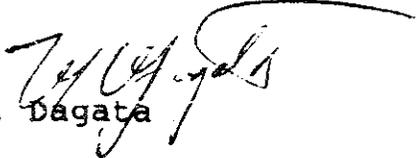


MEMORANDUM

MAR 24 1988

TO: SEE DISTRIBUTION 

FROM: DAA/PPC, Martin V. Dagata

SUBJECT: Advanced Developing Country (ADC) Concepts Paper

Attached for your information and use is a revised version of subject draft, based on comments and decisions made at the Senior Staff Topical Seminar on February 26 and the subsequent Steering and Working Group Meeting. Any further comments you may have would be welcome.

Attachment: 3/15/88 draft

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=A.I.D. Concepts Paper on
Advanced Developing Countries
and Those in Transition

Background

Over the coming decades, U.S. interests will be increasingly affected by a group of developing countries that have reached or will soon reach a stage of advanced development. These countries will be important actors in international and regional affairs of direct concern to the U.S. Many of them will become major partners in trade and investment. They will become increasingly influential and often leaders in scientific and technological developments. They will be important leaders in the continuing challenges of mass poverty alleviation in the LDCs and, in some instances, still within their own borders. Finally it is in these countries where the opportunity for evolving strong democratic institutions has the greatest potential for the preservation and advancement of values central to American traditions and global interests.

President Reagan foresaw this development in his "Bogota speech" of 3 December, 1982. In that speech, he indicated that the U.S. would be seeking ways of strengthening mutually beneficial development ties with advanced developing countries, and he said,

"... there are a number of countries primarily in Latin America but also in other regions of the world that are, or are becoming, major participants in international and political affairs. Their advanced stage of development calls for a new form of economic and technological relationship -- an evolution from the ties characterized by economic assistance programs."

That proposed new relationship between the U.S. and advanced developing countries (ADCs) was to be based on U.S.-ADC institutional linkages subsequent to the termination of bilateral assistance programs. Resources would come primarily from the developing countries themselves and from the U.S. private sector. Some limited A.I.D. support (including financial support) was anticipated. One of our regional bureaus, LAC, has developed programs in ADCs which address these needs, and the ANE Bureau is beginning to move a couple of its bilateral programs in this direction. Building on their experience and planning efforts, this paper outlines an Agency-wide strategy to rationalize and guide such efforts.

Rationale

This strategy paper is based on the need to develop more productive bilateral relationships between the U.S. and existing ADCs. It proposes some refinements in our regular bilateral programs of assistance, especially to countries which have achieved a sustainable economic growth path and are approaching ADC status, to transform them gradually into ADC programs, while emphasizing development activities that will help them achieve advanced status more quickly. This strategy will build, preserve and extend valuable bilateral institutional linkages between the U.S. and developing countries, linkages designed to be sustained beyond the transition away from traditional U.S. economic assistance programs.

The objective of the ADC strategy is to strengthen and facilitate partnerships with the peoples and institutions in ADCs by promoting development activities of mutual benefit (in the areas of trade, science and technology, and human resource development). It is also important to encourage ADC collaboration with the U.S. to help meet the developmental needs of the other developing countries in the region. A development-oriented, pluralistic relationship is envisioned. Programs are intended to be catalytic, facilitating linkage between ADC and U.S. institutions and drawing on available resources of these ADC and U.S. institutions.

Mature relations between countries are extremely complex. They include broad and deep linkages in trade, science and technology, and finance; a variety of professional, scientific, technical and business associations; personal ties fostered through tourism and cultural exchange; and sophisticated communications networks. U.S. relations with most developing countries are much less complex, and they are often dominated by U.S. economic assistance programs.

The evolution to a relationship that is varied and responsive to rapidly changing circumstances is not easy. It is made more difficult by the absence of a coherent strategy designed to create, preserve, extend and multiply the linkages between U.S. and developing country institutions, especially private institutions. Now is an appropriate time to develop such a coherent strategy. There are several reasons.

-- First, as the economies of developing countries grow, their political importance increases, especially within their own regions, and we must give them higher priority on our own foreign policy agenda.

