care costs and improve the health status of employees. There has been enthusiastic interest from these companies as they realize they can contribute to social objectives and reap financial and health

benefits for their companies and employees. A.I.D. is also providing start-up training and family planning program management assistance to companies in Indonesia, Nigeria and Mexico.

And A.I.D. works with private pharmaceutical firms. In Nigeria, for example, the Nigerian subsidiary of Sterling Drug, an American pharmaceutical company, has added low-cost contraceptives to its line of products and is using the revenue generated by sales to promote contraceptive products. In the Dominican Republic, and in Brazil, A.I.D. will be supporting generic advertising of contraceptives while affiliates of international pharmaceutical companies have agreed to keep prices affordable for low-income couples. So, we have found low-cost ways to stimulate private sector investment in this important area.

Whether or not family planning services are available is of enormous consequence to many families and individuals in the developing world.

The availability of family planning services gives couples in developing countries the ability to make their own decisions about the number and spacing of their children. This basic right was strongly reaffirmed by international consensus at the International Conference on Population in Mexico City in 1984.

There once was a time when most families wanted and needed many children to contribute to the family's agricultural production. Big families also ensured that enough children survived to care for their parents in their old age. But the world has changed a great deal. Urbanization and drastically lower child mortality, has created a new situation for millions of families throughout the developing world. Fifty percent or more of the populations of many developing countries are now urban--and as many of you know there is even a very strong urban trend in Africa. The world is simply very different for many families now, and they need and want fewer children.

Family planning is an option which American families take for granted. I suspect that most of us here are glad that we have, and our children will have, the information and services so that we can decide the size and spacing of our own families. We must remember that these services are not available to millions of families in the Third World. The unfulfilled desire of Third World families to have fewer children is not just Western speculation. Surveys show a large number of women would like to space births or limit their family size. But they can't because no family planning services are available.

A well-designed study in Bangladesh demonstrated when high-quality family planning services were made available to poor villagers on a voluntary basis, contraceptive prevalence increased from 6.9 percent to 47 percent.<sup>2</sup>

We also believe that families who make conscious choices about family size are more likely to make choices about other areas of their lives. In this way our support for voluntary family planning programs encourages individual autonomy and decision-making which is consistent with a democratic system and a free enterprise economy.

The health and survival of mothers and children provides another important reason for family planning.

Fourteen million children under five die each year in developing countries. And maternal mortality is the leading cause of death for women in developing nations.

But many of these deaths can be prevented through family planning.

One of the most serious consequences of bearing many children in quick succession is that more children -- and more mothers -- die. A child born within two years of an earlier birth is twice as likely to die as a child born after an interval of two or more years. Also, the older child is more likely to die.<sup>3</sup> It's been found that spacing births at least two years apart could reduce the deaths of children under four years by over 20 percent.<sup>4</sup>

As many as 200,000 maternal deaths per year are attributed to too many pregnancies, too early or too late in the reproductive period.<sup>5</sup>

So, family planning saves lives. It is a critical component of mother and child survival.

This Administration, with strong Congressional support, has launched a major international health program that focuses on interventions to save children. Immunizations and oral rehydration therapy are a major thrust of this program. It makes sense to include family planning services as part of these health efforts since child spacing has such a powerful effect on reducing infant, child, and maternal deaths.

A third reason for family planning is the reduction of abortion. When couples want fewer children and family planning services are not accessible, abortion is often resorted to.

This is true, whether or not it is legal. It is estimated that more than 25 million abortions occur in developing countries each year compared with 113 million births.<sup>6</sup> Evidence from some Latin American and Asian countries indicates that as many as one out of three women have had an abortion.

Many of these abortions would be prevented if family planning services were available. The Mexican Social Security Administration estimates that it has prevented 360,000 abortions since family planning services began in 1972.<sup>7</sup> In Chile, the number of women seeking help in hospitals for complications from illegal abortions declined substantially after 1965, when modern family planning services began to be widely available.<sup>8</sup>

I believe voluntary family planning is necessary.

- Necessary if families are to determine the number and spacing of their children;
- Necessary if more mothers and children are to survive;
- And necessary if we want to reduce the number of abortions in developing countries.

These reasons do not mean that we have forgotten the role of family planning in economic development.

Recent controversy over population assistance has centered on the relationship between economic growth and population growth. Some have argued that rapid population growth rates are a worldwide crisis and a primary reason for lack of progress in the Third World.

This crisis perception of population growth has been tempered in the minds of some - though not all - because of declining birthrates in some countries and the recognition that human resources and technological innovation provide a key response to the needs of a growing population.

Existing data does not fully clarify the relationship between population growth and economic growth. I think we need further research on this subject before we really understand how these processes work. Nevertheless, we know that a number of countries with sustained economic growth in recent decades also had successful family planning services and substantial reductions in population growth rates.

The Pacific Rim countries, Korea, Taiwan, Singapore, Hong Kong, and others, come to mind. It is not clear how much of the population growth reductions in these countries came because of economic growth or, on the other hand, what contribution the reduced population growth rates made to economic growth. We do know that family planning services, moderate population growth rates and sustained economic growth went hand-in-hand in these countries.

In contrast, there are a number of countries where there are high population growth rates and slow economic growth.

Africa is a noteworthy case. In many African countries, sustained negative per capita growth exists alongside very high population growth rates.

Let me review the arguments of those who say that very high population growth rates reduce economic growth in some countries. They argue that a poor nation with too high a population growth rate cannot make the investment in education, health, and so forth, because of the ever-growing wave of newborns. Some also argue that high population growth rates contribute to the degradation of land.

The other side contends that nations, over time, are able to adjust to the pressures of more people; indeed that the pressure may be a very important stimulus to innovation and growth. It seems to me that those taking the position that nations can adjust assumes a degree of political flexibility in those countries. This argument may underestimate, for example, tribal conflicts, the urban exploitation of a rural majority of many African countries, and famines. Also, it may unrealistically judge the ability of fairly primitive societies to obtain and implement technological innovation. In short, the situation may be so severe that reasonable adjustments will not occur in a timely fashion.

I do not want to sell short the contribution that development programs and policy changes can make to economic growth. I think that several components -- about which there is a growing consensus -- are critical to obtaining economic growth.

The first is sound, market-oriented economic policies, without which the economic and social aspirations of countries cannot be achieved.

There also are several other components which are usually necessary to achieve sustained growth. Among the most important is human resource development -- education and

training, for example. Dr. Theodore Shultz, a Nobel Prize winner, has documented the role of human resources in economic growth.

Another critical component is technology. Without the Green Revolution technology which A.I.D. supported, India might still have terrible famines. Instead, that country is essentially self-reliant in grain production today. Investment in the technology for a similar Green Revolution for Africa is now a critical need which we have begun to address.

A.I.D. has worked hard for the last five years to promote sound economic policies, and is spending substantial money on both training and research in the Third World.

The impact of population growth on economic growth is not yet certain. But almost no one argues that family planning hurts economic growth. Moreover, it is rare to hear it argued that very extremely population growth contributes to economic growth.

In any case, as any one of us walk through the slums of Lagos, Mexico City and Dhaka, it seems at the time that family planning is a common sense bet for economic growth.

But even without a conclusion about economic growth, as I said above, we must support a strong family planning program in the interests of families and individuals. I think that these interests alone justify the program.

Now let me turn to the issue of abortion.

