

Report to Congress
on the Developmental Impact of
Public Law 480

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of Public Law 480

Table of Contents

	<u>Page</u>
I. Introduction	1
II. PL 480 Resources and the Challenge of World Hunger	1
III. Food Aid and Development	4
A. Legislative Basis	4
B. Food Aid's Potercial for Development Impact	6
1. Policy	6
2. Developmental Uses of Food Aid	7
3. Constraints	9
IV. Developmental Impact of Programs to Date	11
A. Title I	11
B. Title III	16
C. Title II	20
1. Maternal/Child Health Programs	20
2. School Feeding	23
3. Food for Work (FFW)	25
4. Section 206 Programs	27
V. Measures to Increase Developmental Impact	28
A. Title I	28
1. Integration	28
2. Policy Reform	29
3. Sound Program Analyses	29
4. Sound Self-Help Measures	30
5. Impact Evaluations	31
6. Strengthened Priority	31
B. Title III	32
C. Title II	32
VI. Financial Terms and Rates	34
A. Utilizing Title I Terms to Achieve Policy Reform and Action	34
B. Considerations Bearing on the Establishment of Title I Terms	38

VII. Views of the Private Voluntary Agencies

40

VIII. Conclusions

43

Exhibit 1

Exhibit 2

Exhibit 3

Attachment A

Attachment B

Attachment C

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I. Introduction

The House Foreign Affairs Committee has requested a study of the developmental impact of Public Law 480 and ways in which it can be made more effective. The report that follows examines opportunities for strengthening the developmental impact of food aid programs, assesses the impact of programs to date, identifies the major constraints to realizing PL 480's developmental potential and outlines a strategy for the future. It examines in depth the relationship of PL 480 terms and rates to the developmental objectives of food aid. The study is also mindful of the humanitarian, foreign policy and trade development purposes of the Act.

An Interim Report was submitted January 31, 1982. This final product was prepared by IDCA and reflects full consideration of the issues by the DCC Subcommittee on Food Aid (State, AID, USDA, OMB, Treasury, Commerce, NSC). It takes into account views of members of the private voluntary agency community, and represents the views of the Administration..

II. PL 480 Resources and the Challenge of World Hunger

At the outset, it is useful to consider food aid's role in meeting the challenge of world hunger. A comparison of world food needs and food aid availabilities is relevant.

The FAG/WHO estimates FY 1982 food aid needs at about 29 million metric tons (MT). With unexpected production shortfalls,

this could rise to 37 million MT.¹ It is estimated that about 10 million MT will be donated in FY 1982.² Thus, contributions will be far below anticipated needs. Exhibit 1 shows the volume of projected food aid contributions as well as flows in earlier years. World food aid, including cereals, vegetable oils and milk, has averaged 9.8 million MT per annum since 1979. The United States has been the largest contributor in both absolute and relative terms. Over the 1979-1981 period, U.S. food aid has averaged 5.8 million MT, representing 60% of total donor flows. In FY 1981, PL 480 commitments were 5.5 million MT valued at \$1.6 billion. Commitments are projected at \$1.5 billion for both FY 1982 and FY 1983.

PL 480 shipments, which averaged 14.5 million MT in the late 1950's and early 1960's, have averaged 5.6 million MT in recent years (see Exhibit 2). Over this same period, U.S. commercial agricultural exports have risen sharply from about 5 million MT to 35-40 million MT due in part to a gradual decline in world food prices (see Exhibit 3). The decline in PL 480 shipments was accompanied by the establishment of the Emergency Wheat Reserve, and a growing sensitivity to the potential disincentive effects of food aid on domestic production.

While the volume of PL 480 shipments has fallen, the dollar value of these shipments has remained basically constant at about \$1.5 billion per annum. Thus, after accounting for inflation, PL

1. Food aid needs are calculated by taking recommended minimum daily caloric intake levels, and estimating to what extent these will not be met by domestic production or commercial imports.

2. USDA Foreign Agricultural Economic Report #168, World Food Aid Needs and Availabilities, 1981; August 1981.

480 flows have fallen in financial as well as volume terms. As a percent of total U.S. agricultural exports, the value of PL 480 assistance has fallen from an average of 25% in the early 1960's to about 3% today (See Exhibit 3). In view of the magnitude of world food needs and recent years' trends in food aid availabilities, it is apparent that food gaps will not be met by food aid alone. Rather LDC's must meet their long term food needs primarily through (a) increasing their own domestic production and improving storage and distribution; and/or (b) increasing their financial capacity to commercially import food where comparative advantage so dictates. Performance in both of these areas has been disappointing in many countries.

It is true that in 1980-1981 food production in the lowest income countries as a group increased by over 2.5 percent. This success, however, was marred by the uneven distribution of production gains among individual countries and by increases in population that will keep per capita production near the 5-year low reported in 1979/80.

Financially and economically, the non-oil exporting countries in the developing world remain in difficult straits due to adverse developments of recent years: the rising costs of non-food imports, lower world market demand due to recessions in the industrialized nations; and in some cases, the pursuit of inappropriate or over-ambitious development policies and programs. The result in many LDCs has been widening budgetary deficits, excessive money creation, high rates of inflation, chronic balance

of payments deficits, heavy debt service burdens and slower economic growth.

In this environment food aid can be used most effectively to assist developing countries in strengthening their own capacities to increase per capita food production and in promoting their overall economic development, including their capacity to earn foreign exchange. Such efforts will entail economic policy reforms and broad-based agricultural production programs. U.S. food aid, in concert with traditional development assistance programs, can play an important role in supporting such initiatives.

III. Food Aid and Development

A. Legislative Basis

Since its inception in 1954, the relative emphasis placed upon the purposes of food aid - market development, economic development, humanitarian relief, and the achievement of foreign policy objectives - has varied with political and economic changes both at home and abroad. Although the original basis for food aid was to reduce U.S. agricultural surpluses and expand trade, as well as serve humanitarian and foreign policy objectives, increasing emphasis in recent years has been given to the developmental objective. During the late 1950's and early 1960's, U.S. food aid was for the most part based on U.S. foreign policy and trade objectives. In 1966, major impetus was given to the developmental thrust of PL 480 programs with passage of legislation calling for the inclusion of self-help measures in PL 480 agreements to encourage recipients to undertake efforts to improve their own domestic food production.

In 1974 and 1975, a period of critical world food shortages, several legislative amendments were passed to sharpen the focus of U.S. food aid. The new legislation required that at least 75% of Title I food aid be allocated to nations with a per capita GNP at or below \$300.³ Further, Title II, Section 206 programs were authorized permitting the sale of Title II commodities, with the proceeds to be used for developmental purposes.

The establishment of a new Title III "Food for Development" program in 1977 marked another major change in the evolution of the food aid program. This program is aimed at those countries which are seriously prepared to undertake policy reforms and development activities to increase the access of the poor to food supplies and to increase the well being of the poor in the rural sector. The value of Title III agreements was to be at least 5 percent of the value of Title I in FY 1978; 10 percent in FY 1979; and 15 percent in FY 1980 and each year thereafter. Most recently, FY 1982 legislation established stricter requirements for the satisfaction of self-help criteria called for under Titles I and III programs. Self-help measures must be "specific and measurable". The law further stipulates that these measures must be "additional to the measures which the recipient country otherwise would have undertaken irrespective of that agreement or amendment." New Title I agreements are beginning to adhere to these requirements in the reviews of recent FY 1982 Title I proposals. Finally the

3. This figure was originally contained in the legislation which was amended later to refer to the World Bank criteria for IDA loan eligibility. The guideline for FY 1981 was \$730 per capita in 1980.

law makes clear that food aid programs must be designed to impact on the poor and needy.

While PL 480's developmental objectives have been increasingly emphasized, its other primary purposes -- the foreign policy, market development and humanitarian objectives -- continue to be of major importance. The Administration extends economic assistance consistent with foreign policy priorities and the need to balance the attainment of these objectives in the allocation, design and implementation of food aid programs.

B. Food Aid's Potential for Development Impact

1. Policy

Administration policy is consistent with the intent of the legislation outlined above. This policy recognizes that meeting LDC development requirements, including the assurance of an adequate availability of food, ultimately depends upon the success of their efforts to promote their own economic expansion. This will be achieved by increasing domestic production and foreign exchange earning capacity while seeking to reduce high rates of population growth. Accordingly, AID's programs are focussed on agriculture and food production. This emphasis is highlighted in AID's FY 1984 Country Development Strategy Statement guidance (Attachment B):

The primary objective of AID's food and agricultural assistance remains that of helping recipient countries to increase food and agricultural production on a self-sustaining basis and to enable their hungry and malnourished to obtain the food they need. Agricultural development, particularly with respect to increased food availability, remains AID's top priority.

Within this policy framework, food aid is employed in a variety of ways to achieve developmental objectives.

2. Developmental Uses of Food Aid

(a) PL 480 programs provide a means of supporting policy reforms to stimulate agricultural and food production. While the level of actual resources provided by the USG may be limited, this often can be offset by the quality of technical expertise the U.S. has to offer as well as coordination with multilateral and bilateral donors sharing the same concerns.

(b) Local currencies generated by the sales of Title I, Title III and Title II, Section 206 programs provide additional resources to the government budget. This budgetary support can be particularly important to countries facing severe budgetary constraints. It is often possible to reach agreement with the host government to use some of these local currencies to support agricultural policy reforms and/or fund rural development activities that are supportive of efforts to increase domestic food production. Governments may also use the proceeds as working capital to support programs in credit, storage and marketing, food processing and product development.

(c) The resources provided under PL 480 Title I and Title III provide balance of payments support. Support can be of critical importance to countries undertaking economic and financial

stabilization programs essential to pursuing longer term growth and development. It may also be possible to achieve agreement concerning the use of scarce foreign exchange to purchase agricultural inputs. Such inputs might include fertilizers, pesticides, farm implements, agricultural machinery and equipment, etc.

(d) Self-help measures and local currency uses can be designed to strengthen development-oriented institutions. For example, analysis of the agriculture sector may call for key planning and/or administrative units to be better staffed and trained. Improved operating or reporting procedures may be required. Food aid programs can support these reforms. At the local level, private voluntary organizations involved in feeding programs provide valuable services in developing community-based institutions.

(e) In appropriate circumstances, food aid can support the establishment of food reserves to enhance food security; reserves can help stabilize incentive pricing programs designed to support domestic food production.

(f) Food for Work programs can support the construction of physical infrastructure targeted to benefit the poor. Examples include market access roads, small scale irrigation structures, conservation works, community wells, rural health clinics and schools, village market centers and food storage facilities. Such activities have a long-term developmental impact in addition to providing income and employment.

(g) In its simplest application, the consumption of food itself can contribute to a country's human capital formation and its productivity. Nutrition feeding for young children and pregnant mothers is particularly important in the mental development of children. School feeding programs can substantially affect enrollment and attendance as well.

Developmental impact which can be achieved through one or more of these uses of food aid contributes in turn to income and employment generation and more dynamic agricultural sector growth. This increase in effective demand of the rural poor provides a stimulus for self-sustaining growth in not only the agricultural sector but the economy as a whole.

C. Constraints

There are a number of constraints to achieving developmental impact with food aid. Adequately satisfying PL 480's multiple objectives is certainly among the program's more demanding tasks. The relative emphasis given these objectives not only shifts over time but varies depending upon each country's situation and needs. A natural disaster or political crisis, for example, in one country may be of overriding importance while stability in another may permit more long-term developmental application of food aid. U.S. market development objectives may not be readily compatible with efforts to strengthen indigenous productive capabilities. Accordingly, programming food aid to maximize compliance with the various purposes remains a continuing challenge to its administrators.

It is frequently difficult to achieve a developmental impact through food aid programs. In some countries the levels are not sufficient to stimulate and support major policy reform. In other countries political obstacles virtually bar meaningful policy reforms.

The Administration will be alert for particular cases in which the availability of multi-year flows of food would enable recipients to make major policy and structural modifications that would not be possible under a normal Title I program.

Even where Title I agreements have continued over a number of years, the focus until recently has frequently been on near term considerations, such as the balance of payments; concomitantly, less attention had been paid to self-help measures.

Finally, in past years food aid programs have too often stood alone -- negotiated and designed without adequate regard for or integration into the USG's overall development program in an LDC.

Achieving longer term developmental impact from Title II programs is constrained by the need for a number of complementary inputs and supporting elements, such as administrative and logistic capability, educational and preventive health programs, LDC government commitment, etc. Even where agreement can be reached upon longer term goals, the design and funding of comprehensive programs are a serious challenge. Often, the objectives set for a feeding program (e.g., a specific nutritional objective for a school feeding programs) are unrealistic. The multiplicity of factors which impact on, for example, a young child's nutritional status (i.e., community health status, parental education and

income, family size, governmental services) can override the contribution that a feeding program, standing alone, might otherwise have.

Title III programs have their constraints as well. They have gone through a number of growing pains since the first program was launched in 1978. Over the past three years, the member agencies of the DCC Food Aid Subcommittee have sought to better define what the structure of these programs should be. This evolutionary process, while not as expeditious as Title I management, forces compliance with legislative intent.

Shortages of adequately qualified technical staff in developing countries have also hindered efforts to design and implement more Title III country programs. The analytical and administrative demands of these programs are exceptional and strain the often severely limited human resources in recipient governments.

Another focus of recent discussions is the question of whether Title III programs are sufficiently attractive despite their multi-year and loan forgiveness features. Some argue that these features do not always provide sufficient incentives to compensate for the more stringent programming and reporting requirements of Title III as compared to Title I.