-- Second, many developing countries have become important trading partners for the U.S. Others are rapidly emerging as important trading partners. In 1985, U.S. merchandise exports to non-oil exporting developing countries accounted for 32 percent of total US merchandise exports. Also in 1985, U.S. merchandise imports from non-oil exporting developing countries accounted for nearly 37 percent of total US merchandise imports. Between 1970 and 1981, the average annual growth rate of US exports to developing countries was 20.4 percent, substantially above the 15.5 percent growth rate for exports to other industrialized countries. Trade with these countries is of increasing importance as sources of vital raw materials and as growing markets for U.S. exports, especially of agricultural products and intermediate goods. Over half of U.S. food and feedgrain exports go to the developing countries and that proportion is rising.

The U.S. merchandise trade with non-oil exporting developing countries (as defined by the IMF) was roughly in balance from 1960 to 1980. Imports exceeded exports by over \$40 billion--more than one-quarter of the total US trade deficit--in 1985.^{1/} Nearly 80 percent of the deficit with non-oil developing countries is attributable to the top seven newly industrialized countries (NICs): Brazil, Hong Kong, Mexico, Singapore, Spain, South Korea and Taiwan. The U.S. deficit with most of these countries is of very recent origin. For example, the U.S. moved from a 1980 surplus with Brazil (\$0.4 billion) to a \$5.0 billion deficit in 1985; from a 1980 surplus with Mexico (\$2.3 billion) to a \$5.8 billion deficit in 1985; and from a 1980 surplus with South Korea (\$0.3 billion) to a \$4.8 billion deficit in 1985.

The U.S. merchandise trade deficit in 1985 was greater than \$800 million in five other non-oil exporting developing countries: Ecuador, India, Malaysia, the Philippines and Thailand. In the future, the U.S. will need to promote strongly its exports to the rapidly growing markets of the more advanced developing countries.

^{1/} Exchange rate movements and differential rates of growth in income and in demand among trading partners account for most of the deterioration in the U.S. current account. Nonetheless, current interest in political solutions to the yawning trade gap is very strong and is growing.

- Third, total U.S. direct foreign investment in developing countries rose nearly 2.8 times in the 1970s (it has been roughly stagnant since then). Total U.S. bank lending to foreigners in developing countries rose an astonishing 16-plus times in the 1970s (it has been roughly constant since 1982). These investments have been highly concentrated in a small number of more advanced countries, many of which are in Latin America.

- Fourth, dramatic scientific and technological changes are appearing on the horizon. Many are spawned by recent developments in management (the "just-in-time" inventory control system), materials science (involving composites and ceramics), biotechnology and informatics. Scientists in the more advanced developing countries are becoming more involved and these countries are increasingly important sources of science and technology for our own economy. We depend on them for breeding materials for most of our agricultural crops. We also gain valuable knowledge from health research carried out in many of these countries. The private sector in many potential ADC economies is increasingly interested in the commercialization of U.S. technology. Cooperation and linkages will be of increasing mutual benefit.

- Fifth, many developing countries are establishing more market-oriented economies and pluralistic societies. One result has been the emergence of an increasingly robust private sector. Strengthened private business firms, business and professional associations and related institutions (e.g., university and other research and development facilities, science and engineering institutes, standards organizations) increasingly seek beneficial institutional ties to counterparts in industrialized countries.

- Sixth, in the current, highly competitive global economic context, advanced developing countries no longer automatically try to establish institutional ties primarily with the U.S., as was the case during the first two decades following World War II. We have many institutional and individual ties built through institutional development, training, and other facets of our foreign assistance programs. But in the absence of U.S. efforts to sustain their vitality, other countries are seizing the advantage. This is most evident in Asia. Many Asian ADCs are seeking such ties with other countries, particularly with Japan, rather than primarily with the U.S., even while they might seek access primarily to the U.S. market; and this is forcing us into a more competitive international arena in which much could be won or lost, depending on our own response.

-- Seventh, the ADC's and those approaching that status are subject to rapid change and many of the larger ones are playing important regional leadership roles. There is a need to evolve to a new, more effective bilateral relationship model that permits the U.S. to maintain ties and interests of various sorts with them, including collaborative efforts to assist less developed neighbors.

A.I.D. is well positioned, because of the contribution it made to building these societies and the institutions in them, to take the lead role in designing and implementing an ADC strategy and in facilitating and energizing the activities of other agencies, both public and private, operating within such a strategy. It has bilateral missions in many of the countries experiencing rapid economic growth and a professional staff experienced in designing and implementing diverse development activities in them. It has emphasized a policy and institutional framework that can stimulate and sustain economic growth and international trade; and it has thereby acquired considerable recent experience in policy analysis and dialogue leading toward these ends. It has sponsored over decades a large number of institutional linkages and activities that can form the basis of an ADC strategy.