This Administration has been consistent in its opposition to abortion as a method of family planning and in its support for voluntary family planning methods. A.I.D.'s goal has been to administer fairly, and with common sense, this two-pronged policy. It is my view that we have faithfully carried out both policies in the best way possible. We have applied our anti-abortion and pro-family planning positions to the particular circumstances of our program. In fact, our support for family planning programs provides a very important alternative to abortion.

In closing, I want to reiterate the important impact which voluntary family planning services has upon individuals and families in developing countries.

For the family, family planning means the ability to determine freely and responsibly the number and spacing of one's own children.

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FOOTNOTES

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FAMILY PLANNING AND THE PRIVATE SECTOR  
REMARKS BY PETER MCPHERSON, ADMINISTRATOR  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
TO  
THE ANNUAL CONFERENCE OF COOPERATING AGENCIES  
WESTPARK HOTEL, ROSSLYN, VIRGINIA  
JANUARY 21, 1987

It is good to be here and it's a pleasure to be part of such an important conference. The work you and your organizations do in the area of family planning is more vital today than ever. Vital for three important reasons:

- o First, we know that family planning saves the lives of mothers and children. We know that children and mothers have a poorer survival rate if the children are born in quick succession. But it has been found that spacing births at least two years apart saves lives of both mothers and children.
- o Second, family planning is vital because it reduces abortions. When couples want fewer children, and family planning services are not available, they often resort to abortion -- whether it is legal or not. Evidence from some Latin American countries indicates that as many as one out of three women have had an abortion. Many of these abortions could have been prevented if family planning services had been available.
- o The third reason family planning is vital is because it gives couples greater control over their lives. Family planning is an option we take for granted here in America. Without family planning services, couples in many parts of the world simply have lost control over deciding the size and spacing of their families -- and this offers them less control over their lives as a whole.

We also know that people in developing countries want family planning assistance. Our surveys show that a large number of women would like to space births or limit their family size.

A friend of mine, a few years ago, was in Pakistan and a woman--still quite young--holding up her baby, said: "This is my 10th child. I can't take care of it. You take the child."

What these people want is the opportunity to decide for themselves how many children to have, and when to have them.

Today I want to talk about expanding the role of the for-profit sector in family planning. In particular, I would first like to discuss:

- o Why this sector is more important than ever in our efforts to make family planning services available in the developing world.
- o And then talk about a four-point approach A.I.D. has adopted for increasing the role of the for-profit sector in family planning.

A.I.D. believes that the for-profit sector can act as a catalyst to spread family planning services in the developing world. As the slide states, the approaches we are centering on are:

1. Cultivating employee programs that promote family planning as an employee and health care benefit;
2. Identifying and developing family planning business opportunities;
3. Developing strategies to market family planning products; and
4. Encouraging people in the for-profit sector to take a leadership role in influencing family planning policy.

A.I.D. will continue to rely on the non-profit sector to help carry out family planning programs. PVOs are a critical and essential component of our family planning efforts. But there are a few reasons why we are focusing greater attention than before on the for-profit sector.

First, our resources are limited and demand for family planning products and services continues to grow. By getting the for-profit sector involved more heavily in paying for and providing these services, our own aid will go a lot farther.

A.I.D.'s approach of subsidizing the delivery of family planning services and products has been very successful. But what we hope to see happen is for business sector to pick up more of the cost of delivering family planning services.

We think there are many opportunities for our Cooperating Agencies to assist in this transition -- and the bottom line is we think that the for-profit sector will find it in their own interest to put more of their own resources into family planning.

Second, we're targeting the for-profit sector because it has already proven to be reliable and effective at providing family planning services.

- o In Peru, Korea, and Mexico the for-profit sector accounts for half or more of family planning services.

Third, we want more for-profit sector involvement because we know that the free enterprise system is an extremely effective distribution system. We can reach far more people with family planning products through free-market distribution.

Now let me turn to the specifics of A.I.D.'s four-point approach.

As I said, these approaches share a common characteristic: they are all catalysts in stimulating greater for-profit sector involvement in providing family planning services and products. These strategies do not involve building new systems or paying for operating costs. They work within existing free enterprise systems that carry with them the economic incentives to stimulate greater for-profit sector family planning involvement.

1. The first approach is cultivating employee programs.

Employee benefits programs can greatly increase access to family planning.

Millions of employees and their families receive health care from their employers. Many of these employees make very little, and are just the people we need to reach. Most employers do not currently provide family planning, even though it would make a lot of sense economically to offer such services.

In the past, A.I.D. projects have successfully promoted family planning through employers by financing the costs of services.

- o For example, in Mexico, FPIA introduced family planning to 60 large factories with thousands of employees.
- o And in Turkey, the Pathfinder Fund supports family planning services offered through factory-based clinics.

We would like to see this approach evolve so that the companies pay for the services themselves.

Two of our new projects - TIPPS and Enterprise - encourage this approach and have met with an enthusiastic response from business leaders around the world.

The TIPPS project helps companies analyze the financial benefits to the companies offering family planning to employees and their families.

- o In Peru, TIPPS is helping a major mining company measure the financial impact of lower fertility. As it turns out, high fertility is very costly to the company in terms of health and family expenditures. Based on the TIPPS analysis, the company will establish and pay for a family planning program.

In this case, we have stimulated a private company to take an action which meets both a social objective for the country and a financial objective for the firm. It is a good partnership.

The Enterprise Program helps firms design and manage their own family planning programs.

- o In Indonesia, Enterprise is working with a leading manufacturer of eyeglasses to establish a family planning clinic to serve their largely female workforce.
- o And the Lever Brothers Company of Nigeria is also starting a family planning program with a boost from the Enterprise project.

In both of these efforts, Enterprise is helping provide quality family planning services to people who do not have them now. And equally as important, both companies have agreed to assume the costs of these programs.

2. Our second strategy is to identify and develop family planning business opportunities.

Family planning services and products are currently being sold throughout the world's marketplaces. A.I.D. can help entrepreneurs get involved in family planning by demonstrating its profitability -- thus stimulating investments.

It's a fact that people are in business to make a profit. We can help them make investment decisions by showing how they can profit from family planning activities.

- o In Brazil, the Population Council helped the country's largest HMO see that adding family planning to their package of health services will reduce overall costs by significantly reducing the adverse consequences of illegal abortions.

- o This study has attracted a great deal of interest among Brazil's 230 HMOs which serve 14 million people - the majority of whom are low-income.

But A.I.D. also knows from experience that helping people obtain loans and credits for development projects is an effective approach to business promotion. Enterprise is doing just this with a private organization in Indonesia that is seeking to invest in a for-profit family planning clinic.

Furthermore, A.I.D. is committed to encouraging the local production of essential commodities where it makes sense. We have helped companies and governments determine the economic feasibility of manufacturing their own contraceptives.

- o In Indonesia, A.I.D. promoted a partnership between Kimia Farma, a local pharmaceutical manufacturer and Syntex, a U.S. company. Syntex provided training and technical assistance. Now, the local firm is the principal manufacturer of oral contraceptives in Indonesia.

3. Our third approach centers on developing ways of marketing family planning products.

A.I.D. has a long and successful history in the area of marketing contraceptives -- and this history has taught us how we can better affect markets for family planning products.

Much of our effort in marketing has gone into contraceptive social marketing -- this involves subsidizing the sales process from start to finish. In many countries, we have been able to create demand for family planning products by offering low-cost contraceptives.