IV. Developmental Impact of Programs to Date

A. Title I

Title I programs achieve developmental impact through the negotiation of self-help measures; the programming of sales proceeds and use of commodities to support specific developmental

activities; and through dialogue aimed at overcoming or alleviating policy constraints. Title I transfers also contribute balance of payments and budgetary support which is often vital to support economic and financial stabilization efforts and policy reform. Program effectiveness is maximized to the extent all these elements are employed and integrated with DA and ESF-funded activities.

Until recently there were no established procedures for evaluating the developmental effectiveness of Title I activities. The annual reports on progress varied considerably in quality and content.

Further, there have been virtually no retrospective studies of the real impact of Title I programs carried out in past years; unlike the current examples cited below, the files relating to past programs have been retired, and in any event comprehensive evaluations were not carried out.

Recognizing the need for more comprehensive assessments, AID has initiated a series of major impact evaluations in selected countries. Evaluation teams have already been sent this year to Jamaica, Egypt, and Sri Lanka. Evaluations are also contemplated for Peru, Bangladesh, Haiti, Zaire, Tunisia and Sudan. It is anticipated that a comprehensive report of general findings and recommendations will be completed in FY 1983. Lessons learned will be used as a basis for improving Title I program guidance and future performance.

Notwithstanding the absence of comprehensive evaluations, it is clear that some Title I programs have had positive developmental impacts and others show significant potential. Examples are cited below.

Tunisia. The Tunisia food aid program offers a good example of an innovative and well-integrated set of self-help provisions. Since the mid-1970's, per capita food production has declined in significant measure due to poor weather for wheat and barley, inadequate production incentives for non-export crops, and reduced fertilizer usage. In response to this problem, AID and the GOT have agreed upon a program whereby the GOT will allocate foreign exchange to import \$30 million of nitrogen fertilizer above normal levels. Other measures call for \$15 million of complementary imports (herbicides, pesticides, and equipment), and improved fertilizer distribution, extension services, and small farmer access to credit for purchasing agricultural inputs. The program complements planned IBRD loans for grain storage facilities and a fertilizer plant.

While it is too early to assess impact, the program has obvious potential.

Peru. The Title I program in Peru aids attempts to reverse agricultural stagnation the country's severe balance of payments and budgetary difficulties. The programming of sales proceeds in support of a well integrated overall USAID strategy is a principal tool used to attain these ends. Top priority is given to supporting USAID/GOP projects, particularly PVO/Title II projects; second priority to a special GOP program to expand rural employment opportunities; and third priority is given to the investment budget of the Ministry of Agriculture and Food.

Activities specifically include road maintenance, the construction of food storage facilities, small scale irrigation,

schools and health posts, material and equipment to build social infrastructure in Lima slums, and the financing of local costs associated with a new national primary health care program. Sales proceeds are also used in direct support of self-help measures relating to soil conservation, reforestation, agricultural research and extension, and the improvement of rural physical infrastructure.

USAID/Peru believes Title I sales proceeds have made a critical difference in determining the success of its overall program. Local currency programming has permitted the Mission to demonstrate innovative programs and administrative mechanisms which promote more active participation of the poor in economic growth and development. It has enabled USAID/Peru to continue high priority rural development and Title II programs during a period of strict GOP budget austerity. Similarly, the GOP has been able to commit resources it otherwise might not have had to implement the Title I self-help measures.

Sierra Leone. In the case of Sierra Leone, sales proceeds have been programmed to support AID's Adaptive Crop Research and Extension (ACRE) project. Activities include crop research, seed multiplication, extension, statistical analysis, policy research and economic analysis. Proceeds also support improvements in the marketing system and production incentives.

Self-help progress reports have indicated that the ACRE project made significant gains in getting local farmers to accept and realize the advantages of new improved varieties of food crops. Demonstration farms for rice, cassava and potatoes have proved

successful in most parts of the country. As evidence of this success, the Government of Sierra Leone maintained a strong commitment to the activity despite severe financial conditions plaguing the economy in recent years. The GOSL appears extremely pleased with the program's impact and strongly supports its continuation. Although this is a relatively small program, it demonstrates how impact can be maximized through a concentration and integration of resources.

Pakistan. With the GOP, we are pursuing a number of policy changes to increase oilseed production and maintain wheat production levels. The Title I agreement calls for the development of a comprehensive oilseeds production strategy and an oilseeds pricing policy study. The agreement also includes an enlarged research effort on oilseeds and a pilot program of production, procurement and processing. Earlier initiatives resulted in a major institutional reform whereby several separate organizations were reorganized into a central authority more capable of promoting an expansion of vegetable oil production.⁴

Past agreements have contributed to significant policy reforms supporting increased wheat production. These called for increases in procurement prices, reductions in fertilizer subsidies and unrestricted marketing and storage of wheat. The GOP took positive steps in all these areas. As a result of these efforts and highly favorable weather conditions, wheat production exceeded

4. USDA questions support for oilseed production, citing current world supplies and asserting Pakistan's comparative advantage in other crops.

the production target in 1980 and has eliminated the need for concessionary wheat imports.

B. Title III

The Title III Food for Development (FFD) legislation enables low income countries to develop multi-year programs (up to 5 years) to increase food production and improve the well-being of the rural poor. Countries must not exceed IDA's loan eligibility criterion (per capita income of \$730 or below in 1980) to qualify. The programs include, inter alia detailed analysis of the nature and magnitude of problems to be affected; an annual plan for uses of the commodities or sales proceeds; a description of the relationships among the various projects and programs to be supported; and a statement of how assistance under the program will be integrated with the country's development plans and other donor assistance. Sales proceeds used for agreed development purposes may be applied against the repayment obligation to the U.S., i.e., loan forgiveness.

Since its inception, there have been seven Title III agreements. The following table summarizes Title III programs signed to date:

Table 2

Title III Agreements (FY 1978 - 1982)

<u>Country</u>	<u>Years</u>	<u>Millions of Dollars</u>	<u>Date Signed</u>
Bolivia	5	75.0	5/78
Bangladesh (1)	4	191.8	8/79
(2)	3	165.0	3/82
Honduras	2	4.0	2/79
Egypt	5	75.0	3/79
Sudan	5	100.0	12/79
Senegal	3	<u>21.0</u>	5/80
		631.8	

Annual reviews show that performance has been mixed. The reviews suggest that both the loan forgiveness provision and the multi-year feature of Title III help induce recipient countries to undertake economic policy and institutional reforms and to make budgetary allocations supportive of rural development. Modifications to Title III programs have frequently been necessary during implementation to increase their chances of success.

Bangladesh. The Title III activity serves as a major component of the Bangladesh program, enabling the Mission to encourage changes in some of the most serious policy constraints facing Bangladesh's agricultural sector. Key elements of the food program include: (a) the announcement of a food grains procurement program to support incentive producer prices; (b) the reduction in the volume of food allocated to the public ration system which favors the urban population with cheap food; and (c) price stabilization through open market sales during periods of scarcity. Progress toward these targets has been acceptable.

Sudan. In Sudan, the Title III program supports agricultural policy reforms being implemented as part of an IMF program and an IBRD Structural Adjustment Program. These reforms aim to shift pricing and marketing incentives so as to make them more supportive of agricultural products in which Sudan enjoys a comparative

advantage. The IMF-IBRD programs support largely irrigated agriculture and mechanized rainfed agriculture in Western Sudan. AID's Title III program further complements these efforts by funding policy studies relating to rainfed agriculture in the poorer Southern region.

It is too soon to assess the Sudan program fully. A 1982 evaluation just completed pointed to major problems and thus far implementation has been slow but acceptable. Nevertheless, the AID Mission believes the Title III program has proved a useful tool in facilitating policy dialogue on development issues. Agreed upon policy studies are expected to provide a base for future policy discussions and AID program guidance.

Egypt. Institutional reform and development are the major components of the Egypt multi-year Basic Village Services program. This program aids in implementing a GOE policy to decentralize the decision-making process and improve local level implementation capability. This is carried out through the use of sales proceeds to finance agricultural productivity and rural services infrastructure. While procurement problems have been encountered, the project has been successful in strengthening the local community decision-making process, and the level of community participation has generally exceeded expectations.

Honduras. The Government of Honduras agreed to undertake a price stabilization program for basic grains through the establishment and development of an independent marketing institute. The institute and the price stabilization program had difficulties during the start-up phases but are now operational.

The evaluation of the first Honduras Title III program concluded that the first program was successful enough to warrant consideration of a follow on program.

The programming of Title III sales proceeds is a particularly useful and influential tool as satisfactory compliance with this feature is a condition for loan forgiveness. In addition to supporting the economic policy initiatives and institutional reforms and development just noted, sales proceeds help finance high priority projects that would otherwise not be undertaken. The projects may be those comprising AID's portfolio of DA assistance or other projects complementing AID's country development strategy. Egypt and Sudan can again be cited as examples to suggest the impact of this use of Title III.

In support of USAID/Egypt's Basic Village Service program, sales proceeds are used to finance the repair, update, expansion or installation of basic services for approved projects. The mix of activities includes: (a) standpipe potable water; (b) inter-village unpaved roads; (c) village storage facilities; (d) main village sewage drains; (e) sanitation facilities; (f) village abattoirs and meat markets; (g) irrigation and drainage; and (h) household water connections. The most frequently selected activities are the rebuilding or upgrading of potable water facilities and roads.

During periods of financial stress, the use of Title III proceeds can serve to sustain priority projects. The Sudan Title III agreement was developed and implemented concurrently with an IMF Extended Fund Facility agreement. The IMF agreement resulted

in major public sector budget decreases. The Title III locally generated currencies were used to help support high priority activities in the rural sector that would not otherwise have been undertaken. These included: (a) Railway Rehabilitation; (b) Western Sudan Agricultural Research Project; (c) Rural Health Support Project; (d) Rural Planning; (e) River Transport Rehabilitation; (f) Abvei: Rural Development Project; and (g) support of three economic policy-related studies. Both the Agricultural, Health and Rural Planning projects were closely integrated with other Mission programs.

C. Title II

Under the Title II donations program, food is provided for emergency/disaster relief and for programs to help needy people - particularly malnourished children - through maternal child health, school feeding, food for work and other activities designed to alleviate hunger and nutritional inadequacies. Those programs are implemented primarily through voluntary agencies, such as Catholic Relief Services and CARE and the United Nations World Food Program. Voluntary agency programs are often supported by monetary resources from outreach and operational program grants or from local currency proceeds generated under Titles I or III.

1. Maternal/Child Health Programs (MCH)

MCH programs have historically pursued the overall goal of improving the nutritional status of children either through directly feeding them, or feeding pregnant and lactating women. In FY 1981, 16 million beneficiaries received 415,500 metric tons of commodities valued at close to \$160 million. While measuring

nutritional impact is fraught with methodological difficulties and findings can only be tentative, discernible progress in achieving nutritional impact has been achieved by some feeding programs.

In Morocco, a 69 percent reduction in moderate and severe malnutrition was observed. Those benefitting from nutrition education in addition to food fared considerably better than those receiving food alone. In the Philippines day care center program, participants improved 3 times over the non-participant control group, gaining about 6.5 percent of standard weight for age in a six-month period. In Chile, the recovery rate for mildly malnourished children participating in the feeding program was between 30-40 percent and between 60-70 percent for severely malnourished children.

In Kottar, Southern India the percentage of children suffering from malnutrition decreased from 54 to 46 percent in 18 months, while those with third degree malnutrition declined from 10 to 4 percent over 2½ years. This improvement in growth performance roughly coincided with an increase in rice supplies and declining prices following an earlier drought. Nevertheless, extremely low rates of infant and early childhood mortality in the families of sample children suggest that the program contributed to this impact.

These programs demonstrating nutritional impact share the following characteristics: nutrition education and some form of rudimentary health care were supplied either directly or through referrals; food and services were targeted to low income families or malnourished children; services were delivered by village women

and tailored to local needs and conditions. All programs were well managed: adequate supervision and training were provided; the food was distributed regularly; and monitoring systems were in place to collect growth data longitudinally. Host government commitment assured the smooth functioning and expansion of the programs. And beneficiaries were actively involved throughout as reflected by their financial contributions, attendance rates, or their participation in center and other activities. There were significant differences among these programs. Ration sizes varied, and some programs included simple health care while in others this was handled through referrals to neighboring health centers. Some involved extensive outreach to the community through home visits.

Nevertheless, the commonalities of these successful efforts can guide future program design. They suggest that food commodities should be accompanied by other resources in order to maximize nutritional impact, as well as achieve other developmental objectives. The best programs were those that involved intangibles - local participation, strong commitment and continuity on the part of project staff at all levels, and close linkages with the community - in addition to other interventions, such as nutrition education and basic health care. Food often appeared to have served as an incentive to attract women to the centers and as a catalyst for larger development efforts in addition to its role as a direct nutritional supplement to the child. In Morocco, children's growth increased impressively, but also mothers were getting out of their homes more, learning about improved nutrition and health practices, and participating more actively in other

services. In Kottar and the Philippines, the centers were an integral part of the community generating a host of other complementary activities.

While these programs appear to have been effective in bringing about significant changes in nutritional status in the short term, these may not be their most important or lasting achievement. In designing and evaluating these programs, it is therefore essential to look at broader impacts, such as community development, as well as improvements in physical growth. Moreover, some recent research suggests that when anthropometric measures (the conventional indicators of growth performance) are used as a basis for the classification of nutritional status, there may be a tendency to underestimate results. These caveats suggest that the developmental impact from Title II MCH programs may be substantially greater than recorded to date.