In fact, in Portugal, Brazil, Colombia, and Mexico, A.I.D. has in different ways already established programs that reflect these tendencies. A program has also been established in Paraguay where the bilateral program has been phased out. At present in Brazil, Partners of the Americas, Project Hope, and a large number of other PVOs working in population and family planning have continued to operate with financial support from A.I.D. The Glenn-Symington amendment has limited A.I.D.'s activities in Brazil to the continuation (broadly defined) of these PVO programs.

Such institutions form a natural bridge to counterpart institutions in the U.S. and, thereby, a core set of institutions on which a strong ADC bilateral relationship might easily be built.

The ADC programs in Latin America are implemented with central and LAC regional bureau resources. They emphasize technical cooperation, and most of them have substantial population and/or family planning components. Other priority areas are health, child survival and nutrition, environment, agriculture development and narcotics awareness. These activities reflect current A.I.D. program emphases which might profit from a broader construction of A.I.D. activities over the years and consideration of future areas of mutual interest. Nevertheless, the programs are designed to strengthen U.S.-ADC partnerships between mostly private ADC institutions and their U.S. counterparts.

The LAC Bureau has two important regional projects which support ADC programs. These regional projects, the LAC Regional Inter-Country Transfer project and the LAC Training Initiatives II project, provide funds from all functional accounts for a variety of activities involving primarily technology acquisition and U.S. participant training. However, the A.I.D. representatives also function as catalytic agents to mobilize non-A.I.D. resources to carry out program objectives, establishing or encouraging institutional linkages. In addition, they play important roles mobilizing and coordinating resources during disaster relief efforts.

Some S&T Bureau programs also support this ADC approach. These are programs of scientific cooperation and linkage in population and family planning, health, agriculture, and education research efforts, such as the Collaborative Research Support Programs (or CRSPs) and the Science Advisor's Office, support important scientific networks. The programs have a strong development orientation; the population program in Brazil, for example, concentrates resources in the Northeast where contraceptive prevalence still is low. On a national level it emphasizes development of sustainable, self-financing programs that will lead to eventual self-sufficiency and cost-effective technologies to promote family planning.

Because they have relatively well developed institutional and human resource bases, ADCs also serve as sites for A.I.D.-financed research and training that benefit other developing countries.

While these programs can serve as precursors and partial models for future ADC programs, they have been developed without the benefit of an Agency-wide ADC strategy. The components of such programs will be reconsidered in light of this strategy and budgetary resources supporting current programs may be subjected to some reconfiguration.

The ADC Strategy

The strategic approach to developing a new cooperative relationship with advanced developing countries is designed to achieve three specific objectives of interest to the U.S. These are:

- to transform our developmental ties with these developing countries into more mature bilateral relationships that are based more directly on mutual benefit;
- to maintain and intensify U.S. relationships with ADCs, building on the large investments A.I.D. has already made

in them, in order to better serve broad U.S. foreign political, security, economic and commercial, as well as development, interests; and

- to forge strong and sustainable ties between the commercial, scientific, technological and other institutions of the U.S. and these developing countries by working with the institutions supported by A.I.D.'s bilateral assistance programs.

In addressing these objectives A.I.D. will support activities that promote sustainable, broadly-based economic growth in the ADCs, primarily within the following areas:

1. Trade and investment. Trade clearly is a powerful engine of growth, even in a global context of modest overall trade expansion. To harness that engine of growth, ADCs must emphasize policy reforms designed to improve the efficiency of their resource allocation processes, principally through increased reliance on market forces. Appropriate policies not only promote beneficial trade, they also stimulate more efficient domestic and foreign investment and relatively greater use of the more abundant domestic factors of production. A.I.D. can also broker joint U.S.-ADC private investments, e.g., by working with in-country institutions to identify local financing sources and regulatory hurdles, as well as investment partners.

Trade provides advantages to both parties. The development needs of ADCs fuel demand for imports of intermediate capital goods. U.S. intermediate capital goods exporters should be well positioned to take advantage of this expected surge in import demand. Similarly, the expanding requirements for professional training in ADCs strongly suggest that American universities and related institutions may continue to serve a growing demand for U.S. service sector exports into ADCs.