This model has had success, especially in Bangladesh. However, since A.I.D. has heavily subsidized and guided each stage of the process, this model results in dependency on A.I.D. Contraceptive social marketing remains an important component of our program, but we must find ways to reduce the dependency it engenders.

Recently, SOMARC and FPIA have made strides in developing alternatives.

- o In Nigeria, FPIA has initiated a project which simply provides contraceptives for an existing pharmaceutical distribution network. This approach is inexpensive for A.I.D. since we donate only the commodities. The

contraceptives are then sold at lower-than-market prices in hundreds of pharmacies and little medicine shops. This model is especially promising for African countries where availability of contraceptives is limited and prices are very high.

- o In Brazil and the Dominican Republic, we are involved with SOMARC in a promising marketing approach that does not involve subsidizing commodities or distribution. SOMARC is concentrating its efforts on generic advertising for existing commercial products. This purely catalytic approach can help increase demand for family planning products well into the future - again at relatively low cost to A.I.D.

4. Our final approach is one that encourages people in the for-profit sector to take a leadership role in influencing family planning policy.

Policy dialogue is central to A.I.D.'s development assistance strategy. It involves not only raising awareness about obstacles to development, but also supporting the policy reforms necessary to promote development. We have been especially effective at policy dialogue on population issues with governments. We need to expand this effort to the for-profit sector.

Why get the for-profit sector involved in this capacity?

Because many of the most important decisions about social welfare are made by business and labor leaders. They decide which benefits will be offered and which products will be marketed. These leaders need to be engaged in policy discussions about family planning.

In Zimbabwe, Enterprise and TIPPS have been asked by the National Family Planning Council to facilitate this dialogue with large agro-businesses and other industries. We expect that this collaborative effort will improve corporate policies on family planning.

Another reason to get the for-profit sector involved is because in most countries governments listen to business. Business leaders often play a major role in how governments formulate economic strategies.

We know that when it comes to population issues, business leaders can provide a loud and clear voice for government family planning programs and against restrictive policies. For example:

- o In Turkey, Mr. Vebli Koc, one of the world's foremost industrialists, recently began promoting family planning to the government and his business colleagues. The result is that both the public and for-profit sector programs have leapt into action to expand their family planning efforts.

Conclusion: Today, I have spoken about our work with the for-profit sector. We are not turning away from the critical work being carried out with governments and PVOs. Rather, we want to spread our long-established tradition of imaginative and effective approaches to our new effort with the for-profit sector.

My brief overview of these new strategies illustrates that there is enormous potential for shifting some of the burden of family planning to the for-profit sector.

These four approaches also offer many opportunities to foster productive partnerships between the for-profit sector and our cooperating agencies. Family planning services are giving more and more people in the developing nations control over their own lives.

We're making progress. Thank you once again for another year of excellent work and effective programs.

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Remarks by Peter McPherson, Administrator  
U.S. Agency for International Development  
1987 Southern Africa Development Coordination Conference  
February 5, 1987  
Gaborone, Botswana

Mr. President, Mr. Chairman, Honorable Ministers, and fellow delegates:

I am extremely pleased to be here today. Let me express, on behalf of all donor governments, our appreciation for the hospitality of you, Mr. President, and the Government of Botswana. You are gracious hosts, and you have made us feel as one, within an extended African family.

I also want to congratulate Chairman Mmusi, Executive Secretary Makoni and to the Secretariat staff of SADCC. You have prepared impressive and substantive reports in support of this year's important conference theme: "Investment in Production."

Before turning to that theme, I think we need to stop for a moment to reflect on SADCC. As we all know, SADCC grew out of the concerted efforts of Angola, Botswana, Mozambique, Tanzania and Zambia--the original Frontline States--to support independence in Zimbabwe and Namibia.

This transition was successful in Zimbabwe, and with that success came the recognition that stability and economic growth were shared regional concerns. The Frontline States saw the imperative of going beyond short-term political considerations. They wisely concluded that equitable development and greater economic interaction between states was essential for peace.

The result was SADCC, established in April 1980 at Lusaka. The original Frontline States were joined by Zimbabwe, Lesotho, Malawi and Swaziland. Together you formalized your intention to pursue a cooperative strategy of regional development--thereby setting a standard of consensus: a rallying point where regional economic opportunities and problems could be addressed.

The accomplishments of SADCC since that 1980 foundation are very impressive. The most recent annual progress report attests to significant mobilization of resources, both foreign and local. Transportation planning and the cooperation it takes to do such planning may be one of the most impressive achievements in the Third World. But I believe the most important achievement has been the commitment made to solve common development problems

together; and, a commitment to exploitation of certain common assets for the advancement of all the people of southern Africa, doing so in a professional, careful fashion.

You, as member states, have joined ranks and achieved this significant level of regional cooperation and also maintained your own distinctive and independent national systems.

We applaud your accomplishments. Our presence here today is an expression of our confidence in SADCC and our commitment to the future of the organization and to your countries.

There was once one of you, a father of SADCC, who often challenged us with a dream of southern Africa. He did so always with optimism and foresight. Sir Seretse Khama spoke often of "Kagisano"--a guiding Tswana philosophy of unity, peace, harmony and a sense of broader community. "Kagisano" was identified inseparably with sustained development, democracy and human rights. This, we think, is a worthy philosophy for all of southern Africa.

We urge SADCC to continue to pursue the dream of Sir Seretse Khama, from southern Zaire to the Cape, from the Atlantic to the ports of Tanzania and Mozambique.

With SADCC, this region of Africa has a forum in which this dream of the future can be translated into action. Were Sir Seretse Khama here today, I am sure he would be strong, clear, and positive in his view of the future. He would note the 70 million people strong of SADCC countries. He would point out again the rich soils and mineral deposits. Then he would urge us all to work toward:

- o A southern Africa that receives greater added value from its mineral and agricultural production;
- o A southern Africa that is food self-reliant;
- o A southern Africa that manufactures more of its own capital goods and generates some internal capital from locally owned companies;
- o A southern Africa able to offer new employment and increased incomes to a skilled workforce, a workforce that can move across borders in search of employment;

- o A southern Africa with diverse economies, yet interlinked through efficient transportation and communication systems, with substantial and balanced regional trade.

This kind of vision is not utopian. It could come in most of our lifetimes. Yet we cannot be blind to the formidable challenges that lie in the path. Much needs to be done.

First, the end of apartheid. Unless apartheid is ended, it will poison the future of all, including its creators. All human development is rooted in equal opportunity. The same is true of nations, and SADCC, we think, represents that ideal.

Second, economic reform programs are the prerequisites for new growth, and more needs to be done. Important structural adjustments are under way in Zambia, Malawi, Mozambique, and Tanzania. We, the donor community, must strengthen our support for these essential efforts in order to generate more growth, employment and additional income. Donors will remember the presentation made by Executive Vice President Stern of the World Bank at the High DAC a few months ago. He set forth an impressive case for fast dispersing aid.

Third, the countries in this region will need to further adjust and coordinate exchange rates to open regional opportunities for increased trade. Consultation with the private sector is essential to assure that barriers to investment are lifted.

Fourth, natural routes to the sea need to be rehabilitated so that the region's transportation network can function. Costly dependence on the long routes through South Africa is unhealthy economically and undermines future progress.

In general, southern African countries need to reduce their current level of unhealthy economic dependency on South Africa. There are, of course, important and mutually advantageous economic links between SADCC countries and South Africa. But SADCC countries should seek less economic dependency over the medium term and that should result in more growth and benefit to all in the region. One must strive for balance, and the current economic situation is clearly out of balance.