2. School Feeding

School feeding can have a variety of positive effects ranging from improving school attendance of children to bettering their health, learning capacity and nutritional status. In addition, the infrastructure created by school feeding programs can provide a ready distribution system for emergency feeding activities. In FY 1981, school feeding programs reached almost 20 million recipients with \$90 million of food. In specific country terms this can be a significant resource. For example, in Upper Volta the program operates in 1,462 schools (about 85-90 percent of elementary schools) reaching almost 13 percent of the school age population (6-16 years). In Sri Lanka 1.2 million primary school

pupils in 7,762 schools receive supplementary food. And in the Philippines the Title II program serves approximately 1.7 million children.

Studies of school feeding suggest that these programs do more than just feed large numbers of children. As with MCH programs, however, results are not conclusive due to methodological constraints and questions of attribution. In Madhya Pradesh, India, a comparison was made between the nutritional status of 3,975 children attending 409 schools with greater and lesser exposure to the program. As the number of feeding days increased, the nutritional status improved. For example, the proportion of malnourished children was 33 percent (weight/height) less and 18 percent (weight/age) less in schools with an average of 231 as opposed to 91 feeding days per year. These findings were corroborated by consumption data suggesting that 97 percent of the school lunch operated as a supplement to home food.

In Upper Volta, weight for height of 3,000 children in 13 selected primary schools were compared for two periods: in January 1980 when children had been attending school regularly and again in January 1981 when the school lunch program had been interrupted for 3 months or more due to a teachers' strike. Weight for height deteriorated considerably during this time in most schools; overall the percent of moderately malnourished children increased by almost one-third and those who were severely malnourished more than doubled.

Lastly, in a nationally representative data set analyzed by the Philippine Government, children participating in the program

for 120 days or more were found to be nutritionally better off than their entry status. Although the average percent of improvement for all children in the program was not significant, the reduction in moderate and severe malnutrition was 22 percent. In contrast, for children receiving the school lunch program for 80 days or less, only 5.7 percent improved.

While these findings point towards impact, it is debatable whether school feeding is the most cost effective way of affecting nutritional status. More must be learned about the relative importance of such elements as targeting, parental and teacher involvement and education, use of local foods, supervision and management, ration size and type, and integration with other community development efforts.

School feedings' impact on enrollment and attendance has been subjectively assessed; in a number of countries teachers and administrators have asserted that feeding programs have positive and significant effects. These impacts have not, however, been studied carefully, and are the subject of planned evaluations.

3. Food for Work (FFW)

If properly designed and implemented, FFW programs can promote economic growth, contribute directly to the incomes of disadvantaged people, encourage the use of labor-intensive techniques and stimulate community development. In FY 1981, 15 million people participated in Food for Work projects. In return for their labor they received over 365,000 metric tons of food worth over \$106 million. Studies of FFW activities demonstrate that projects can be effective in bettering the economic status

of recipients and in creating productive physical assets, such as roads, irrigation systems, wells and improved agricultural land.

FFW, first and foremost, can be an important income supplement for families in extreme economic need, especially female heads of household. In Lesotho, for those families who received no remittances from field or mine workers the value of the food in local equivalents represented close to 85 percent of total monthly expenditures. In Bangladesh, women participating in FFW projects are among the most destitute rural landless population, who because of the value of the rations for household food consumption are willing to violate traditional norms of behavior for women and work outside their homes. For those individuals who have few other sources of income or employment, FFW, despite its seasonal character, can provide substantial short-term sustenance.

Beyond these more immediate income and employment impacts, FFW can also affect wages and prices at the community level. A Government of India study suggests that FFW increased market wages for agricultural labor in certain districts as well as helped to stabilize wheat and rice prices.

While few evaluations have adequately assessed the longer term benefits of the physical infrastructure and assets created by the program, several evaluations indicate that if properly planned with sufficient complementary inputs and supervision, FFW projects can have a major impact on the socio-economic conditions at the local, district or even national level. Although productivity may be lower than with wage labor, work accomplished by these projects, for example, has significantly contributed to

Lesotho's development. Food aid has been responsible for the construction of a portion of the earth roads in the country and most of the improved tracks, providing the principal means of access to many mountain areas. A woodlots project using FFW has established 2,579 hectares of trees, which when fully mature will be able to provide 19 percent of rural families with more than one-half of their fuel requirements.

Those projects that appeared to be the most successful were designed to address a particular development problem and included necessary technical assistance, materials and supervision. The larger-scale projects in India were usually coordinated with the host government or local rural development entity. The smaller, more community-oriented projects, such as in the Philippines, reflected a strong community consciousness and commitment, although this may not have been due directly to the food commodities. Some kind of community organization seems to be a prerequisite for the proper management of these locally-based projects. Thus, if projects have adequate resources, coordination and local involvement, they can not only meet the immediate consumption requirements of participants but also positively affect community, regional, or country development goals.

4. Section 206 Programs

Section 206 programs require a commitment on the part of both AID missions and recipient governments to carefully design and monitor development-related projects, and to establish adequate financial accounting procedures and controls to insure that the proceeds of the Title II sales are expended for intended purposes.

Due to the number of demands on the Title II budget, we have thus far considered requests for multi-year Section 206 sales programs only in those countries with chronic food deficits and which are thus likely to receive annual emergency food aid. Based upon the results of these pilot programs, we will explore the possibilities of extending 206 programs to other countries.

V. Measures to Increase Developmental Impact

We believe that existing legislation, coupled with current policy guidance and a number of initiatives being pursued by AID and other agencies, provides a satisfactory framework for achieving food aid's developmental objectives. The elements of AID's strategy for pursuing those objectives are set forth below.

A. Title I

1. Integration

The integration of food aid and non-food aid assistance programs contributes to the greater developmental impact of both. A.I.D. has surveyed the programs of missions implementing food aid programs and has produced guidance to USAID field missions which reflects successful examples of integration and outlines a wide variety of opportunities for the same. This guidance message is attached hereto (Attachment C). The importance of integrating food and non-food aid assistance programs is further highlighted in the guidance prepared for the preparation of the FY 1984 Country Development Strategy Statement (CDSS). That message (State 316565) states:

Missions are encouraged to integrate all elements of U.S.-foreign assistance into a broad, coherent strategy for achieving U.S. objectives. Thus, missions should seek to program DA, ESF, P.L. 480 and HG resources, in such a way as to insure that there is complementarity and cohesion in the mission's strategy. In addition, coordination of the Agency's resources with Peace Corps and U.S. private sector (both PVO and business) activities is vital in maximizing the effectiveness of the Agency's program.

2. Policy Reform

We believe that among the most important constraints to broadly based development are LDC policies which make less than best use of limited government resources, and which inhibit the operation of free markets and discourage private investment. It is necessary to address these constraints through programs which encourage policy reform. Comprehensive development assistance strategies, which include food assistance, must be designed to this end. Accordingly, increasing emphasis is being placed in the negotiation of food and agreements on changes to policies which inhibit growth and productivity in the food and agricultural sectors. An assured food supply is crucial to the stability of any government, and the willingness of countries to discuss and agree to policy reforms necessary to stimulate increased food production is often commensurate with the importance of food aid's contribution to total food supplies.

3. Sound Program Analyses

We are increasingly mindful of the need to base developmentally oriented food aid programs on a sound analysis of the food sectors in recipient countries. Our field missions have been urged to strengthen their analyses.

The CDSS guidance is explicit on this point:

Food aid proposals should be based on an analysis of need, should reflect an appreciation of the possible disincentive effects that such aid might have on production as well as policy reform, and should whenever possible, flow from a comprehensive study of the food sector. (Where such studies do not now exist, they should be developed as soon as possible, and provide the basis for determining self-help conditions, and local currency use.)

In this regard, AID is well aware of the need to strengthen the economic analysis capability of field missions and is studying ways to achieve this end. It has examined the quality of the economic analysis in program documentation submitted by field missions and has reviewed the number, types and quality of economists in the field. Within existing personnel constraints, we are seeking to provide field missions where needed with short-term assistance to undertake the necessary economic analysis for the preparation of program documentation, and specifically, major food aid programs. Similarly, we are working with recipient countries, which suffer severe shortages of trained analysts and administrators, to develop their human resource capabilities to examine the causes of underdevelopment.

4. Sound Self-Help Measures

The Administration is now in the process of implementing the recent change in the legislation which requires that self-help measures in P.L. 480 agreements be strengthened.

Negotiating instructions for FY 1982 agreements have instructed missions to propose self-help measures that are specific and measurable. Mission proposals are being carefully reviewed, and changed if necessary, to ensure that measures contain specific commitments or benchmarks. Missions are being encouraged to include actions in furtherance of agricultural policy reform in the self-

help measures where appropriate. Periodic reviews of performance to monitor implementation and assess progress on a regular basis are scheduled as well.

In Egypt, the program to support official producer prices for locally procured wheat is specifically included in the self-help measures, with provision for quarterly progress reports. In Morocco, specific benchmarks will be set in a side memorandum of understanding since the need to provide emergency wheat did not allow setting them in advance of signing. In Sudan, specific self-help measures referring to agricultural policies that are part of the IMF supported stabilization program are included in the Agreement and in a side memorandum of understanding. Similar self-help measures have also been set for Costa Rica and Zaire. The Indonesia self-help measures have specific benchmarks this year for the first time. In negotiating instructions now under preparation, a cooperative effort is underway in all agencies to strengthen the self-help measures and ensure that they are in full compliance with the new requirements.

5. Impact Evaluations

As discussed in Section V, AID is now engaged in a number of major impact evaluations of Title I programs with USDA participation. It is anticipated that the evaluation findings will lead to improved program design.

6. Strengthened Priority

Finally, A.I.D. has increasingly sought to strengthen the Agency's commitment to achieving developmental objectives through food aid. The Administrator has pointed out

that enhancing the developmental food impact of food aid is one of AID's top-most priorities, and has reaffirmed this priority in the CDSS guidance, and most recently in the guidance cable on integration of food aid and non-food aid programs (... "I am committed to the effective use of P.L. 480 resources to accomplish development objectives.") In addition, A.I.D. will continue to play a vigorous role in interagency discussions of food aid programs to ensure that high priority attaches to developmental objectives.

B. Title III

The foregoing measures to enhance the developmental impact of Title I food aid programs apply to Title III as well, particularly those concerning integration, policy dialogue, and sounder program analyses. Current efforts to increase the effectiveness of Title III programs include the preparation of revised policy and program guidelines, which will reflect the knowledge that has been gained through the design and implementation of Food for Development agreements.

C. Title II

Again, several of the aforementioned measures will have a positive impact on Title II feeding programs. Initiatives more specifically related to Title II programs include those which will broaden their scope, more closely integrate them with other AID activities, and improve the quality and number of evaluations.

The "conventional" categorization of Title II activities into maternal child health, school feeding, and Food for Work programs may unduly constrain developing more directly productive undertakings. While no major revamping of Title II programs is

being suggested, AID is nevertheless investigating the possibility of broadening the scope of activities. For example, a proposal is being considered which would enable a voluntary agency to support, through food and other inputs, community-level productive enterprises. The grant would be multi-year, enabling the voluntary agency ample time and assurances of adequate funding to carry out developmentally-oriented projects, while also addressing the nutritional needs of the poor.

In addition, evaluation findings to date suggest that a fresh look at the indirect as well as the direct benefits of feeding programs is appropriate. Nutritional impact, for example, may be achieved in some cases because of "leakage" of commodities to the intended beneficiary's family. School feeding may have little impact on malnutrition, but may have a major effect on school attendance. In short, a more flexible use of feeding programs, tailored to the opportunities presented by the particular environment, is in order. It is through more imaginative and careful Title II programming that AID will seek to better integrate these programs into the mainstream of overall assistance strategies. The more closely integration can be achieved, the more effective all AID activities will become. AID guidance (Attachment C) suggests ways in which this can be done. Food For Work programs, for example, may be linked to rural development efforts supported by non-food aid resources; a reforestation program supported by FFW can complement agricultural production programs in the same geographic area. Similarly, nutrition education programs, funded in part or whole through the development assistance (DA) account, can strengthen

MCH activities. Still other examples are cited in Section 3A of Attachment C.

As stated above, AID will explore the possibilities of expanding Section 206 programs to countries other than the ones approved on a pilot basis. These food aid grants permit the sale of food, with the proceeds used for development purposes. Prospects for this program appear most attractive in Africa where Title II programs are numerous and there is Mission and recipient interest in undertaking them. They offer the opportunity in chronic emergency countries to shift away from solely feeding programs to more development oriented activities.

Consideration has been given to whether there is currently an additional need for legislation to increase food aid's developmental impact. While it is possible to identify modifications to the law which might be of value, the prevailing view is that legislative proposals should be deferred until the effects of recent changes -- both in the law and in AID's policies, can be ascertained.

VI. Financial Terms and Rates

We have examined the relationship of terms and interest rates in Title I agreements to food aid's developmental impact, and in this regard, the relationship between Title I terms and those applied in other concessional loans extended by the U.S. Government to developing countries.