2. The exchange of technology and, where appropriate, scientific collaboration. U.S. science and technologies are highly prized in virtually all developing countries; and important new technological developments of interest to the U.S. are already starting to come from the more advanced of the developing countries and can be expected to increase in the future. Linkages to educational institutions, research labs, product development centers, state land-grant universities, state-level (U.S.) technology incubators and similar institutions would yield important dividends to ADC, as well as U.S., institutions. ADC programs could emphasize the linkage between scientific

institutions and organizations and the advancement of systems for the development, acquisition, adaptation and application of new technologies in those countries. The SPAAR network in Africa, STI in India, A.I.D.'s existing CRSPs and the programs managed by the Science Advisor's Office might be useful models for establishing linkages between the scientific communities in ADCs and in the U.S. Perhaps more importantly, most A.I.D. programs have developed, over time, an array of useful institutional linkages. Those which are relevant to future mutually beneficial activities can and should be nurtured. These institutions need to be identified in the context of the country ADC strategy.

3. Education and Technical Training. Education and training, for people in both public and private sector occupations, explicitly including participant training in the U.S., are obvious areas of priority. Short-term training typically will be in the development sectors, in agriculture, public health, education, public administration, or in other fields of special importance to promoting sustained development. Third country participants also may be encouraged (i.e., developing country participants trained in ADCs). Special emphasis is placed on higher education in technical fields such as agricultural sciences, economics, and other fields in which A.I.D. has a strong historical association and in which U.S. academic institutions have a strong interest and comparative advantage. Training should be considered inter alia a means of institutional maintenance and enhancement and of developing institutional relationships.

A broad range of activities, including cooperative research, faculty exchange, joint participation in academic proceedings, and student semesters overseas, are beneficial to both developing country and U.S. institutions of higher education. Vocational and other training activities may yield particular benefits in relatively backward areas of the ADCs themselves; they can also develop and test new methods and technologies that can be more readily transferred to other (non-ADC) developing countries with more daunting education problems.

Within these three areas of emphasis, A.I.D.'s ADC strategy should rely primarily on existing and well-functioning institutions and networks to link them for program implementation. On the U.S. side, these institutions would include, inter alia, U.S. Government agencies, business firms, private voluntary and other non-governmental organizations (e.g., the IESC), state development organizations, chambers of

commerce and other associations of business firms, research and development laboratories, science and technology institutes, and both public and private universities.

Well functioning, stable institutions should be available as counterparts in the respective ADCs. The institutions that A.I.D. would work with should be relatively well developed. Maintenance of the strength of these institutions should be a consideration in country ADC strategies. A.I.D. should focus on the linkage necessary to realize the mutual benefits of collaboration.

The goal is to establish or restructure institutional relationships that are particularly relevant and sustainable by the institutions themselves, supported over the long run by their own resources. All development activities in an ADC strategy would emphasize the facilitation of linkages between typically--but not exclusively--private institutions in the U.S. and in the ADC. (The emphasis will be on sponsoring private sector linkages, although some public sector activities, such as bilateral science and technology agreements, and some activities involving regional development institutions or other countries in the region are contemplated. In addition, it is expected that public (land grant) universities in the U.S. will continue to provide technical and educational linkages in ADCs.)

The specific activities that are envisioned include technical assistance, funded research (e.g., "academic" studies), technical workshops and seminars, observational travel, training, networking, and a variety of reimbursable programs. Infrastructure and capital investments would not be considered. Indeed no large-scale direct assistance or budgetary support programs are anticipated.

Each ADC program should build on previous and existing bilateral A.I.D. activities and be designed to assist the host country with its particular set of problems and needs. It should be forward-looking and focus on emerging problems of importance, as well as those receiving continued attention. Examples of such problem areas are those relating to the environment, urbanization, trade, agricultural technology, rapid population growth, underemployment, health, nutrition, energy, and poverty (these examples are not meant to be exhaustive). Regarding the first two examples mentioned, an ADC program should continue to nurture institutional and technical activities that will help solve environmental problems with global or regional implications, such as depletion of tropical forests and pressures on biological diversity, and problems faced by both the U.S. and particular

ADCs, such as industrial and urban pollution. Most ADC countries are experiencing the rapid urbanization generally associated with national economic development. Aside from the need for an increasing capacity to deal with the many policy, social, and environmental issues related to this phenomenon and the need to stimulate and manage large investments in urban infrastructure, shelter, transportation, sustainable supplies of energy, etc., overall development success depends on achieving higher growth rates from urban-based industries. The future political and social stability of the world will depend heavily on how well the developing countries handle the increasingly complex and urgent urban and environmental problems associated with that growth.