Fifth and finally, we would urge that the economies of southern Africa develop in ways that capitalize on each country's comparative advantage, taking into consideration economies of scale. This will improve the terms of trade with the outside world and help create the exports to sustain economic security.

Of course, a positive vision requires development of strong economies within SADCC, and Zaire as well, so that the region can trade and compete on a more equal footing with South Africa. Yes, SADCC countries must take their place in the years ahead as a source of technology, raw materials and capital goods, and as a market for regionally produced goods.

The fact that many of these objectives are high on SADCC's agenda and are mentioned in the documentation prepared for this conference gives me great hope for the future development of this region and the important role of SADCC. It also underscores why the theme of this conference -- "Investment in Production" -- makes such good sense.

The private sector is not only an important player in economic growth -- it must play the leading role. The donors welcome SADCC's plan to expand private sector involvement. We will do all we can to support this very desirable program. I know the representatives from the private business community who are here at this conference have noted the great potential of this region. We hope the private sector will respond to the attractive long-term investment opportunities. Yesterday's private sector session went well, and I know that many are talking about the possibility of a private sector advisory board to SADCC. This should be carefully considered.

Mr. Chairman, the vision set forth here is not without dangers. This is a time of great immediate peril in southern Africa. As the crisis of minority rule in South Africa deepens, the spillover effect on the southern African economies is real and dangerous -- with ramifications that might be underestimated. It would be tragic if the future of this region is mortgaged by sanctions within the region which would jeopardize the economic future of all the parties in this sub-continent.

Let us continue to put our heads and hearts together and work out realistic strategies toward the achievement of our goals.

I believe SADCC and its program of action represent the kind of positive strategy Sir Seretse Khama had in mind.

We are here today to confirm the international partnership between SADCC members and the donor community.

For our part, the United States is prepared to undertake a new initiative in southern Africa--one which would build upon our current program of approximately \$175-\$200 million annually in food and economic assistance to SADCC and member countries.

On July 22nd of last year, President Reagan announced that Secretary Shultz and I would undertake a study of the U.S. assistance role in southern Africa. The President asked us to examine the needs of the region and what could be done to improve transportation, and expand trade and private investment.

As some of you may recall, I was in the region last August to consult with SADCC governments on the development of such a program. I met at that time with the governments of Zambia, Malawi, Mozambique and Botswana, and met personally with presidents of several countries and with the SADCC leadership. In September, I also had extensive discussions in Washington with Mozambique leadership. Out of these consultations, the United States has developed a multi-year initiative for economic progress in southern Africa. Our initiative:

- A) Supports the rehabilitation of important transport and regional port facilities;
- B) Supports economic, trade and monetary policy reforms designed to attract more investment to the region, both foreign and indigenous. This will be done with quick disbursement of grants; and
- C) Will help fund mechanisms to facilitate trade among the southern African countries themselves, and between them and the rest of the world.

We propose that this initiative extend over the next several years. We have asked our Congress for \$93 million in additional assistance to southern Africa, to be committed over the next 18 months. This will be a first installment on what we hope will be the development of significant new areas of cooperation between the United States and the region.

On December 4, 1986, U.S. Secretary of State George Shultz said: "There is too much at stake for us to turn away in despair and let destructive events run their course. The economic engine created by the talent and sweat of all the peoples of southern Africa is too important to be destroyed by reckless action from any quarter." He further said that the hopes of all the region's people for a better life for themselves and their children are too precious to be squandered away in futile efforts to preserve apartheid in South Africa or by a leftward move toward a new authoritarianism. Secretary Shultz then pledged that the U.S. will stand with you and will remain engaged in the search for peaceful solutions and new economic growth.

Let me say in closing that we, as donors, and you as SADCC members, have developed an important partnership. The donors share your vision of the future and we are committed to helping turn vision into reality. We have come to know each other well over the past several years, both personally and professionally. Yes, we can accomplish a great deal together for the people of this region.

Since this annual conference was held last year, one of the important leaders of this region has fallen. I can think of no greater tribute to President Machel than for us, in his name, to rededicate ourselves to your program of action. I am here to assure this conference that the donor community will do its part.

Thank you Mr. President.

4849V

Declaration of U.S. Assistance to the SADCC Region  
by Peter McPherson, Administrator  
U.S. Agency for International Development  
1987 Southern Africa Development Coordination Conference  
February 6, 1987  
Gaborone, Botswana

Mr. President, Mr. Chairman, Honorable Ministers, and fellow delegates, I am grateful for this opportunity to expand upon my earlier remarks.

In the context of the theme of this conference, I would like to focus particularly on the new initiative for expanded United States assistance to southern Africa. In particular, I would like to underscore the continuity of our programs, which are directed to the individual member nations of SADCC and to the SADCC program of action.

Yesterday was an occasion of precedent. Under SADCC sponsorship, investors and potential investors from the private sector met with each other to discuss the climate and opportunities for investment.

Many changes are under way in southern Africa, in the policy framework, in rehabilitation of transportation, and in recognition of the role of the private sector. In such a climate, southern Africa, with its extraordinary natural and human resources, should in normal times become one of the most attractive corners of the world for new investment.

The United States believes that entrepreneurs and potential investors must remain in the closest possible consultation with the leadership of this region.

In that context, let me urge the SADCC Council of Ministers to consider inviting the private sector to participate in an advisory group. That group could include both public and private sector members.

The process of communication would enable SADCC to understand the capabilities and interests of the private sector and enable the private sector to contribute to SADCC studies and programs.

The engine of growth in southern Africa must be fueled by private investment. Public investment is important, but significant growth will take place only if private investors have confidence in the future.

Let me turn now to the status of United States assistance to southern Africa, the proposed new initiative.

Total U.S. funding to the SADCC region has exceeded \$1.3 billion since 1980. That aid is now provided on a grant basis and through rapidly disbursing mechanisms.

United States development aid has focused on:

- o Improving educational systems;
- o Increasing rural incomes;
- o Providing food for distressed populations
- o Upgrading transportation networks;
- o Addressing child survival;
- o Health and population issues; and,
- o Finally, supporting policy reform programs that encourage growth and investment.

The United States is proposing to increase its total assistance to the region beyond its recent level, which has been between \$175 and \$200 million a year. Solid foundations for balanced economic growth must be laid as soon as possible. It is now time for strong positive measures to support our hopes for this region. Our increase in aid is not intended to insulate or compensate for the negative effects of further sanctions or countersanctions.

However, we are proposing a message, a vote of confidence in the economic future of this region. The U.S. initiative for economic progress in southern Africa is intended to focus first on transportation, second on trade and new investment and third on support for policy reform through quick-disbursing grants of foreign exchanges.

We have, as I mentioned earlier, asked the U.S. for a total of \$93 million as a first installment of additional aid to be committed to the region over the next 18 months. These funds will be made available for procurement of locomotives and rolling stock, port and railway improvements, support for new structures to finance trade and support for policy reform programs. This program will be additive to U.S. current commitments to the development programs of SADCC and its member nations.

Mr. Chairman, before closing I would like to make a further suggestion to the conference. Under any future scenario, South Africa will remain an important trading partner for most of the members of SADCC. That being the case, we feel it is important that trade linkages between the SADCC States and the emerging black business community in South Africa be strengthened wherever possible.