A. Utilizing Title I Terms to Achieve Policy Reform and Action

We have examined the implications of altering Title I financial terms and rates as a technique to induce economic policy reform and action. While attractive in principle, we believe that our ability to achieve host country policy action is a function of a

far more complex set of factors, including the nature of the country's economic situation and the magnitude of the policy changes needed, our historical relationship with the country, the overall level of our economic assistance, our capacity to engage the country in a policy dialogue, and the role and actions of other donors, including the IMF and the IBRD. Adjustments in interest rates alone in P. L. 480 loans are not considered a very practical or effective means of encouraging such policy action. Rather, attention should remain primarily focussed on these other aspects of our relationship with the developing country, particularly the creation of an ongoing and constructive policy dialogue.

Other factors which mitigate against increasing interest rates to induce policy change include:

(a) The multiple objectives to be served by Title I. Such efforts to tighten terms could be inconsistent with efforts to meet market development or foreign policy objectives.

(b) Any changes in interest rates for Title I agreements, which would continue to permit such aid to be considered Official Development Assistance (see below), would be unlikely, in and of themselves, to represent a sufficient incentive to undertake major policy reform.

(c) General international practice, followed by most bilateral donors and multilateral agencies, is to provide food aid on a grant basis.

(d) Whereas a judgment on appropriate policy action usually made on the basis of the country situation in the near term, Title I terms and rates impact on a country's financial situation over

a multi-year period. Thus, a country whose policy action was viewed as insufficient in one year might be subject to extremely tight terms which it would have to bear over subsequent years during which its performance might have substantially improved.

Thus, there are persuasive arguments for the position, which has long guided the overall U.S. development assistance effort, that the terms of the assistance should principally reflect the long-term economic capacity of the country to service its debt. While there are no definitive indicators of this capacity, the international community, including the United States, has long recognized that per capita income is an acceptable, although imperfect, measure.

The A.I.D. program provides its most concessional development assistance loans to the low-income countries -- those with average per capita incomes below \$730 (IDA eligible) -- and harder terms for middle income countries (those with average per capita incomes above \$730). The most concessional terms for the low income countries provide for a 40 year repayment period including a 10 year grace period. An interest rate of 2% is charged during the grace period and 3% thereafter. Comparable terms for middle income countries are usually 25 years, 5 years grace and 2% and 3% for the grace and amortization periods respectively. With some exceptions, terms and rates for economic support funded (ESF) loan programs are the same as those for development assistance loans. For the least developed countries, which have an extremely limited capacity to service debt, the U.S. and most other donors extend their economic assistance primarily in the form of grants.

It has been suggested that one reason that there are not more Title III programs is that Title I has been too attractive as an option -- the additional concessionality provided by Title III has not, it is argued, been enough to induce the additional effort needed to formulate and implement a Food for Development program. One solution that has been suggested to this perceived problem is to tighten interest rates for countries that are good candidates for Title III agreements.

The merits of such a position have been questioned. Most would agree that our goal should be less one of negotiating additional Title III agreements, per se, than of insuring that we obtain maximum effective developmental use of the combined Title I/III program. If in an individual country this can be done equally well with a Title I agreement, at less cost to the U.S., the fact that we do not negotiate a Title III agreement may be less significant. The Congress has amended P.L. 480 to require more meaningful self-help measures in Title I agreements. By giving greater attention to strengthening the programs and commitments entered into by Title I recipients, it should be possible to increase the development impact of Title I agreements considerably. If the Title I program and dialogue leads a recipient country to be receptive to Title III agreement -- i.e., it is willing to make multi-year commitments that will produce important and lasting change, then a Title III activity would become appropriate.

Further, not all countries are Title III candidates. Some have only a short term need for food aid. Others may not yet have the capacity to develop and execute a Title III program which would

satisfy U.S. requirements. Still others which exceed the per capita income maximum established for Title III, are not eligible for grant food aid, regardless of commitments to reforms.

Finally, developing nations, as well as other donors, may conclude that our real (as they might perceive it) motive for hardening terms would not be to encourage developmental impact, but to decrease the concessionality of food aid, i.e., our intentions would be judged by the financial impact of our actions, and would be suspect.

These arguments against altering terms and increasing interest rates to achieve policy development objectives suggest not only the difficulties of doing so effectively, but also the fact that there are better means available to achieve the goal. Such techniques as altering the amount of the Title I credit, linking our Title I negotiations to a policy dialogue on major constraints facing the economy, and imposing more meaningful self-help measures and requirements for the uses of local currency are better ways of relating Title I to developmental performance.

B. Considerations Bearing on the Establishment of Title I

Terms

(a) Review of this issue has suggested the desirability of establishing more explicit guidelines for setting terms in the future. One objective is to maintain a reasonable degree of consistency with the policies guiding the establishment of terms applicable to other aid agreements with developing countries. The principal criterion for establishing these terms is the country's capacity to bear the repayment burden. As noted above, this is

extremely difficult to assess other than in the short term. AID, however, believes it appropriate -- as has been found in its prior examination of this issue for purposes of FAA funding -- to use the criterion of per capita income as an important proxy for a country's overall productive capacity and thus its ability to service external debt. AID believes that a differentiation in terms of Title I credits between low and middle income countries should be established, with a more concessional set of terms applied to the poorer countries, and that this would tend to simplify PL 480 loan negotiations. There are, however, others who believe the current system, whereby term and rates are determined on a case-by-case basis, is preferable.

(b) There are six elements involved in the terms and interest rates for Title I loans -- the Initial Payment (IP), the Currency Use Payment (CUP), the number of years in the grace period, the interest rate during the grace period, the number of yearly repayments, and the interest rate during the repayment period. These are more factors than are involved in other loan programs and make the sorting of Title I terms more complex. In addition, there are two types of Title I loans, dollar credit and convertible local currency credit, and there are statutory provisions for these variables which must be complied with.

(c) The Title I program is an important component of the total of Overseas Development Assistance (ODA) to the developing countries. The amount and degree of concessionality of ODA are reported to the Organization for Economic Cooperation and Development (OECD) and scrutinized every year in the international

arena as a principal indicator of U.S. support for development. OECD guidelines call for an overall degree of concessionality of each donor's assistance of at least 86 percent. In 1980, U.S. ODA had a grant element of slightly more than 90 percent, which was effectively equal to the average for all DAC countries. To qualify as ODA, Title I loans must have a grant element of at least 25 percent, which is calculated as the credit extended minus the loan repayments, with the credit discounted at 10 percent. The U.S. has long pointed to the concessionality of its assistance as an important measure of its commitment to support Third World development. It is thus important that Title I not only continue to count as ODA, but that its overall concessionality not be significantly reduced.

(d) Title I loans at less than 25 percent grant element, even if not at commercial rates, would be considered subsidized export credit. As such they would fuel controversies over credit wars for commercial sales by developed countries.

(d) The U.S. is a member of the Food Aid Convention (FAC) and has pledged to provide 4.47 million tons of grain annually in CY 1982 and CY 1983 to the developing countries. Shipments under loan terms of less than 20 years, more than 15 percent down payment, or at non-concessional interest rates do not count toward meeting the U.S. pledge. Consequently, the U.S. should continue to provide sufficiently concessional Title I terms to allow food aid to contribute toward meeting the U.S. pledge.

VII. Views of the Private Voluntary Agencies

Communications received from the voluntary agency community are supportive of efforts to increase food aid's developmental impact. The American Council of Voluntary Agencies for Foreign Service, Inc. endorsed views it earlier expressed to Congress in 1979. Its statement reads in part:

"In operating these programs we have as our guiding purpose the development of human potential. We strive to enable the world's poorest people to lead lives free of basic want, and to have the strength and ability to rely on their own selves for sustained development within their families, their communities, and their nations. Therefore, we try to use the food commodities so generously given by the American people -- as developmental tools. Through the years the primary programming mechanism for our food assistance has been supplementary feeding programs targeted at the most vulnerable sectors of the population, that is, pre-school and school age children, and women of child-bearing age. We also have operated, on a wide scale, Food for Work programs in which volunteer workers receive food as incentive for their labor on projects that improve local water systems, roads, agriculture, and so forth. More recently we have begun to devise other ways to utilize food commodities as a catalytic agent for development. For example, we have begun to design projects which promote the advancement of women within the context of supplementary feeding programs. On another level, we have been able to use food aid programming to build local institutional structures. The opportunity to reach large numbers of people consistently over long periods of time has been invaluable in this regard; it has involved significant segments of local communities in an organized, institutional process and thereby increased their interest and ability to participate in other developmental efforts."

What appears clear from the foregoing statement is the strong interest of the voluntary agency community in pursuing developmental objectives through the use of Title II feeding

programs. As this Report indicates, we will support and encourage these efforts.

One voluntary agency (Bread for the World) provided AID with a number of thoughtful suggestions for improving food aid's developmental impact. We agree with several in whole or in part:

- improve the integration of food aid with other AID programs,
- implement the 1981 legislative changes promptly and vigorously,
- consider and pursue multi-year Title I agreements where appropriate,
- improve allocation and planning procedures,
- support Title II programs with available outreach grants.

We do not, however, concur in the suggestion to increase the Title III legal minimum of 15%. Current legislation already permits the U. S. Government to undertake Title III programs beyond the 15% minimum. We remain committed to expanding Title III programs to those countries that can qualify as candidates, and do not believe an increase in the minimum is needed. Moreover, there are many countries in which Title I programs limited to substantive self-help measures are more appropriate than Title III activities. Increasing the 15% minimum would reduce the needed flexibility to adapt programs to country needs.

As to the suggestion that Section 206 agreements should draw commodities from Title I rather than Title II, Section 403 permits this (authorizing diversion of 15% from one Title to another) but does not require it.

The Interreligious Task Force on U.S. Food Policy's comments included recommendations for more rigorous Title I loan terms, waiving cargo preference requirements, increased food purchases in recipient countries or other LDCs, greater use of multi-year programming, increased use of PL 480 for food security purposes, restructuring the decision-making process on PL 480 issues, and giving clear legislative priority to the humanitarian and developmental objectives of food aid. We recognize the importance of multi-year programming in appropriate circumstances to the achievement of development objectives, and support the use of food aid to enhance food security in proper cases.

Some voluntary agencies have supported passage of the Hunger Elimination and Global Security Act -- S.1675. The Administration will be expressing its views on that bill separately.

VIII. Conclusions

The development objectives of food aid have become increasingly prominent in recent years. A number of legislative enactments, coupled with a variety of initiatives by AID, have led to heightened concern with and greater impact on longer-term development problems.

The prominence of development objectives has been manifested in a variety of ways:

-- Title I programs are being designed and scrutinized with these objectives much more in mind;

-- The influence of Title III -- its objectives, its multi year features, its debt forgiveness, its concern with policy and structural reform, is beginning to be perceived in the analysis and design of Title I projects;

-- There is an increasing concern with and commitment to enhancing the developmental potential of Title II feeding programs, both on the part of AID and the PVO community; new project design reflects this concern and commitment;

-- AID has stressed the importance of integrating food aid programs into overall country development strategies; this increases the influence the USG has on development policy, and increases coordination among and impact of discrete development assistance projects;

-- We are increasingly mindful of the potentially negative impacts of such programs on domestic production and programs are carefully designed to avoid disincentive effects;

-- In the past several years the programs have come to focus increasingly on the poor and needy, and are seen as vehicles for effecting structural changes to benefit this group;

-- AID has begun a series of evaluations of the impact of Title I agreements, which should lead to improved program design.

In view of the above, we are persuaded for now that the tools are there -- that food aid's development impact can be significantly increased without resort to additional legislation. We do not support a number of legislative proposals put forth by others

because they would introduce undesirable rigidities, and alienate supporters of food aid programs -- and simply because they do not appear to be necessary. We believe that development objectives and other important interests can be served at the same time.

Further, as we have detailed at length, manipulation of financial terms and rates would have, at best, marginal developmental impact. And undue hardening of terms could be counterproductive in a number of ways; it would be misperceived by LDC's, it would reduce the concessionality of our overall economic assistance to the developing world, it could reduce our capacity to stimulate LDC policy reform, and could disqualify PL 480 flows as ODA assistance.

While we are confident that more can be accomplished, and that we can take good advantage of the opportunities for achieving development through food aid, we would not want to suggest that we are sanguine. The exceptional logistical and administrative challenges that such programs present, and the profound dilemmas of food and agricultural policy that so frequently confront developing countries, suggest that our confidence must be tempered by a realistic assessment of what is possible.

We believe the Administration has performed creditably in pursuing the developmental objectives of PL 480. In the Report we reaffirm our commitment to strengthen the program's longer term development impact. It is hoped that the Congress will support our efforts and the strategy we have outlined.