Implications for A.I.D. Programs in Non-ADC Countries

The ADC Strategy just described will be implemented in those countries which the Administrator of A.I.D., in consultation with the Secretary of State, has determined to have achieved an advanced level of economic growth and development (as described in the following section, "ADC Program Criteria") and to be no longer in need of a regular bilateral assistance program. Portions of it may also be implemented, through existing international organizations and without an A.I.D. presence, in some countries already considered "A.I.D. graduates" and in which no A.I.D. bilateral program currently exists. The U.S.-ADC strategic relationship described above also represents an objective toward which our regular bilateral assistance programs should move. Regular bilateral A.I.D. programs will continue to be focussed on the key constraints to more rapid progress and, especially in those countries which have achieved sustained economic growth, should be concentrated in the areas that would help them attain full ADC status more quickly. In addition, however, A.I.D. missions in all countries, and particularly in the latter situations of sustained growth, should begin to lay the groundwork for eventual ADC programs.

Pre-ADC countries will be at different stages in their development. They may have sectors and institutions which are well developed alongside areas of serious underdevelopment. The A.I.D. CDSS process should provide the analytical basis for looking at the overall economy, identifying lagging "sectors" and the key constraints to more rapid growth and for designing, as appropriate, particular assistance strategies to address these sectors and constraints. A.I.D. missions should concentrate their efforts on developing linkages in the more advanced areas and strengthening these laggard "sectors," be they in the policy, human resource or institutional arenas.

A primary purpose of A.I.D.'s activities in any given country would be to identify and, where necessary, to strengthen a variety of institutions. Institution building is an essential component of any development strategy, no matter how rich or poor the country. It should gradually become the dominant component as the country approaches ADC status and the bilateral A.I.D. program is transformed into an ADC program. These institutions must be capable of 1) managing the economic development and growth process, including the policy framework, and maintaining its momentum by themselves and 2) carrying on complex bilateral and multilateral relations with counterparts in the U.S. and the rest of the world.

Missions should take inventory of existing institutional linkages that deserve to be nurtured and maintained as part of an eventual ADC program. We should know and keep track of what institutions our assistance programs have been and are supporting, with a view to building on them for the future. Universities, research and development institutes, business organizations, financial institutions, cooperatives, private voluntary organizations and other groups spanning a range of "sectors" are all useful candidates for A.I.D. funded institutional development activities.

Simultaneously, A.I.D. missions should institutionalize efforts to encourage an ever-growing network of linkages between established institutions in the U.S. and those in the host country. It is likely that considerable effort (primarily personnel, rather than financial, resources) will be required to build these linkages and to coordinate with more heavily financed efforts to strengthen host-country institutions.

Existing bilateral development assistance programs in countries achieving sustained economic growth should gradually shift to a mode that reduces resource transfers. The A.I.D. mission portfolio increasingly should consist of technical collaboration and training activities, although the importance of some commodity assistance to support such activities and to support significant policy change is recognized. For example, bilateral family planning programs should consist of declining support for the procurement of contraceptives or for the distribution of those contraceptives. A growing proportion of mission funds should support technical assistance efforts designed 1) to improve the way host country financial and personnel resources are managed, 2) to support business and commercial approaches to improving access to family planning (This includes promising new contraceptive marketing techniques.), and 3) to improve the way host country institutions mobilize and utilize financial and personnel resources and the opportunities for collaboration with counterpart institutions in the U.S.

ADC Program Criteria

For a country to be designated an Advanced Developing Country (ADC) it should meet the following four criteria for participation in an ADC program:

1. a strong, sustained record of broadly-based economic growth, including 1) a relatively high level of per capita income and/or a record of rapid economic growth over the last ten years, 2) a high level of resource mobilization sufficient to sustain that growth without requiring recourse to concessionary resource transfers, and 3) strong performance in employment generation and international trade;
2. an appropriate and reasonably well-functioning policy framework (in particular a reliance on market based systems of resource allocation);
3. a viable education system that provides a well educated and well trained human resource base; and
4. generally effective institutions, particularly the institutional capacity to acquire, develop, adapt and assimilate new technology and the institutional capacity to address public needs and allow peaceful transitions of political power.