The United States and many other donors are helping black business groups and community associations in South Africa through direct grants to private organizations. We are providing training to South Africans in our universities at home, as well as in universities within the Republic. Many black community leaders in South Africa are deeply interested in the experiences of the SADCC countries. Strengthening ties between southern African institutions and black business and community leadership in South Africa can help in the transition to a peaceful economic future for this entire region.

Mr. Chairman, southern Africa will benefit from the SADCC efforts to encourage increased investment and growth. This conference has been an important step forward. The United States hopes that our commitment to providing increased aid resources will be helpful to the member nations, particularly in the areas of trade and investment, which have been the focus of this conference.

You can count on the United States to be a partner in this endeavor. Thank you Mr. Chairman.

4814V

REMARKS BY  
JAY F. MORRIS, DEPUTY ADMINISTRATOR  
NATIONAL COUNCIL FOR INTERNATIONAL VISITORS CONFERENCE  
FEBRUARY 20, 1987

(INTRODUCTORY REMARKS)

LET ME JOIN SECRETARY SHULTZ AND A.I.D.'S ADMINISTRATOR, PETER MCPHERSON, IN CONGRATULATING YOU ON 25 YEARS<sup>5</sup> OF MAKING AMERICA ACCESSIBLE TO VISITORS FROM ALL AROUND THE WORLD.

A GUEST FROM ANOTHER COUNTRY, PARTICULARLY A DEVELOPING NATION, FINDS OUT VERY QUICKLY THAT AMERICA IS NOT JUST THE HOME OF THE BRAVE -- IT'S ALSO THE HOME OF THE BOGGLING AND OVERWHELMING. JOHN BARRYMORE NOTED THAT AMERICA IS A COUNTRY THAT COULD DRIVE A PERSON TO BUY A YEAR'S SUPPLY OF ASPIRIN -- AND USE IT UP IN TWO WEEKS!

BARRYMORE MUST HAVE BEEN IN WASHINGTON AT BUDGET TIME!

TO STEAL A PHRASE FROM ALEXANDER POPE, AMERICA IS "A MIGHTY MAZE, BUT NOT WITHOUT A PLAN." WHICH MAKES YOU THE INTERNATIONAL VISITOR'S MAZE SOLVER.

MAYBE YOU DON'T LOOK AT YOURSELVES AS FOREIGN POLICY PRACTITIONERS, BUT YOU ARE.

MY EXPERIENCE IS THAT 99 PERCENT OF WHAT WE DO AT A.I.D. HAS TO DO WITH SETTING A GOOD EXAMPLE -- AND THAT'S WHAT YOU DO BEST. THROUGH YOU, INTERNATIONAL VISITORS GET TO KNOW OUR CULTURE. THEY GET A SENSE OF OUR HISTORY. AND THEY GET TO SEE WHAT'S GOOD ABOUT AMERICA -- AND WHAT NEEDS IMPROVING UPON.

THE RESULT IS THAT THESE PEOPLE ARE GIVEN MORE THAN A TIME TO REMEMBER. THEY ARE SHOWN AN EXAMPLE OF A WORKING DEMOCRACY, AND A WORKING FREE ENTERPRISE SYSTEM, THAT THEY CAN TAKE BACK HOME WITH THEM.

A.I.D. IS GRATEFUL FOR WHAT YOU DO -- AND WE'RE ESPECIALLY GRATEFUL THAT YOU TOOK THE MESSAGE OF THE IMPORTANCE OF FOREIGN AID TO CAPITOL HILL A COUPLE OF DAYS AGO.

ON THE SUBJECT OF GETTING THE FOREIGN AID MESSAGE ACROSS, I HAD DINNER YESTERDAY WITH PETER DRUCKER, THE MANAGEMENT GURU. SOMEWHERE IN ONE OF HIS BOOKS, DR. DRUCKER CITES AN ADVERTISING EXECUTIVE WHO WOULD WRITE THE WORDS "PLEASE IMPROVE" ON ALL THE COPY HE WROTE. THEN HE WOULD SEND THE COPY AROUND TO HIS STAFF FOR THEIR INPUT. IT GOT ME THINKING THAT MAYBE WHAT WE SHOULD DO IS SEND AROUND A.I.D.'S BUDGET FIGURES TO CONGRESS WITH THE WORDS "PLEASE IMPROVE" ON IT!

(PAUSE)

THIS BRINGS ME TO MY SUBJECT.

TODAY, I'M GOING TO TALK ABOUT THE MOST MISUNDERSTOOD PROGRAM RUN BY YOUR GOVERNMENT. I'M REFERRING, OF COURSE, TO THE UNITED STATES FOREIGN ECONOMIC ASSISTANCE PROGRAM, BETTER KNOWN AS FOREIGN AID. ALL MOST AMERICANS KNOW ABOUT FOREIGN AID IS (PAUSE) THEY DON'T LIKE IT. THEY THINK IT'S A WASTEFUL GIVE-AWAY THAT DOESN'T EVEN BUY GRATITUDE. OFTEN THE ONLY RETURN WE SEEM TO GET IS ABUSE. GIVEN THAT IMPRESSION IT'S NO WONDER SO MANY PEOPLE FEEL IT OUGHT TO BE ENDED. FRANKLY, IF THAT IMPRESSION WERE CORRECT I'D WANT IT ENDED TOO.

FORTUNATELY, THOUGH, THAT ISN'T THE WAY IT IS. OUR FOREIGN AID PROGRAM IS WORKING. IN FACT, IT'S ESSENTIAL TO OUR OWN SECURITY AND WELL-BEING. BEGINNING WITH THE MARSHALL PLAN TO REBUILD EUROPE AND RUNNING THROUGH OUR RECENT SUCCESS IN SAVING MILLIONS OF LIVES THREATENED BY THE AFRICAN DROUGHT - AMERICAN ECONOMIC ASSISTANCE HAS BEEN EFFECTIVE. IT'S BEEN EFFECTIVE AS A WAY OF DIPLOMACY. IT'S BEEN EFFECTIVE AS AN EXPRESSION OF OUR HUMANITARIAN BELIEFS. AND, IT'S BEEN EFFECTIVE AS A MEANS OF PROMOTING WORLD GROWTH AND EXPANDING MARKETS FOR OUR EXPORTS. THE PROBLEM IS THAT MOST PEOPLE DON'T KNOW IT.

AS A RESULT, MAINTAINING THIS VALUABLE EFFORT DURING OUR CURRENT NATIONAL BUDGET CRUNCH IS BECOMING INCREASINGLY DIFFICULT. THE NET EFFECT COULD BE TO THREATEN OUR NATIONAL INTERESTS. PRESIDENT REAGAN UNDERSTANDS THIS. SO DO MANY OTHERS. I WANT YOU TO UNDERSTAND IT TOO BECAUSE, AS LEADERS IN YOUR COMMUNITY, YOU CAN TAKE THIS MESSAGE BACK HOME WITH YOU AND SPREAD IT..

WHEN MOST OF US THINK ABOUT FOREIGN AID, WE THINK OF IT AS A "DO-GOOD PROGRAM." IT DOES "DO GOOD", OF COURSE. IT ALSO DOES WELL. FOR THE TRUTH IS THAT FOREIGN AID, LIKE WAR OR DIPLOMACY, IS SIMPLY A TOOL WE USE IN AN EFFORT TO CREATE A MORE SECURE AND LIVEABLE WORLD FOR OURSELVES AND OTHERS. AND, IF WE DO WELL BY DOING GOOD, WELL, (PAUSE) WHAT'S WRONG WITH THAT?