EXHIBIT 1

Table 1 --Volume of Food Aid Contributions, Principal Commodities

Commodity and Donor	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	Estimated Allocations		
								1980/81	1981/82	
	<u>1,000 Metric Tons</u>									
<u>Cereals</u>	6,041	8,392	7,116	10,900	<u>3/</u> 11,000	<u>3/</u> 10,896	<u>3/</u> 9,185	9,185	9,400	
Argentina	10	20	0	22	32	30	38	48	50	
Australia	222	330	268	230	252	312	304	350	400	
Canada	486	494	1,034	1,176	884	735	699	600	600	
European Community <u>4/</u>	1,208	1,413	928	1,131	1,488	1,240	1,194	1,650	1,650	
Finland	17	24	25	33	47	9	14	20	20	
Japan	350	182	33	46	135	352	688	567	625	
Norway	0	0	10	10	10	10	37	40	40	
Sweden	65	316	47	122	104	104	98	90	90	
Switzerland	33	29	35	35	33	32	32	27	30	
United States	3,588	4,731	4,637	7,940	7,663	7,552	5,649	5,310	5,610	
Other	62	753	199	157	353	520	432	350	335	
<u>Vegetable Oils</u>	139	86	320	239	419	237	NA	NA	NA	
United States	119	71	217	176	366	157	230	230	197	
Other	20	15	103	63	53	80	NA	NA	NA	
<u>Milk and Products</u>	87	128	172	204	249	251	NA	NA	NA	
United States	1	46	26	55	67	64	58	85	65	
Other	86	82	146	149	182	187	NA	NA	NA	

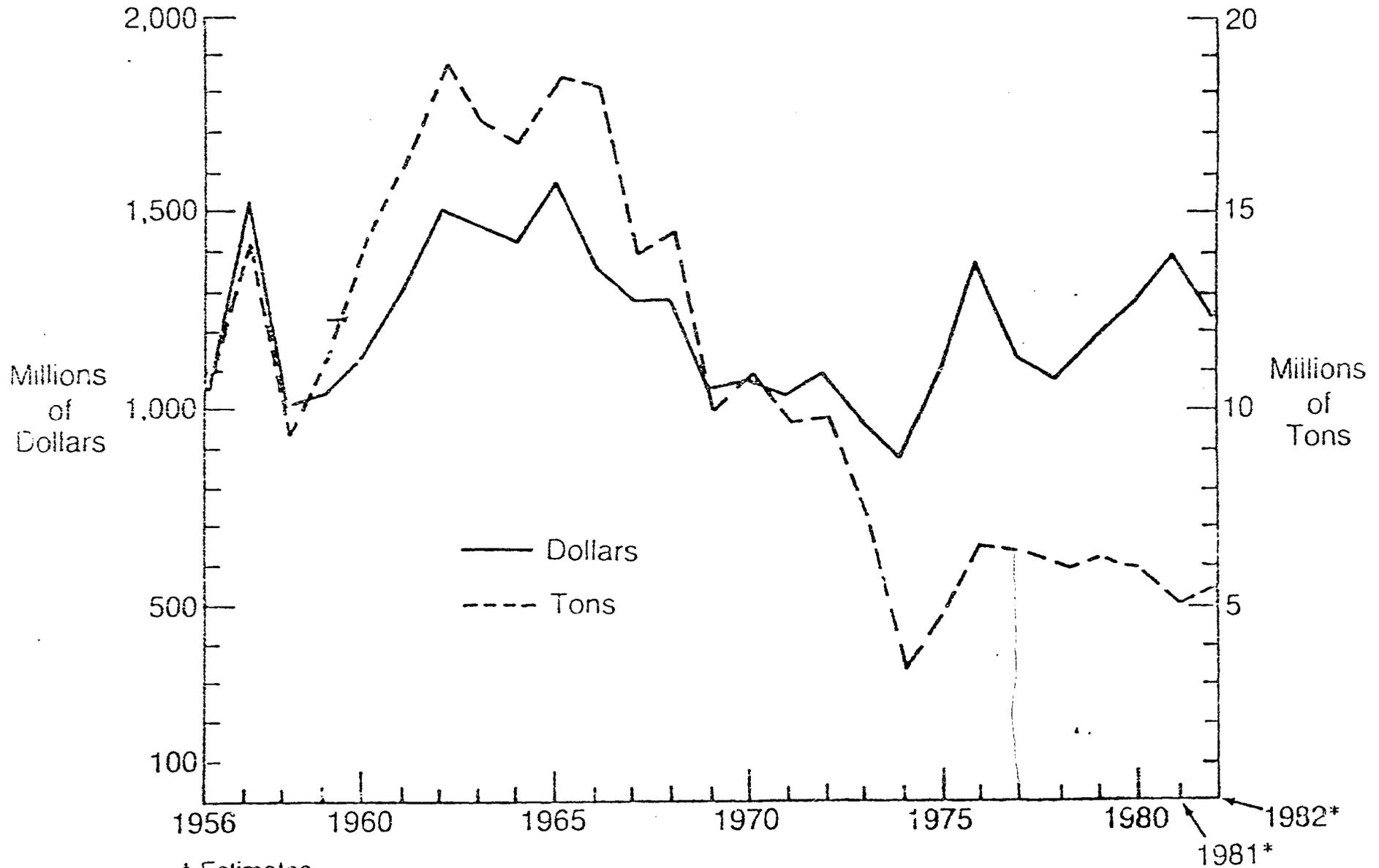
NA = Not Available.

1/ Allocations are for the budgetary period of each country.2/ Preliminary, unofficial estimates.3/ Does not include amounts donated by the USSR as emergency aid to several Asian countries according to unofficial reports, including 200,000 tons each in 1977/78 and 1979/80 and 400,000 tons in 1978/79.4/ Aid from European Community and its member countries.

Sources: FAC, U.S. Agency for International Development, and USDA.

Historical Summary of P.L. 480 Exports by Fiscal Year

(Millions of Dollars and Millions of Metric Tons/Metric Ton Grain Equivalents)



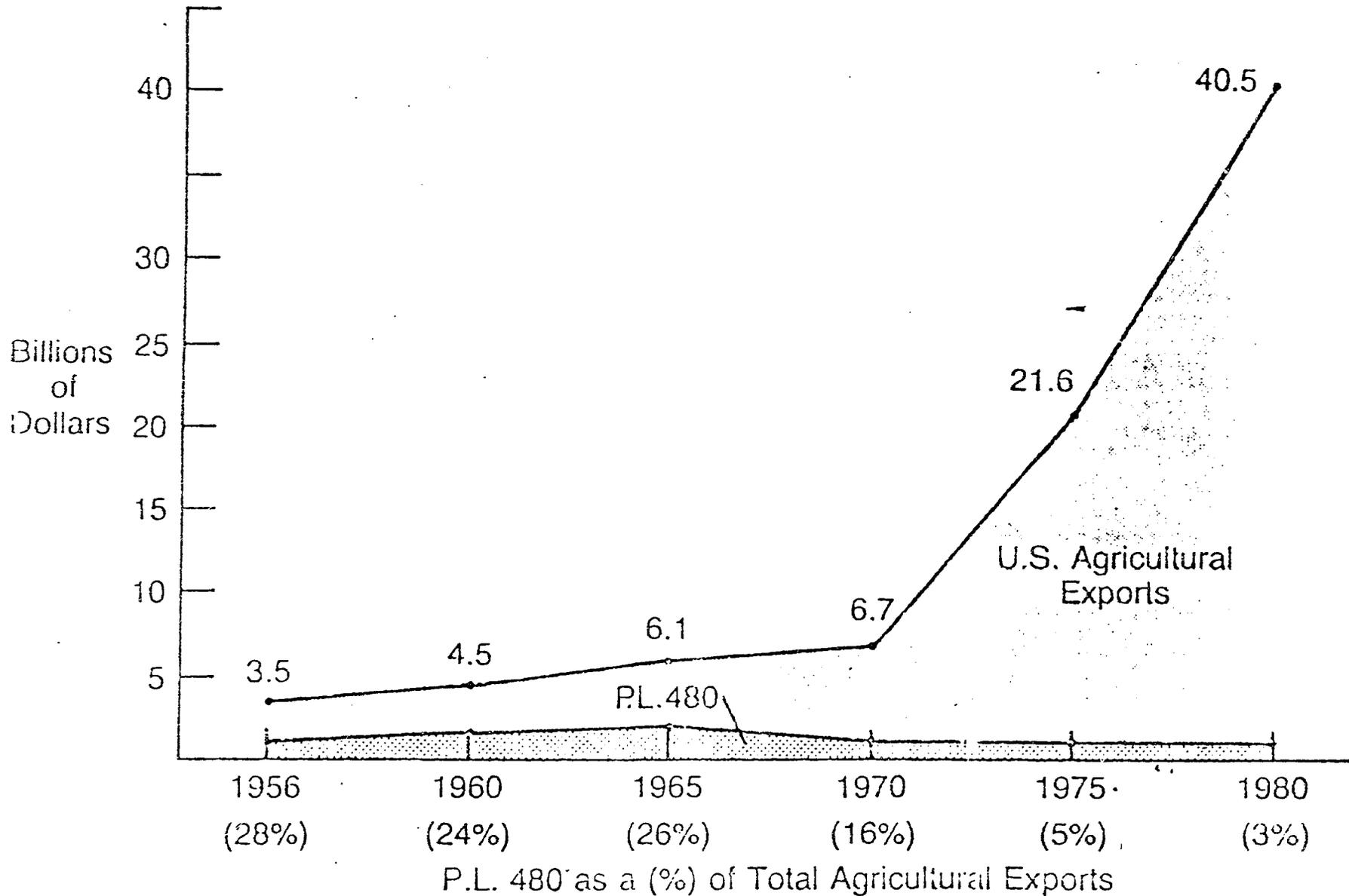
* Estimates

N.B. Figures Reflect Commodities Supplied Under All Titles F.L. 480

Transportation Cost Not Included

Source: USDA/FAS Report Dated 4/23/81

Value of U.S. Farm Products Shipped Under P.L. 480 Compared with Total Growth of U.S. Agricultural Exports



Source: P.L. 480 Annual Report

A.I.D. FOOD AND AGRICULTURAL
DEVELOPMENT ASSISTANCE

March 1982
Washington, D.C.

TABLE OF CONTENTS

	<u>Page</u>
Preface	
Quotation from President Reagan's Remarks before the Philadelphia World Affairs Council, October 15, 1981	
Background	1
I. Objectives	3
II. Elements of Policy	4
A. Improved Country Policies	7
B. Development of Human Resources and Institutional Capacity	10
C. Expanding the Role of Developing Country and U.S. Private Sectors	15
D. Providing Food Aid and Food Security	18
III. Programming Implications	21
IV. Conclusion	24

PREFACE

At the request of the Administrator an inter-bureau Task Force, including IDCA and BIFAD representation, was established to review A.I.D. policy on food and agricultural development assistance, and to make recommendations based on experience in developing countries and A.I.D.

This statement constitutes the report of the Task Force. It sets forth the overall objectives and policy elements of A.I.D. food and agricultural assistance funded from Development Assistance, Economic Support Fund and PL 480 budgets. It provides the basis for development of an A.I.D. Strategy Paper on Food and Agricultural Development that will delineate a strategy for linking the resources A.I.D. can draw upon for accomplishing its policy objectives.

This statement will also form the basis for discussions with other USG agencies, leading to the formulation of a U.S. Policy Statement on Food and Agricultural Development Assistance that will include policy implications for U.S. participation in multilateral organizations that provide food and agricultural assistance.

This statement supplements the A.I.D. Agricultural Development Policy Paper of June 1978 by providing a focus on major elements of A.I.D. policy.

"Increasing food production in developing countries is critically important -- for some, literally a matter of life or death. It is also an indispensable basis for overall development. The United States has always made food and agriculture an important emphasis of its economic assistance programs. We have provided massive amounts of food to fight starvation, but we have also undertaken successful agricultural research, welcomed thousands of foreign students for instruction and training at our finest institutes, and helped make discoveries of the high-yielding varieties of the Green Revolution available throughout the world."

President Ronald Reagan, Remarks to the World Affairs Council of Philadelphia, October 15, 1981.

Background

Food production and consumption prospects are seriously deteriorating in a number of low-income, food-deficit countries. The basic causes of continuing hunger and malnutrition in these countries are inadequate food availability and inability of the malnourished to purchase or otherwise acquire and consume the food they need.^{1/} While this chronic deficiency receives less attention than outright starvation, it has a far wider impact on human lives and productivity.

Real progress has been made toward food and agricultural self-reliance in a number of Asian and Latin American countries, but many other countries remain beset with serious and precarious problems. Millions in Asia, Latin America and the Near East are still impoverished and malnourished. A deepening food crisis with chronic famine conditions in some areas is developing in sub-Saharan Africa, where per capita food and agricultural production continue to decline in a majority of countries.

Future prospects are influenced by two major factors: population growth and income growth. About 90 percent of the almost two billion increase in world population projected for the year 2000 will occur in developing countries, many of which are unable to assure adequate food supplies even for their current populations. Continuing per capita income growth in the middle-income and advanced developing countries is expected to generate substantial increases in the demand for basic grains for direct human consumption and for livestock production. Unless the production of major staples and/or other agricultural commodities in developing countries improves significantly more than it did during the 1960-75 period, and unless the effective demand of low-income

^{1/} Inadequate nutrient absorption linked to disease and poor sanitation is a significant auxiliary cause, especially among infants and children.

families is increased through broad-based growth, a deterioration in per capita food availability and consumption, especially in low-income countries, may occur.

This is a grim picture, but it is by no means hopeless. The experience of the last 30 years shows that carefully planned and administered economic assistance, when combined with the fundamental efforts that a government and its people must themselves undertake, can establish a dynamic, self-sustaining food and agricultural system. U.S. assistance in the form of scientific and management expertise, and food and financial aid, has made critical contributions to the creation of such systems in South Korea, Brazil and Taiwan and to emerging self-reliance in countries such as India, Thailand and the Philippines.^{2/}

Experience over the last three decades also shows that dynamic agricultural growth is in most countries a necessary though not sufficient condition for broadly-based overall economic growth that permits the conquest of hunger, malnutrition and sustained improvement in per capita living standards. Broadly-based and shared economic growth, along with the effective provision of voluntary family planning services, will also bring about a reduction in rapid population growth. The United States should continue sustained support of efforts by the entire donor and international community to help developing countries achieve these goals.