Countries with especially large markets, high absolute levels of domestic investment and public sector expenditure, and active science and technology establishments, where current or projected levels of U.S. assistance can only be considered negligible in terms of its resource transfer effect (such as India), might also be candidates for ADC-like programs. (There is no presumption here that smaller, less important countries, with whom the U.S. would nevertheless benefit from maintaining such on-going relationships, would be excluded).

The objective criteria (relating to economic growth and income levels) are not intended to be applied mechanically, but rather to serve as points of reference, or general standards, against which countries might be suggested for consideration due to their success or qualifications in some of the other criteria, as well. Furthermore, any assessment of the effectiveness of institutions, of the adequacy of human resources, and of the reliance on market oriented policies is necessarily subjective. As a result, the subjective element in designating a developing country for an ADC program is very large. Country selection will be on a case-by-case basis rather than on a blanket inclusion of countries meeting certain criteria. In

fact, the negative political impact of phasing-out or graduating countries from the development assistance program should be moderated by the transformation to a new, more mature relationship.

Procedurally, within A.I.D., PPC and the relevant regional bureaus will suggest countries that might be considered for ADC strategies and programs. In the context of the next scheduled CDSS exercise for such a candidate country, the field mission and the relevant regional bureau will conduct a full review of its overall economic situation and its ability to sustain long-term development programs. Each review of a specific country situation would examine the prospects for sustained economic growth, concentrating on, in addition to the recent growth record:

- an assessment of tendencies to rely on market forces (rather than administratively determined systems) for the production and distribution of goods and services and for capital formation. Special attention should be given to the capacity to absorb technical assistance and training on a broad range of macroeconomic and sectoral policy matters.
- an assessment of the human resource base (male and female), in particular involving basic education (general literacy and numeracy) and higher education in engineering, agriculture, business, accounting, finance, and public services including public administration; and
- an assessment of existing institutional capacity, in particular involving the demonstrated capacity to acquire, assimilate and adapt modern technologies in A.I.D.'s traditional areas of interest that will promote more rapid and sustained economic growth on a broadly-based, equitable basis and in the management of that growth process.

Subsequent to the completion of the full review of any given country, the regional bureau would decide whether the country in question should be recommended as an advanced developing country (ADC). If it is so recommended, the Administrator of A.I.D., in consultation with State, would make the final designation.

Legislative Considerations

The Foreign Assistance Act encourages U.S. development relations with ADCs in its statement on development assistance policy (Sec. 102):

"... the Congress finds that the efforts of the developing countries to build and maintain the social and economic institutions necessary to achieve self-sustaining growth and to provide opportunities to improve the quality of life for their people depend primarily upon successfully marshalling their own economic and human resources.... Provisions of developmental resources must be adapted to the needs and capabilities of specific developing countries. United States assistance to countries with low per capita incomes which have limited access to private external resources should be provided on concessional terms. Assistance to other developing countries should generally consist of programs which facilitate their access to private capital markets, investment, and technical skills, whether directly through guarantee or reimbursable programs by the United States Government or indirectly through callable capital provided to the international financial institutions."

Modalities

There are a number of different modalities, or mechanisms, that can effectively mediate the maturing relationship between the U.S. and ADCs. These modalities all share three cardinal characteristics:

- Joint Decision-Making, involving both U.S. and ADC representatives. These representatives may be drawn from government services, business, the university community, research institutes, private voluntary organizations or other areas.
- Simplified Procedures. Procedures must be simple and straightforward. Grant rather than contracting procedures are preferred. They are simpler and more consistent with the concept of support programs of mutual benefit to the participants.
- Joint Funding. In the early stages funding would come primarily from U.S. government sources. However, the concept of shared contributions should be established from the beginning. Contributions from the ADC government and/or the ADC institution would be expected. Additional funds would be sought from sources other than A.I.D. These sources include:
 - o other bilateral and multilateral donors;
 - o international research institutions, universities and private research and development organizations;

- o business firms, foundations and private, voluntary organizations;
- o global and regional programs of A.I.D.'s various central and regional bureaus;
- o A.I.D.'s reimbursable training and technical services programs;
- o A.I.D.'s Housing Guarantee program;
- o TDP, OPIC and other programs; and
- o the technical services programs of various U.S. Government Departments and Agencies.