ANOTHER MISCONCEPTION IS THAT IT'S A "GIVE AWAY" PROGRAM. PEOPLE SAY "WHY GIVE AWAY OUR MONEY TO FOREIGNERS WHEN WE HAVE SO MANY NEEDS RIGHT HERE AT HOME?" FOLKS SEEMS TO THINK WE SHIP OUR MONEY OVERSEAS AND NEVER SEE IT AGAIN. THAT, TOO, IS WRONG. ACTUALLY, MOST OF THE MONEY WE DONATE OR LOAN TO FOREIGN NATIONS COMES RIGHT BACK HOME, TO CREATE JOBS FOR AMERICANS. MORE THAN 70% OF AID'S \$2 BILLION IN CONTRACTS AROUND THE WORLD ARE WITH AMERICAN FIRMS.

AND, ALL THESE CONTRACTS AREN'T WITH WASHINGTON CONSULTANTS, EITHER. MANY OF THEM ARE WITH FIRMS IN YOUR OWN COMMUNITIES.

IF SOME OF US MAY HAVE HAD OUR DOUBTS ABOUT THE EFFECTIVENESS OF OUR AID PROGRAM, EIGHT U.S. PRESIDENTS - FOUR DEMOCRATS AND FOUR REPUBLICANS -- HAVE NOT. RONALD REAGAN, LIKE HARRY TRUMAN BEFORE HIM, UNDERSTANDS THAT WE LIVE IN ONE WORLD, INDIVISIBLE, AND THAT MANY PEOPLE PROSPER WHEN ONE DOES WELL. IN FACT, FOREIGN AID HAS BECOME A KEY PART OF PRESIDENT REAGAN'S PLAN TO BUILD A STRONGER, PROUDER AMERICA.

YET, WHILE THE UNITED STATES REMAINS THE MOST GENEROUS OF THE WORLD'S DONORS IN ABSOLUTE TERMS, IT OUGHT TO BE NOTED THAT AMERICA RANKS ONLY 17TH IN TERMS OF FOREIGN AID RELATIVE TO OUR GROSS NATIONAL PRODUCT. EXACTLY ONE FIFTH OF ONE PERCENT OF OUR GNP GOES FOR FOREIGN ECONOMIC ASSISTANCE; HOLLAND SPENDS FIVE TIMES THAT AS A PERCENTAGE OF ITS GNP. AND, AS SECRETARY OF STATE SHULTZ NOTED RECENTLY, "ONLY TWO PERCENT OF THE FEDERAL BUDGET GOES TO ALL ACTIVITIES DIRECTLY IN SUPPORT OF OUR FOREIGN POLICY." TWO PERCENT HARDLY FITS THE PROFILE OF A BIG SPENDER! MORE DEEP CUTS IN FOREIGN AID AREN'T ABOUT TO BALANCE THE BUDGET.

DESPITE THIS SINGLE FACT, THE LATEST BUDGET FIGURES DEVELOPED BY CONGRESS SHOW FURTHER DANGEROUS DROPS IN PROJECTED FOREIGN ASSISTANCE LEVELS. IF THIS TREND CONTINUES, OUR FOREIGN POLICY OF RECENT YEARS WILL BE PUT IN JEOPARDY. THIS YEAR'S CUTS COMPROMISED OUR NATIONAL INTERESTS. IF THE SAME THING HAPPENS NEXT YEAR, WE WILL BE BEYOND COMPROMISING OUR NATIONAL INTERESTS TO THREATENING THEM.

AID IS OFTEN DEPICTED AS JUST ANOTHER SLOW-MOVING GOVERNMENT BUREAUCRACY. WELL, AID HAS HAD ITS SHARE OF MISTAKES -- AS WELL AS ITS SHARE OF ACHIEVEMENTS. BUT ANY ORGANIZATION THAT ACHIEVES A 100 PERCENT SUCCESS RECORD CLEARLY HAS NOT SET ITS SIGHTS HIGH ENOUGH. WHAT THIS ADMINISTRATION DOES REGARD AS INEXCUSABLE IS THE THROWING OF GOOD MONEY AFTER BAD. ACCORDINGLY, THE PROGRESS OF EACH AID PROJECT IS NOW REVIEWED TWICE A YEAR. IF IT ISN'T WORKING, IT MAY BE REDESIGNED IN ORDER TO RETAIN THE BENEFITS OF MONEY ALREADY SPENT. HOWEVER, IF IT'S DETERMINED THAT THE PROJECT CANNOT BE SALVAGED, WE CLOSE IT DOWN.

FOR EXAMPLE, IN THE LAST FOUR YEARS, MORE THAN \$700 MILLION OF YOUR TAX MONEY WAS SHIFTED FROM PROJECTS THAT WERE FAILING TO OTHERS THAT WORKED.

NOW, WE, AT AID, ARE WELL AWARE THAT BUREAUCRACIES ARE BORN TO BLOAT. UNDER ADMINISTRATOR MCPHERSON, STEPS WERE TAKEN LONG BEFORE THE ENACTMENT OF GRAMM-RUDMAN TO REDUCE THE AGENCY'S COSTS AND INCREASE ITS EFFICIENCY. WHILE AID IS STILL A LONG WAY FROM PERFECT, IN RECENT YEARS IT'S BEEN FUNCTIONING LESS AND LESS LIKE A GOVERNMENT BUREAUCRACY AND MORE AND MORE LIKE A BUSINESS. WE'VE TRIMMED OUR STAFF -- MORE THAN 20 PERCENT -- CUT PAPER WORK, AUTOMATED OUR OFFICES, AND ABANDONED PROJECTS THAT HAVEN'T WORKED IN FAVOR OF THOSE THAT DO. THERE MAY HAVE BEEN SOME FAT EARLIER, BUT THERE SURE ISN'T ANY NOW. IN FACT, THIS YEAR'S OPERATING BUDGET IS LOWER THAN LAST YEAR'S. AND, NEXT YEAR'S PROMISES TO BE LOWER STILL.

SO, A.I.D. ITSELF IS IN A BUDGET-CONSCIOUS MOOD--AND A.I.D. KNOWS A GOOD INVESTMENT WHEN IT SEES ONE. A.I.D. IS INVESTING ALMOST \$200,000 IN NCIV'S WASHINGTON OFFICE THIS YEAR BECAUSE WE KNOW THAT EVENTS LIKE THE MID-WINTER COMMUNITY SEMINARS, THAT NCIV COORDINATES, ARE WELL-MANAGED AND WELL WORTH THE COST.

LET ME ADDRESS THE QUESTION OF COST-EFFECTIVENESS IN REGARD TO A.I.D.'S PARTICIPANT TRAINING PROGRAM. PEOPLE ASK ME WHY A.I.D. BRINGS INDIVIDUALS TO THE UNITED STATES TO BE TRAINED WHEN THEY COULD BE TRAINED FOR LESS MONEY IN THEIR OWN COUNTRY.

THE REASON HAS TO DO WITH THE SIZE OF THE CLASSROOM. WHEN WE BRING PARTICIPANT TRAINEES TO THE UNITED STATES, THEIR CLASSROOM BECOMES AMERICA ITSELF.