^{2/} Self-reliance in food is defined as the ability of a country to assure continuing food security to its population from a combination of domestic production and importation of food at commercial terms paid from foreign exchange earnings. Short-run food security implies the ability to maintain normal consumption levels in the face of an emergency food shortage. Long-run food security is defined as the ability of a country to assure a nutritionally adequate food supply to its population on a continuing basis. Several of the countries mentioned above have clearly not yet achieved long-run food security in terms of nutritional adequacy. See p. 16 for further discussion.

The President of the United States has recently highlighted the importance of developing country food and agricultural problems and the role the U.S. is prepared to play in helping countries resolve these problems.^{3/}

I. OBJECTIVES

The overall objective of United States bilateral economic assistance is to stimulate in developing countries broadly-based, self-sustaining economic growth that promotes international peace and stability and that assists people to conquer poverty, hunger, illness and ignorance (see Sections 101 and 531 of the Foreign Assistance Act).

The objectives of U.S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly-based economic growth.

These broad objectives entail two major sub-objectives, namely:

1. Increased food availability, through:

- increased agricultural production, with an emphasis on increasing and sustaining the productivity, incomes and market participation of small farmers, with special attention to food production;
- greater economic efficiency in the marketing and distribution of agricultural and food production, exports and imports; and

2. Improved food consumption in rural and urban areas, through:

- expanded productive employment and incomes of men and women who at present lack the purchasing power to obtain adequate food;

^{3/} Of particular relevance are the "Remarks of the President to the World Affairs Council of Philadelphia" October 15, 1981, and the President's Statement of October 24, 1981, at Andrews Air Force Base on his return from the "North-South" Summit Conference at Cancun, Mexico.

- increased awareness and incorporation of sound nutritional principles in the design and implementation of production, marketing, health and education policies and programs, including improved access to, and utilization of, food for those at nutritional risk;
- effective direct distribution of food from domestic or external sources to those facing severe malnutrition and temporary food shortages (i.e., a short-run lack of food security).

A.I.D. will seek to concentrate assistance for food and agricultural development in countries that share these objectives and are committed to an appropriate policy framework as elaborated in the following section on "Elements of Policy."

In supporting the objective of food self-reliance, A.I.D. does not rigidly subscribe to the goal of food self-sufficiency. A.I.D. supports a balanced approach involving economically viable expansion of agricultural production, including production for export and importation of food and agricultural products where comparative advantage exists.^{4/} As in the case of domestic food production, the employment, consumption and nutritional implications of export expansion will also be considered.

II. ELEMENTS OF POLICY

A.I.D. will emphasize four major, inter-related elements to accomplish food and agricultural development objectives:

^{4/} In determining a balanced approach between production for domestic consumption and export, a country will weigh the risks inherent in increased dependence on world agricultural markets. These risks can be reduced somewhat by diversified production for export.

1. improve country policies to remove constraints to food and agricultural production, marketing and consumption;
2. develop human resources and institutional capabilities, especially to generate, adapt and apply improved science and technology for food and agricultural development;
3. expand the role of developing country private sectors in agricultural and rural development, and the complementary role of the U.S. private sector in assisting this expansion; and
4. employ all available assistance instruments in an integrated manner, including provision of PL 480 food aid in a way that contributes to the other three strategy elements as well as meeting food security and nutritional needs.

Each of these elements is intended to increase the effectiveness of U.S. economic assistance resources. While the mix of these elements will vary according to the differing needs and problems among countries, the achievement of lasting food security requires greater attention to each of them in most developing countries.

The United States has strong technical competence in identifying and solving problems in food and agriculture. Maximum utilization will be made of this competence. A.I.D., other elements of the U.S. Government, such as USDA, cooperating universities and private sector organizations are prepared to make a long-term commitment to help those countries prepared likewise to make the requisite policy and resource commitments.

A main thrust of the policy is on the development of a domestic human and institutional capacity that permits a country to develop and apply food and agricultural science and technology. This recognizes the location-

specific requirements for the effective application of improved agricultural technology. However, the policy also requires a more vigorous effort by A.I.D. to support the identification, transfer and adaptation of existing appropriate technologies, as well as the development and application of improved technologies through existing institutions in the United States and developing countries. These recommendations recognize that the continuing advance of agricultural technology, while not sufficient in itself, is an essential prerequisite to sustained improvement in food and agricultural performance. The policy also envisions strengthening institutional capability in other critical areas such as the management of irrigation and credit systems.

In pursuing this policy, A.I.D. will encourage countries to promote participation in food and agricultural development by the large majority of rural producers and workers, men and women, through:

- broadened access to production incentives and resources, including land and water, as well as opportunity to take advantage of education and training and other productive services;
- increased productivity, employment and incomes; and
- expanded involvement in making policy and program decisions, including those affecting the development and operation of institutions that affect their productivity and well-being.

The policy also includes an emphasis on effectively increasing the productivity, incomes and market participation of small producers. These producers comprise the great majority of rural economic units in most countries

and are thus important for both increased food production and consumption.^{5/} Evidence indicates they tend to employ land and purchased inputs in an economically efficient manner relative to large farmers. Furthermore, the demand for goods and services by the bulk of small farmers and their families who participate in market sales and purchases may constitute an important stimulus to off-farm rural enterprise and the generation of employment opportunities for landless laborers and for families engaged primarily in subsistence agriculture.^{6/} Improvement of the employment opportunities of the landless and near-landless is a crucial requirement for improved food consumption in many countries.

A. Improved Country Policies

The success or failure of the development process in a country depends heavily on its policy framework and the determination of the country itself. External assistance, while helpful and particularly critical in low-income countries, is in no case sufficient to achieve national food

^{5/} The definition of a "small producer" will vary from country to country and region to region within countries. Influencing factors include sectoral (agriculture or industry), sub-sectoral or commodity mix, soil quality in the case of agriculture, etc.

^{6/} Of particular interest to A.I.D. are those small producers whose marketable surplus can be increased. It is recommended that a paper be prepared to analyze the extent to which increased production by commercial and/or semi-commercial farmers in developing countries will also meet employment and food consumption objectives through increased employment on such farms and indirectly through stimulus to off-farm rural enterprise. Although available evidence confirms the relatively high economic efficiency of small farmers, the question is complex. An analytical paper might explore further this question as well. In his Philadelphia World Affairs Council remarks, op. cit., President Reagan indicated that the focus of American food and agricultural development assistance will be on "raising the productivity of the small farmer; building the capacity to pursue agricultural research and stimulating productive enterprises that generate employment and purchasing power."

and agricultural development objectives. Sound country policies are fundamental to agricultural growth and to the effectiveness of external economic assistance. An appropriate policy framework is one that:

1. relies largely on free markets, the provision of adequate production incentives and the provision of equitable access to resources so that the broad majority of farmers, rural private sector entrepreneurs and workers -- both men and women -- have productive opportunities for employment, saving and investment; and

2. gives sufficient priority to complementary public sector investments in rural infrastructure and institutions that interact effectively with rural populations and complement and encourage rather than compete with healthy private sector growth.

Incentives are affected by direct attempts by government to influence the prices of food or agricultural products and inputs, but in many countries macro-economic policies affecting exchange rates, interest and wage rates and tariffs and taxes have an even more powerful impact on incentives to produce, employ, consume, save and invest. Furthermore, a wide range of government-promulgated regulations and privileges affect equitable access to such resources and services as land, water, credit, extension and marketing facilities. That is, distorted policies have hampered agricultural growth and have hurt the poor by excluding them from access to productive resources and employment.

Essential public sector investments are generally those that yield substantial returns to the economy but are of such a nature that the private sector is not prepared to undertake them, especially in low-income countries (reasons include high cost, uncertain or low returns in the short run, and/or

difficulty for an individual investor to capture the returns). These investments usually include such major physical infrastructure as road networks and gravity irrigation systems as well as institutions for agricultural research, training and extension and for basic education and health services and control of epidemic diseases. However, in some aspects of research and extension, health services or training, for example, there may be more scope for private sector involvement than is often acknowledged.

- As part of its development assistance programming, A.I.D. will critically examine country policies affecting food and agricultural development and will seek to concentrate assistance in those countries where an appropriate policy framework already exists or where there is commitment to improvement.
- A.I.D. will analyze the constraints to improved policies in countries where it provides assistance and will engage in dialogue with countries on changes in policies intended to improve incentives and opportunities.
- Technical assistance and training to improve a country's policy analysis and planning capacity will also be provided.

As part of its concern for improving the quantity and quality of food consumption, A.I.D. will continue its efforts on how to integrate effectively the implications of nutritional problems and practices into the design, implementation and evaluation of projects and programs. This concern includes but goes far beyond specialized efforts to correct specific nutritional deficiencies (e.g., Vitamin A, iodine, iron). A concern for nutritional implications will be included in dialogue on agricultural policies and in the design of assistance for planning and policy analysis;

agricultural research and extension; education and training; marketing and processing; and food aid and food security. It will also be included in the formulation of assistance for health services, potable water and sanitation.

The incorporation of nutritional considerations raises complex, multi-sectoral issues that will be addressed further in an A.I.D. Nutrition Policy Paper in preparation.

B. Development of Human Resources and Institutional Capacity

A major priority of A.I.D. policy is to assist countries develop and/or strengthen private and public institutions dealing with the host of technical, administrative, economic and social problems constraining increased and more efficient food and agricultural production, marketing and consumption.

Effective institutions provide a country the self-sustaining capacity to solve critical development problems. Furthermore, they:

- enhance a country's ability to marshall its own human and financial resources for food and agricultural development;
- enable individuals to obtain access to the skills, resources and services needed to increase their productivity, incomes and well-being; and
- increase the absorptive capacity and effectiveness of external assistance, thereby fostering development that continues beyond the period during which assistance is provided.

The creation and strengthening of institutional capacity, including development of the human resources needed for effective institutions, often requires a long-term commitment and effort -- e.g., ten years or more -- from A.I.D., the host country, other donors and cooperating organizations (universities,

PVO's, etc.). Missions must provide a sufficiently long-term assessment of how A.I.D and other resources will be utilized to improve institutional capacities crucial to food and agricultural development in the host country.

Effective public and/or private institutions are required in most phases of food and agricultural development, including planning and policy analysis; construction, maintenance and operation of rural infrastructure (e.g., irrigation systems and rural roads); delivery of inputs, credit and other services; storage, marketing and processing of farm products; and other areas such as local government and taxation, and resource conservation and management.

Particularly vital to the establishment of self-reliant, sustainable food and agricultural systems are national institutions that give a country the capacity (1) to generate and apply a continuing stream of innovations designed to increase agricultural productivity and incomes; and (2) to evaluate and adapt technologies transferred from developed countries and international institutions. Advances in food and agricultural science and technology have not only increased productivity but have also facilitated the substitution of less expensive and more abundant resources for more expensive and increasingly scarce resources.

While the economic returns to agricultural research have been extremely high, it does take time to develop and test new technologies and to strengthen the national and local institutions required to adapt and apply technologies to location-specific conditions. The need to develop new technologies and strengthen institutions is especially critical for the large areas of the developing world that will continue to be dependent upon rain-fed agriculture.

There are important interrelationships between country policies and institutional development. Institutions develop, implement and monitor policies that profoundly affect food and agricultural development. At the same time, the process of institutional development and of science and technology transfer, generation and application should be guided by a sound economic policy environment which reflects market forces. If this does not happen, improved agricultural technology may not be adopted by farmers, or if adopted, it may be inappropriate to the broader economic environment. For example, in some countries distorted economic policies have made capital artificially cheap and labor artificially expensive, resulting in the introduction of excessively capital-intensive technology. By the same token, production incentives alone are not usually sufficient to yield sustained advances in agricultural production. A continuous stream of productivity increasing, cost-reducing farm technology is also required.

-- A.I.D. will therefore give special emphasis, with a sufficiently long-term commitment, to helping countries develop the institutional capacity for food and agricultural planning and policy analysis; basic and adaptive research, education and training; and disseminating improved technology and related information in a cost-effective manner.

-- Social scientists (e.g., economists, anthropologists, development planners and policy analysts) and physical and biological scientists and technicians from developing countries and the United States will work together to conduct applied research and to develop individual and institutional capabilities intended to increase the productivities and incomes of the broad majority of rural producers.

- U.S. universities will marshall their best talent to play a major role in implementing A.I.D. assistance for food and agricultural institutional development. Other U.S. government agencies, particularly USDA, agribusiness enterprises, cooperatives and private voluntary organizations will also play significant roles.
- Aspects of agricultural research to be considered will include:
 - innovative research to increase the genetic capabilities of plants and animals that are used as food; research on existing and more profitable farming and marketing systems, including their social, employment, energy, ecological and nutritional implications (including multiple cropping and water management); field-testing involving farmers; research and control of debilitating human and animal diseases that constrain agricultural productivity; and regular feedback to researchers of farmer experience with improved technologies.

A.I.D. will also encourage:

- strengthened linkages in food and agricultural research among United States institutions, the international agricultural research centers and national systems;
- an expanded role where appropriate for private enterprise in the provision of agricultural research and the dissemination of improved technology as well as in the processing, preservation and marketing of agricultural commodities (see following section);

- research and other institutions that expand access by low-income, small producers to improved technology, productive resources and services;^{7/} and
- voluntary institutions that mobilize local efforts for agricultural and social development.

Local institutions, including farmer organizations and land tenure arrangements, can also be critical in assuring that the majority of farmers benefit from improved technology and infrastructure. Clarity of ownership and title is critical to stimulating increased capital investment (and therefore production) at the level of the individual farmer.