There are a large number of institutional models that can be adapted to meet the various requirements of an ADC program, compatible with the suggested modus operandi of utilizing an A.I.D. Representative as an overall manager (as is the current practice in the LAC Bureau). These models include the Israeli bi-national foundation model, the STI in India, the Luso-American Development Foundation, the International Agricultural Research Centers (IARCs), the Joint Agricultural Consultative Corporation, the African SPAAR network, various collaborative arrangements on specific topics such as the Indo-US Task Force on Immunology of Reproduction, and various Joint Binational Commissions.

Particular country arrangements would depend to a large degree on legal and other considerations that are unique to specific ADCs, and to the program or programs they are designed to support. In fact, more than one model may be required in a given country to accomplish the purposes of the program.

Resources

As important as the modalities to be employed is the nature of the funds to be distributed. Funds are available, or may become available, in a variety of forms. Several are listed below:

- Particularly in the early years of any ADC program no-year, no-account funds would best serve the purposes of A.I.D.'s strategy. New legislation would be required.
- A.I.D. could use appropriated DA functional account or ESF funds.
- A.I.D. could seek authority to use dollar repayments of earlier DA or PL-480 loans to cover dollar costs of ADC programs.

- In countries with on-going bilateral A.I.D. programs, PL-480 local currency generations could be allocated to selected activities which lay the basis for future ADC programs, as appropriate, by joint agreement with host governments.
- A.I.D. could encourage private donations from U.S. and ADC business firms to certain activities that serve their interests. Similarly, U.S. and ADC universities, research institutes, business associations and the like would be expected to contribute to activities of interest to them.
- state-funded programs are rapidly springing up throughout the U.S. These programs, often integrating industrial technology promotion and business development components, sometimes reach out to developing countries, especially those classified as ADCs. A.I.D. funds could leverage state funds and, in the process, garner support from political authorities at the state level in the U.S.
- at present, ADC programs draw heavily on centrally funded programs. In addition to resources managed by the S&T Bureau, ADC programs could and in some cases already do, tap into projects managed by PRE (e.g., the PEDS project), FVA, and the Science Advisor's Office. CRSPs also are vehicles that are used to support select research activities in some ADCs.
- Some of the activities of the various modalities created or developed for use in ADC programs may be amenable to service charges. "Fee-for-service" activities could account for a significant, if small, set of activities developed by one of these institutions. Sharing of costs should be an important consideration in all programs.

Resource Implications for A.I.D.

Operating Expenses. As with program resources, we would expect overall mission operations in transitional countries to be reduced gradually as less monitoring of resource-heavy field programs is required. Although the rate of such reduction would no doubt vary among countries, some bilateral A.I.D. programs might require a modest increase in resources in the early years of their new status to cover the new activities.

The person running the ADC program should be senior in rank (an A.I.D. Representative). This A.I.D. Representative should be knowledgeable about the full range of available resources, public and private, that an ADC strategy might draw upon. He or she would be primarily responsible for linking U.S. and ADC

institutions. He or she would have access to a small regional or central fund provided by A.I.D. to facilitate the identification of linkage arrangements. (While he or she will be responsible for monitoring these activities and assuring accountability in the use of the funds, the A.I.D. representative would not have responsibility for implementation; this would be the responsibility of the institutions involved.)

As appropriate, the A.I.D. Representative should have the capacity to bring on limited appointment personnel in specific areas such as science and technology, public policy, trade and investment, and the environment. (During the transition phase, A.I.D. missions would need to bring in a number of experts in these fields.) The work of the A.I.D. Representative would be integrated into the work of the embassy in a manner that complements the work of other sections of the embassy. AID/Washington would build an inventory of prospective public and private resources and institutions for collaboration with ADC counterparts.

Program Funds. Program resource implications are more clear for the long-run than for the short-run. In the long run, an aggressive ADC strategy clearly will save resources when compared to the costs of continuing traditional bilateral assistance programs in the same countries. However, since the strategy would add a new, albeit important, set of concerns in pre-ADC countries without necessarily reducing on-going activities in the beginning, the financial resource implications of adopting an ADC strategy in the short run are unclear. In the long run we would see a shift in resources from new ADCs and from countries approaching ADC status to LDCs and at the outset a reconfiguration of resources now used in current ADC programs in support of a more focussed strategy. While overall net budget savings are not necessarily in the cards, the result of the ADC strategy would be a more efficient use of A.I.D. resources.