I WOULD ENCOURAGE YOU TO TALK WITH THE FORMER PARTICIPANTS OF THE PROGRAM THAT ARE HERE AT THE HEAD TABLE. I WOULD BET THEY WILL SAY THAT THE HANDS-ON EXPERIENCE THEY GOT HERE, AND THE CONTACTS THEY MADE, AND THE GENEROSITY THAT THEY WERE SHOWN, COULD NEVER BE DUPLICATED ANYWHERE BUT IN THE UNITES STATES.

IT WAS EMERSON WHO SAID THAT THE SECRET OF EDUCATION LIES IN RESPECTING THE PUPIL. FOSTERING TRUST AND MUTUAL RESPECT IS AT THE HEART NOT ONLY OF A.I.D'S TRAINING PROGRAMS, BUT OF FOREIGN POLICY AS A WHOLE. BUILDING THIS TRUST TAKES MONEY -- AND IT IS WORTH THE COST. (PAUSE)

NOW WE ALL KNOW THAT POVERTY BREEDS DISCONTENT (PAUSE), AND, THAT DISCONTENT OFFERS OUR ENEMIES THE CHANCE TO EXPLOIT THE MISERY OF OTHERS TO ADVANCE THEIR OWN INTERESTS AT THE EXPENSE OF OURS. THE MORE STABILITY WE CAN CREATE THE BETTER OFF WE ARE. BY SUPPORTING FRIENDLY NATIONS, AMERICAN AID STRENGTHENS OUR ALLIES AND CEMENTS ALLIANCES. BY HELPING DEMOCRACIES AND SHORING UP FREE MARKETS, AID CONTRIBUTES TO CREATING A WORLD COMPATIBLE WITH AMERICAN INTERESTS.

ALL TOO OFTEN PEOPLE FORGET JUST HOW MUCH OUR OWN ECONOMIC WELL-BEING IS DEPENDENT ON GOOD RELATIONS WITH THESE COUNTRIES. FOR EXAMPLE:

- THIRD WORLD COUNTRIES TAKE 40 PERCENT OF OUR EXPORTS. THAT'S MORE THAN ALL OF WESTERN EUROPE AND FOUR TIMES AS MUCH AS JAPAN.
- OVER TWO MILLION AMERICAN JOBS ARE DEPENDENT ON THESE SALES.
- WE ALSO GET MORE THAN HALF OUR TUNGSTEN, TIN, BAUXITE, AND COBALT FROM THEM - ALL VITAL TO OUR NATIONAL DEFENSE.
- THESE NATIONS REPRESENT OUR FASTEST GROWING MARKET FOR OUR AGRICULTURAL EXPORTS OF CEREALS AND GRAINS; CURRENTLY THEY PURCHASE 50 PERCENT OF OUR EXPORTS OF THESE COMMODITIES.

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. WHY ON EARTH WOULD WE WANT TO GIVE AID TO THEM? WELL, ZAIRE HAPPENS TO BE OUR MAJOR SUPPLIER OF COBALT -- 52 PERCENT TO BE EXACT.

AND COBALT IS A CRITICAL COMPONENT OF THE ALLOYS NECESSARY FOR THE CONSTRUCTION OF JET ENGINES. SO, THE NEXT TIME YOU SEE AN F-16 FIGHTER OR A BOEING 747 FLYING OVERHEAD, I HOPE YOU'LL REMEMBER WHY AN AFRICAN COUNTRY LIKE ZAIRE IS SO VITALLY IMPORTANT TO US.

MOREOVER, 90 PERCENT OF OUR WORLD'S POPULATION GROWTH IN THE NEXT 15 YEARS WILL TAKE PLACE IN THE DEVELOPING COUNTRIES. OUR AGRICULTURAL EXPORTS TO TRADITIONAL CUSTOMERS IN THE INDUSTRIAL COUNTRIES HAVE DECLINED AND ARE UNLIKELY TO GROW SIGNIFICANTLY IN THE YEARS AHEAD. THEREFORE, TO EXPAND OUR FOOD AND FEED MARKETS WE MUST INCREASE THE INCOMES AND PURCHASING POWER OF THE GROWING MILLIONS IN THE DEVELOPING COUNTRIES. STUDIES SHOW THAT AS DEVELOPING COUNTRIES INCREASE THEIR RATES OF ECONOMIC GROWTH, THEIR FOOD IMPORTS INCREASE AT AN EVEN FASTER RATE. THUS, THE LONGER TERM INTERESTS OF THE U.S. FARMER ARE BEST SERVED BY RAPID ECONOMIC GROWTH IN THESE COUNTRIES. WE CAN'T PREDICT EXACTLY WHICH ONES WILL BENEFIT MOST, BUT WE CAN SAY, OVERALL, THE AMERICAN FARM ECONOMY WILL PROFIT.

(PAUSE - SHIFT)

NOW, THE REAL WORLD DEMANDS THAT THE MEANS OF ACHIEVING THESE ENDS KEEP PACE WITH CONSTANTLY CHANGING INTERNATIONAL CONDITIONS.

THE POST-WAR PROBLEMS OF WESTERN EUROPE WE FACED DURING THE MARSHALL PLAN DAYS WERE OBVIOUSLY VERY DIFFERENT FROM THOSE WE MUST DEAL WITH IN TODAY'S WORLD.

THAT'S WHY WHEN THIS ADMINISTRATION CAME INTO OFFICE WE MADE A CAREFUL ASSESSMENT OF THE AID PROGRAM AND POLICIES THEN IN EFFECT. THOSE THAT WORKED, WE KEPT. THOSE THAT DIDN'T, WE ELIMINATED. OTHERS WERE MODIFIED. THE END RESULT IS A NEW MIX MEETING TODAY'S NEEDS.

THIS PROCESS OF EVALUATION AND BELT-TIGHTENING CONTINUES TO THIS MOMENT -- AND WILL GO ON AS LONG AS WE'RE HERE AND THIS COUNTRY NEEDS A FOREIGN ASSISTANCE PROGRAM. BUT, FOR NOW, WE'VE DECIDED TO RESTRUCTURE OUR APPROACH AROUND FOUR BASIC PILLARS.

1. THE FIRST IS WHAT WE CALL POLICY DIALOGUE AND REFORM; THIS IS REALLY JUST A FANCY WORD FOR NEGOTIATION. WHEN OUR HELP IS REQUESTED, WE WORK WITH A COUNTRY'S LEADERS TO DEVELOP POLICIES THAT WILL GIVE OUR ECONOMIC AID A CHANCE TO WORK. 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.

[PAUSE] 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 GOVERNMENT BUREAUCRATS TO PROVIDE CHEAP FOOD FOR CITY DWELLERS. SO, WHEREVER POSSIBLE, WE WORK CLOSELY WITH GOVERNMENTS TO ENSURE THAT FREE AND OPEN MARKETS CAN EXIST. AND, BY THE WAY, WE'VE GOTTEN SOME GOOD RESULTS IN THIS AREA .

FOR INSTANCE:

- SIXTEEN AFRICAN COUNTRIES HAVE SUBSTANTIALLY INCREASED PRICES TO FARMERS, PROVIDING INCENTIVES TO GROW MORE AND BETTER CROPS. THIS IS THE WAY TO PREVENT FAMINE IN THE FUTURE.
  
- A.I.D. WORKED WITH BANGLADESH TO HELP MOVE THEIR FERTILIZER DISTRIBUTION SYSTEM COMPLETELY OUT OF THE GOVERNMENT BUREAUCRACY AND INTO THEIR PRIVATE SECTOR. AS A RESULT, OVER 45,000 BANGLADESHI BUSINESSMEN ARE NOW SELLING FERTILIZER TO SMALL FARMERS AND FOOD PRODUCTION IS RISING RAPIDLY.
  