Consequently, A.I.D. will give favorable consideration to requests for assistance in the form of feasible projects and programs that:

- establish wider access to agricultural assets, including land, and in providing more secure tenure arrangements; and
- strengthen local participatory organizations of agricultural producers that help assure access by farmers to resources and services and, through farmer involvement, improve the efficiency of such activities as irrigation utilization and maintenance.

Adequate human resources development is essential if food and agricultural institutions are to be effective. This means adequate training for professional and technical staff and for farmers.

A.I.D. will support:

^{7/} Section 103A of the Foreign Assistance Act requires that agricultural research carried out under the Act take account of the special needs of small farmers in setting research priorities, as well as support research on the various factors affecting small farmers, and emphasize field-testing and research dissemination.

- in-country training of scientists, technicians, managers, extension agents, and also farmers and skilled workers in food and nutrition, and agricultural and rural development, with expansion as necessary, of in-country training facilities;
- external training, in the United States or third countries.

Important in these regards, is the special role of and concern for women, including their role as agricultural producers, workers, and family food providers. Greater efforts are therefore required to expand opportunities for women to serve as administrators, scientists, technicians, extension workers and other food and agricultural professionals. A.I.D. will provide support to promote the enhancement of the role of women through:

- research and analysis;
- planning and policy dialogue;
- design and implementation of institutional and human resource development and other programs; and
- A.I.D. staff recruitment, training and placement.

C. Expanding the Role of Developing Country and U.S. Private Sectors

Private sector business enterprises, including farmers and manufacturing, trade and service firms, account for the bulk of food and agriculture-related economic activity in many developing countries. Non-profit private and voluntary organizations (PVO's) also make significant contributions to food and agricultural development in many countries, as do universities (some developing country universities are entirely private; i.e., non-government, and others are perceived as private or quasi-government, due to their largely autonomous nature, even where mandated and funded by government).

Given an appropriate policy environment and the complementary support of public sector institutions and physical infrastructure, the private sector can constitute a dynamic, efficient and innovative mainspring for food and agricultural development. Furthermore, most private sector rural enterprise in developing countries tends to be relatively small-scale and labor-intensive. It thus also has the potential for generating substantial employment and purchasing power.

Realization of the full potential of the private sector to contribute to food and agricultural development requires attention to:

- government policies and regulations that encourage rather than discourage the private sector;
- programs to overcome deficiencies in management and technical skills; and
- private sector access to market and technical information, credit, infrastructure, services and materials.

In some countries long-established public enterprises or para-statal organizations dominate agricultural marketing, processing, storage and/or distribution activities. These operations are often highly inefficient and tend to discourage food and agricultural production. Avenues for improvement include: (1) policy and management reforms that give public enterprises a greater market orientation and put them on a commercial basis; (2) encouraging greater competition from private enterprises in the same spheres; and/or (3) turning public enterprise management and/or assets over to the private sector.^{8/}

^{8/} Such enterprises were often initiated for arguably laudible motives, such as reducing sharp, seasonal fluctuations in farm prices. Performance of public enterprises in accomplishing such objectives has been spotty, however, and the cost has been high. Private sector alternatives, including increased on-farm storage capacity, need more attention.

A.I.D. will:

- identify private and public sector institutions, such as banks, technical institutes, and trade and marketing associations, through which technical and financial assistance can be effectively provided to private enterprise;
- engage in dialogue with governments on changes in policies and other regulations to encourage and strengthen private sector development, including small and medium-scale enterprise; and
- where appropriate, help countries improve the efficiency of public and para-statal enterprise engaged in food and agricultural-related activities. This is a complex issue that will be addressed further in a separate paper.

A.I.D. also encourages utilization of the invaluable skills and resources of the American private sector -- of agribusiness enterprises, other firms and consultants, universities, cooperatives and other farmer organizations, and private and voluntary organizations -- to stimulate broadly-based food and agricultural development.^{9/}

- A major effort be made to involve U.S. business firms in strengthening developing country private enterprise.
- A.I.D. will develop mechanisms and processes to facilitate the involvement of the U.S. private business community in food and agricultural development, including technical assistance and training as well as direct and joint investment.

^{9/} U.S. universities will be used principally in support of A.I.D. policy to develop and strengthen institutions and train people serving agricultural and rural development as set forth in section B above. Such universities may also be utilized to support and strengthen the role of the private sector, including such activities as training, technical assistance, and joint efforts with PVO's and other public or private institutions.

Private and voluntary organizations (PVOs) have a number of potential strengths for assisting food and agricultural development. PVOs can be effective in developing local institutions that organize local energies to provide both development and social services and productive inputs. Compared with the public sector, they often provide flexible, low-cost approaches that take local attitudes and conditions into account. Through their U.S. networks, they have the further advantage of mobilizing private American resources and commitment for development.

-- A.I.D. will encourage and seek to strengthen PVOs that are committed to sustained food and agricultural development consistent with A.I.D. policy, and that have indicated through performance or potential the ability to provide effective developmental assistance.

D. Providing Food Aid and Food Security.

Food security considerations have played an increasingly important role in international discussions of food and hunger. The concept of international food security implies assurance world-wide of regular and adequate basic food supplies.

In emergencies or dire food shortages, national food security requires adequate capacity to channel available food supplies to population groups experiencing severe food shortages so as to maintain normal consumption levels. In the longer term, the achievement of national food security requires a country to be self-reliant in food and agriculture, to be capable of assuring its population a continuing, nutritionally adequate food supply through increased domestic production, more efficient distribution, expanded purchasing power and international trade, and a healthier and better informed population.

While external assistance can help accomplish these objectives, the responsibility for food security, especially in the longer term, is fundamentally that of each country. In the short term, international food assistance -- led by the United States as the world's largest food aid donor -- plays a vital role in assuring food security.

The United States has agreed to back up its pledge of food aid under the International Food Aid Convention with a national grain reserve -- 4 million tons of U.S. Government-owned, privately-held wheat, of which 300,000 tons may be used for disaster relief in any one year regardless of U.S. domestic supply conditions.^{10/}

PL 480 food aid can be a valuable development resource for augmenting local production, enhancing short-and long-term food security and reducing malnutrition, providing it is made available under conditions that support rather than discourage domestic food and agricultural production. PL 480 food commodities can enhance food security through augmenting domestic food sales and distribution programs and may also be used to help build national food reserves. Local currency generated from these food sales

^{10/} Under the U.S. Wheat Reserve Act of 1981. The 300,000 tons are to be used through PL 480 Title II after existing Title II resources have been committed or exhausted. In addition, access by foreign buyers to U.S. grain reserves held for commercial purposes also helps to assure food security.

A related question is the extent to which it is feasible and desirable for a developing country to hold food reserves as opposed to financial reserves to meet short-term food security problems. This is a complex question that depends upon a range of factors, including the size of the country, its location relative to international sources of supply, the nature of its comparative advantage for domestic food production and production for export, the effectiveness of its import and export infrastructure, its access to the recently-established IMF Food Financing Facility and other factors. It is recommended that guidelines be prepared on this question, including on the appropriate role for A.I.D. assistance.

provides financial resources to assist with development of food and agricultural institutions and infrastructure.

- A.I.D. seeks to improve the impact of both PL 480 commodities and local currency proceeds on food and agricultural development, including increasing their integration with other U.S. bilateral financial and technical assistance at both the policy and project levels. PL 480 resources should support A.I.D.'s strategic emphases to improve country policies, develop human and institutional capacity and enhance the role of the private sector in food and agricultural development.
- The negotiation of PL 480 agreements is an opportunity for discussion of these issues with country governments and for including broader policy issues such as agricultural pricing and overall policy toward the private sector. Policy dialogue on PL 480 must reach agreement on supplying and/or conditioning food aid in a way that avoids disincentives to increased food and agricultural production through food subsidies or lowered government priority to domestic production. A.I.D. will pursue such policy dialogue in the context of total U.S. assistance to the country.

PL 480 Title II programs not only directly alleviate hunger and malnutrition but also have the potential to support human resource development and self-help efforts that increase the employment and employability of the lowest income groups. A.I.D. will continue to give greater emphasis in the use of PL 480 Title II resources to programs that have been shown to have greater nutritional impact, such as maternal-child health combined with nutrition education programs, rather than school-feeding programs, and encourage PVOs to design and implement Title II programs so that govern-

ments and local communities eventually assume responsibility for them and/or replace them with programs that increase production and incomes.

III. PROGRAMMING IMPLICATIONS

United States assistance strategy at the country level requires multi-disciplinary analysis of the policy, socio-economic, institutional and private sector settings for food and agricultural development as well as a long-term commitment of the United States and host countries. These will vary according to the differing needs and problems of countries. The precise content of assistance will thus depend on the conclusions of this analysis. The modes of assistance will be a combination of technical, capital, commodity and food aid assistance.

Although the context of A.I.D.'s assistance may vary from country-to-country for the reasons indicated above, the need to utilize limited budget and staff resources as effectively as possible implies a focussed country assistance strategy, concentrating on a limited number of core sectors and sub-sectors. Missions should think in terms of long-term efforts in a few priority areas that involve joint and collaborative efforts with host country public and/or private institutions at every stage: identification and design, implementation, monitoring and evaluation. This approach should also permit some freeing-up of USAID staff for the important but relatively neglected implementation stage. It should be recognized that long-term commitment does imply that a certain portion of A.I.D.'s portfolio will be "mortgaged" for periods of a decade or so. But this is "mortgaging" consciously undertaken because of its positive developmental impact.

Technical assistance in the form of training opportunities and technical advisors will comprise a major mode of A.I.D. support for food and agricultural development.

The main U.S. sources of technical expertise are A.I.D. staff, American universities, private sector firms and organizations (agribusiness, consultants and other firms, cooperatives, farmer and private voluntary organizations), the Department of Agriculture and other U.S. Government agencies. AID will also draw upon technical assistance from other developing countries as well as on the food and agriculture development experience of the U.N. Food and Agriculture Organization (FAO), World Food Council (WFC), International Fund for Agricultural Development (IFAD), World Food Program (WFP) and other donor agencies.

- In the utilization of these technical assistance resources A.I.D. will:
- encourage and strengthen the capacities of the various sources of U.S. and developing country technical assistance to, in turn, strengthen the counterpart capacities of host countries to address and solve their own food and agricultural development problems;
 - give greater emphasis and importance to the Agency's science and technology capabilities, including creation of a strong professional staff; and
 - enhance the role of American university expertise, as provided for by Title XII of the Foreign Assistance Act, in the implementation of A.I.D. food and agricultural development policy.

A.I.D. will also provide, under appropriate conditions, capital assistance, food aid, agricultural or other enterprise credit and/or commodity assistance. Capital assistance in particular is often closely linked to

policy and/or institutional improvement in a project -- e.g., capital assistance to construct or rehabilitate physical structures of an irrigation system linked to technical assistance for improved water management. Similar linkages should improve the effectiveness and lasting impact of all forms of assistance -- e.g., elimination of subsidies or converting to private sector distribution as part of fertilizer assistance; interest rate reform as part of assistance for agricultural credit. Therefore, A.I.D. will provide capital, food, credit or commodity assistance only when:

- a need for such assistance exists and other sources of financing have first been explored, including co-financing arrangements between A.I.D., other donors and/or private sources; and
- such assistance is linked to developmental objectives or performance in the areas of institutional development, technology transfer or development, and/or policy reform. Country performance will be closely monitored and evaluated to determine whether such assistance should be continued.

For low-income countries with severe local resource constraints, A.I.D. will consider financing a share of recurrent costs of food and agricultural research, education, extension or related institutions during the project development phase (up to ten years under current A.I.D. procedures), providing that the policy and institutional frameworks assure effective utilization and the country is making maximum and/or increasing domestic resource mobilization efforts.

IV. CONCLUSION

The fulfillment of this policy requires long-term commitment from the United States and other donor nations and from developing countries, as well as from the private and public sector institutions involved. With mutual commitment to the policy, significant accomplishments can be expected over the next twenty years. Hunger and suffering will not be eliminated, but a significant number of additional countries will have become self-reliant in food and able to assure food security for their populations.

PAGE 01 OF 07 STATE 316566
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TAGS:

SUBJECT: FY 1984 COUNTRY DEVELOPMENT STRATEGY STATEMENT
 - (CDSS)

REFS: (A) CDSS GUIDANCE: A-384, SEPTEMBER 1978

1. INTRODUCTION: CDSS IN PERSPECTIVE

- IN PLANNING FOREIGN ASSISTANCE PROGRAMS MISSIONS MUST
- RECOGNIZE THE HIGH PRIORITY THIS ADMINISTRATION ATTACHES
- TO THE REVITALIZATION OF THE U.S. ECONOMY AND THE
- CORRESPONDING NEED FOR FISCAL RESTRAINT IN ALL FEDERAL
- PROGRAMS. AID IS NO EXCEPTION TO THE RULE THAT WE MUST
- LIVE WITHIN OUR MEANS: WE MUST FOCUS OUR RESOURCES MORE
- EFFECTIVELY IN TERMS OF DEVELOPMENT AND OTHER FOREIGN
- POLICY CONSIDERATIONS. YOU SHOULD THEREFORE FORMULATE
- CDSS STRATEGY WITHOUT EXPECTATION OF MAJOR FUNDING
- INCREASES. INDICATIVE PLANNING ALLOCATIONS (IPA'S)
- WHICH REFLECT OUR PROJECTION OF RESOURCE CONSTRAINTS ARE
- CONTAINED IN THE LAST SECTION OF THIS MESSAGE.