- EVEN SOCIALIST COUNTRIES SUCH AS GUINEA, GHANA, AND MADAGASCAR ARE WILLING TO MOVE A NUMBER OF ECONOMIC ACTIVITIES FROM GOVERNMENT CONTROL TO THE PRIVATE SECTOR WHERE THEY BELONG.

2. OUR SECOND PILLAR DEALS WITH THE TRANSFER OF WHAT WE CALL APPROPRIATE TECHNOLOGY, THAT IS, TECHNOLOGY FOLKS CAN USE IN THEIR DAILY LIVES. WE USE AMERICAN UNIVERSITIES, OUR AGRIBUSINESS INDUSTRY, AND THE U.S. PRIVATE SECTOR TO HELP IN THE RESEARCH AND DEVELOPMENT OF TECHNOLOGIES THESE COUNTRIES NEED--AND CAN USE TODAY.
  
3. OUR THIRD 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 -- EVEN LOCAL SCHOOL BOARDS. IN THIS WAY, WE BUILD DEMOCRACY AS WELL AS DEVELOPMENT.
  
4. AND FINALLY, THE FOURTH PILLAR POINTS TO THE ABSOLUTE NEED FOR A STRONG PRIVATE SECTOR AND RELIANCE ON MARKET FORCES. THERE ARE MANY THINGS WHICH GOVERNMENT CAN'T DO, OR SHOULDN'T DO, (PAUSE) BECAUSE IT CAN'T DO THEM WELL. IE DEVELOPMENT IS TO WORK, THERE MUST BE ROOM FOR THE PRIVATE SECTOR TO ACT AS AN ENGINE FOR GROWTH. NOW, I'VE ALREADY MENTIONED THE BENEFITS IN BANGLADESH THAT CAME WITH TURNING THE SALE OF FERTILIZER OVER TO PRIVATE BUSINESS. FROM THE OTHER SIDE OF THE WORLD -- IN PANAMA -- COMES YET ANOTHER EXAMPLE.

THE PROBLEM WAS A COMMON ONE -- THEY SIMPLY DIDN'T HAVE ENOUGH JOBS. WE 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. FRANKLY, WE BORROWED IDEAS USED SUCCESSFULLY BY NEARLY EVERY CITY IN AMERICA TO LURE INVESTMENT AND BUSINESS. BUT, IT WAS A BRAND NEW IDEA IN PANAMA...AND IT WAS AN IDEA THAT WORKED. SINCE THEN, 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 THEIR OPPORTUNITIES.

(PAUSE)

WE'VE LEARNED THAT DEVELOPING NATIONS WHICH LACK FREE ENTERPRISE SYSTEMS PRACTICALLY 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 -- COUNTRIES THAT ARE ALL AID GRADUATES, BY THE WAY -- 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 PILLARS--(USE FINGERS) 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. THEY'RE SERVING US WELL. THEY'RE SERVING THESE NATIONS AND THEIR PEOPLE, TOO.

(TRANSITION - SHIFT)

FOR THE FORESEEABLE FUTURE, THEN, WE HAVE 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.

NOW, NOBODY WOULD ARGUE THAT THIS TASK IS AN EASY ONE. HEAVEN KNOWS WE HAVE ENOUGH PROBLEMS TRYING TO MANAGE OUR OWN ECONOMY LET ALONE THE ECONOMIES OF OTHERS. THE PROBLEMS OF ECONOMICS ARE COMPOUNDED BY THE STRESSES OF FRAGILE SOCIETIES AND THE PRESSURES OF DROUGHT, DISEASE, CIVIL WAR, AND A HOST OF OTHER ILLS.

IN FACT, IT WOULD BE PRETTY EASY TO JUST SIMPLY THROW YOUR HANDS UP IN DESPAIR AND QUIT. BUT, BEFORE DOING THAT, YOU MIGHT WANT TO RECALL WHAT THE SITUATION WAS IN A CERTAIN METROPOLITAN AREA OF THE WORLD IN THE YEAR 1902.

A SMALLPOX EPIDEMIC WAS RAGING IN THIS CITY WHILE ITS SUBURBS WERE WRACKED WITH MALARIA. THE ANNUAL DEATH RATES FOR CHILDREN UNDER FIVE FROM MEASLES, DIPHTHERIA, WHOOPING COUGH AND SCARLET FEVER WERE 140 PER 100,000 EACH. (PAUSE) THE NAME OF THAT FESTERING CITY WAS NEW YORK. THE PROBLEMS WE FACE TODAY ARE NO WORSE THAN THE PROBLEMS WE FACED THEN. AND, THESE, TOO, CAN BE OVERCOME.

YOU KNOW, THERE'S ONE FINAL ASPECT WE SHOULD CONSIDER -- AND THAT IS (PAUSE) THE BACKHANDED COMPLIMENT WE GET FROM THE RUSSIANS. THEY REALLY WORRY ABOUT OUR FOREIGN AID PROGRAM. AND, SO THEY SHOULD. WE EXPORT IDEAS. AND, IT'S OUR IDEAS AS MUCH AS OUR MILITARY STRENGTH THAT MAKES US SO POWERFUL AN ADVERSARY FOR THEM.

IT IS WE, NOT THEY, THAT ARE THE TRUE EXPORTERS OF REVOLUTION. WE BELIEVE IN FREEDOM - INDIVIDUAL FREEDOM - THE RIGHT OF A PERSON TO USE HIS INITIATIVE AND ENERGY AS HE SEES FIT.

(PAUSE)

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 THUS CREATE (PAUSE) POLITICAL STABILITY. IN FACT, WHAT WE'RE REALLY ABOUT IS EXPORTING AN ENTREPRENEURIAL, REVOLUTION.

TWENTY FIVE YEARS AGO PRESIDENT KENNEDY RECOGNIZED THAT IN ORDER TO WIN THE BATTLE FOR THE THIRD WORLD WE MUST START TO BUILD NEW FRONTIERS OF FREEDOM, AND, WE BEGAN. NO WONDER THE RUSSIANS FEAR US SO, FOR THE CHOICE BETWEEN FREEDOM AND COMMUNISM IS REALLY NO CHOICE AT ALL.

TODAY PRESIDENT RONALD REAGAN IS EXPANDING THOSE FRONTIERS OF FREEDOM BECAUSE HE UNDERSTANDS THAT WE CANNOT SHRINK FROM OUR GLOBAL RESPONSIBILITIES WITHOUT GRAVE RISK TO OUR OWN ECONOMIC AND MILITARY SECURITY.

IN THIS WAY, AMERICA CAN WIN THE BATTLE FOR THE THIRD WORLD. WHAT COULD MORE BE THREATENING TO TOTALITARIAN SYSTEMS THAN THE MESSAGE OF INDIVIDUAL FREEDOM WE BRING.

(BIG PAUSE)

YOU KNOW, IN THIS EFFORT WE REALLY HAVE NO CHOICE. FOR BETTER OR WORSE, AMERICA HAS BEEN CHOSEN BY DESTINY, OR FATE, TO BE THE LEADER OF THE FREE WORLD. LEAD WE MUST.

(PAUSE)

LEAD WE WILL. AND FOREIGN AID / IS AN ESSENTIAL TOOL / IN MEETING THAT MANDATE.

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