- IN KEEPING WITH THE NEED TO UTILIZE LIMITED RESOURCES
- AS EFFECTIVELY AS POSSIBLE, THE AGENCY MUST INCREASE ITS
- CONCENTRATION ON PROGRAM AND PROJECT IMPLEMENTATION.
- OUR PERSONNEL RESOURCES MUST BE FREED UP FOR A RENEVED
- EFFORT IN THIS AREA. IN THIS CONNECTION WE SEE THE
- CDSS EVOLVING TOWARD A DOCUMENT WHICH: (1) COVERS A
- PERIOD OF TIME OF UP TO FIVE YEARS ONCE THERE IS GEN-
- ERAL AGREEMENT ON STRATEGY; (2) INDICATES CONCENTRATION
- ON A LIMITED NUMBER OF SECTORS AND SUB-SECTORS THAT ARE
- APPROPRIATE TO THE COUNTRY SITUATION, AGENCY PRIORITIES
- AND RESOURCES, AND SPECIFIES THE MISSION'S RATIONALE

- FOR ITS PROGRAM CONCENTRATION DECISION; AND (3) HANI-
- FESTS GREATER SPECIFICITY ON THE LINKAGE BETWEEN STRA-
- TEGY AND PROJECTS. CDSS STRATEGIES SHOULD FORMULATE
- FIVE YEAR GOALS WHICH CAN BE EVALUATED.

- PROMOTING BROADLY BASED ECONOMIC GROWTH CONTINUES TO BE
- AID'S MAJOR OBJECTIVE AND SHOULD BE THE PRIMARY GOAL OF
- FULL CDSS SUBMISSIONS, UPDATES, AND STATUS REPORTS.
- MOREOVER, MISSIONS SHOULD KEEP CLEARLY IN MIND THE
- CONGRESSIONAL MANDATE THAT "IT IS DECLARED TO BE THE
- POLICY OF THE UNITED STATES TO ENCOURAGE THE EFFORTS OF
- OTHER COUNTRIES TO INCREASE THE FLOW OF INTERNATIONAL
- TRADE AND TO FOSTER PRIVATE INITIATIVE AND COMPETI-
- TION."

- AID ACTIVITIES MUST CREATE THE NECESSARY CONDITIONS FOR
- SELF-SUSTAINED GROWTH IN SUCH A WAY THAT THE POOR
- PARTICIPATE IN AND BENEFIT FROM THE GROWTH PROCESS.
- AID RESOURCES MUST BE USED TO RELAX KEY CONSTRAINTS
- INHIBITING THE BROADLY BASED GROWTH OF PRODUCTIVE
- SKILLS, CAPACITIES, EMPLOYMENT, AND INCOMES WITHIN THE
- LESS DEVELOPED COUNTRIES. IN OUR VIEW, THE MOST IMPOR-
- TANT CONSTRAINTS TO BROADLY BASED DEVELOPMENT ARE
- (1) LDC GOVERNMENT POLICIES WHICH INHIBIT THE OPERATION
- OF FREE MARKETS, DISCOURAGE PRIVATE INVESTMENT, INHIBIT
- RESOURCE MOBILIZATION, AND ALLOCATE RESOURCES INEFFI-
- CIENTLY; (2) LDC POLICIES WHICH MAKE LESS THAN BEST USE
- OF LIMITED GOVERNMENT RESOURCES IN SUCH AREAS AS AGRIC-
- CULTURE, IRRIGATION, HEALTH, POPULATION AND EDUCATION;
- (3) THE WEAKNESS OF HUMAN AND INSTITUTIONAL CAPACITY
- NECESSARY TO COMPLEMENT PUBLIC AND PRIVATE INVESTMENT;
- (4) A LACK OF CAPABILITY TO DEVELOP AND SPREAD NEW,
- APPROPRIATE TECHNOLOGIES THAT WILL BOTH INCREASE
- EMPLOYMENT AND RAISE THE PRODUCTIVITY AND INCOMES OF
- LABOR, AND (5) LIMITED PRIVATE SECTOR ACTIVITY.

- CONSEQUENTLY THE AGENCY WILL ADDRESS THESE DEVELOPMENT
- CONSTRAINTS THROUGH PROGRAMS TO ENCOURAGE POLICY RE-
- FORM, TO IMPROVE THE INSTITUTIONAL CAPACITY OF LDC'S,
- TO DEVELOP AND SPREAD NEW TECHNOLOGIES, AND TO INCREASE
- THE VITALITY OF THE PRIVATE SECTOR. MISSIONS SHOULD
- ACTIVELY EXPLORE PRIVATE SECTOR ALTERNATIVES IN EACH
- AREA OF SUB-FUNCTIONAL CONCENTRATION.

- THE BASIC ORGANIZATIONAL STRUCTURE OF THE CDSS AS PRE-
- SENTED IN REF A REMAINS VALID. THERE ARE THREE SECTIONS
- SECTIONS - ANALYSIS, STRATEGY, AND PLANNING LEVELS. THE
- CDSS SHOULD ANALYZE THE CAUSES OF POVERTY AND THE OBSTA-
- CLES TO BROADLY-BASED GROWTH WITHIN EACH COUNTRY. THESE
- OBSTACLES MAY INCLUDE SUCH CONTINUING CONCERNS AS SHORT-
- AGE OF PRODUCTIVE LAND, LACK OF CREDIT, ETC., AS WELL AS
- THE ABOVE MENTIONED CONSTRAINTS INVOLVING: THE COUNTRY
- POLICY FRAMEWORK; THE ROLE OF THE PRIVATE SECTOR; HUMAN
- RESOURCE AND INSTITUTIONAL CAPACITY; AND SCIENCE AND
- TECHNOLOGY DEVELOPMENT AND TRANSFER. IT IS IMPORTANT
- THAT THESE TOPICS, WHERE APPROPRIATE, ARE INTEGRATED
- INTO A COMPREHENSIVE ANALYTIC STRUCTURE THAT TIES
- IMPROVED PERFORMANCE TO REDUCTION IN THE CONSTRAINTS.
- WHILE THE ANALYSIS SHOULD NOT EMPHASIZE ACTUAL SECTORAL
- ACTIVITIES, IT SHOULD INDICATE PARTICULAR SECTORS WHERE
- PERFORMANCE IS WEAK AND DISCUSS THE REASONS FOR THIS
- WEAKNESS; POOR PERFORMANCE IN ANY SECTOR IS LIKELY TO
- HAVE A STRONGLY NEGATIVE EFFECT ON BROADLY-BASED
- GROWTH.

- ONCE THE ANALYSIS SECTION HAS IDENTIFIED THE KEY
- OBSTACLES TO BROADLY-BASED GROWTH, THE STRATEGY SECTION
- SHOULD DISCUSS THE WAY IN WHICH THE MISSION INTENDS TO
- DEAL WITH THOSE OBSTACLES. THIS WOULD INCLUDE A DIS-
- CUSSION OF WHICH SECTORS AND WHICH ACTIVITIES HAVE

Department of State

TELEGRAM

PAGE 02 OF 07 STATE 316566

9544 849960 A107233

STATE 316566

9544 849960 A10

- HIGHEST PRIORITY FOR MISSION INVOLVEMENT, GIVEN HOST COUNTRY PLANS AND OBJECTIVES, OTHER DONOR ACTIVITIES, AND AID BUDGET AND PERSONNEL LEVELS. WE DON'T EXPECT EACH MISSION TO BE INVOLVED IN EACH SECTOR. THERE SHOULD BE GREATER SPECIFICITY THAN IN PREVIOUS CDSS'S ON THE LINKAGES BETWEEN MISSION STRATEGIES AND PROJECTS BUT NOT A MERE LISTING OF PROJECTS, WHICH IS MORE APPROPRIATE IN THE ABS. ALSO, IT IS HIGHLY IMPORTANT THAT YOU DISCUSS BRIEFLY BUT EXPLICITLY THE WAY IN WHICH YOUR CURRENT PROGRAM RELATES TO THE LONG-TERM STRATEGY YOU ARE PROPOSING CONSISTENT WITH THE GUIDANCE IN THIS MESSAGE.

- SECTION TWO OF THIS MESSAGE CONTAINS CURRENT AGENCY POLICY ON THE NEW EMPHASES OF THIS ADMINISTRATION. THESE NEW EMPHASES SHOULD BE TREATED IN THE ANALYSIS SECTION AND SHOULD HELP SHAPE MISSION SECTOR STRATEGIES. SECTION THREE PROVIDES HIGHLY CONDENSED CURRENT GUIDANCE ON AID SECTORAL POLICY, AND ON THE WAYS IN WHICH MISSIONS SHOULD PROGRAM ASSISTANCE IN THESE SECTORS. WE DO NOT EXPECT DETAILED SECTOR ANALYSES IN THE CDSS. THE FOCUS SHOULD BE ON WHAT YOU HOPE TO ACHIEVE IN SECTORS YOU MAY SELECT FOR ATTENTION. WHERE APPROPRIATE, MISSIONS SHOULD LINK THE RESULTS OF PRIOR SECTORAL ANALYSIS AND AID EVALUATIONS INTO THE SECTORAL STRATEGIES.

- THE CDSS SHOULD, OF COURSE, REFLECT A PROGRAM CONSISTENT WITH BROAD U.S. FOREIGN POLICY INTERESTS AND SHOULD HAVE THE INPUT AND CONCURRENCE OF THE COUNTRY TEAM.

2. NEW EMPHASES

A. ECONOMIC POLICY FRAMEWORK REFORM

- A KEY CONSTRAINT TO EQUITABLE GROWTH IN MANY LDCS IS THE ECONOMIC POLICIES OF THE LDCS THEMSELVES. OFTEN THESE POLICIES HAVE BEEN INAPPROPRIATE, CREATING DISTORTIONS WITHIN THE ECONOMY WHICH HAVE DISCOURAGED PRIVATE INITIATIVE AND INVESTMENT, GENERATED ECONOMIC INEFFICIENCIES AND REDUCED ECONOMIC GROWTH. SUCH POLICIES CAN ALSO HAVE A DIRECT IMPACT ON THE EFFECTIVENESS OF FOREIGN ASSISTANCE PROGRAMS AND PROJECTS. ACCORDINGLY, THIS ADMINISTRATION PLACES A HIGH PRIORITY ON THE DEVELOPMENT AND IMPLEMENTATION BY THE HOST GOVERNMENT OF EFFECTIVE AND EFFICIENT ECONOMIC POLICIES WHICH PROMOTE AN OPEN ECONOMIC SYSTEM AND SELF-SUSTAINING ECONOMIC GROWTH.

- INAPPROPRIATE SUBSIDIES, PRICE AND WAGE CONTROLS, PROHIBITIVE TARIFFS, OVERVALUED EXCHANGE RATES, INTEREST RATE CEILINGS, AND SIMILAR FORMS OF INTERFERENCE WITH MARKET SOLUTIONS PREVALENT IN MANY LDCS ARE EXAMPLES OF THE TYPE OF POLICIES AND ACTIONS WHICH OFTEN HAVE CURTAILED LDC ECONOMIC PERFORMANCE AND THEREFORE TYPIFY AREAS OF NEEDED POLICY REFORM. SUCH CONTROLS ALSO OFTEN REDUCE THE PARTICIPATION OF THE POOR IN DEVELOPMENT BY REDUCING AGRICULTURAL PRODUCTION INCENTIVES, OVERALL EMPLOYMENT OPPORTUNITIES, AND THE POTENTIAL FOR SMALL ENTERPRISE EXPANSION.

- THE ANALYSIS SECTION OF THE CDSS SHOULD DISCUSS THE GENERAL POLICY FRAMEWORK OF THE HOST GOVERNMENT. IN CASES WHERE MISSION CAPABILITY TO UNDERTAKE SUCH ECONOMIC ANALYSIS IS LIMITED, MISSIONS SHOULD, AT LEAST CONCENTRATE THEIR ATTENTION ON THE EFFECT OF MACRO POLICY ON THE SECTORS IN WHICH THE MISSION IS ACTIVE. THIS WOULD INCLUDE A BRIEF DISCUSSION, WHERE RELEVANT,

- OF FISCAL AND MONETARY POLICY, COMMERCIAL POLICY AND

- EXCHANGE CONTROLS, INTEREST RATES AND WAGES, PRICE CONTROLS, PARTICULARLY IN THE AGRICULTURAL SECTOR, MARKETING, THE ROLE OF PARASTATALS, AND THE LEVEL AND INCIDENCE OF TAXATION. THE ANALYSIS SHOULD INDICATE THE WAY IN WHICH THIS POLICY FRAMEWORK ENCOURAGES OR INHIBITS ECONOMIC GROWTH, CAPITAL FORMATION, EMPLOYMENT GROWTH, GREATER EQUITY IN ACCESS TO PRODUCTIVE RESOURCES, INFLATION, BALANCE OF PAYMENTS PROBLEMS, AND PRODUCTIVITY GROWTH IN THE PRIVATE ECONOMY. REGARDING THE PUBLIC SECTOR, MISSIONS SHOULD ANALYZE THE GOVERNMENT BUDGET WITH A VIEW TO THE ADEQUACY OF RESOURCE MOBILIZATION AND CONSISTENCY OF INVESTMENT AND ALLOCATION POLICY WITH DEVELOPMENT OBJECTIVES. IT SHOULD ALSO ASSESS THE RELATIONSHIP OF THIS POLICY FRAMEWORK TO THE U.S. ASSISTANCE PROGRAM. THE ANALYSIS SHOULD, WHERE POSSIBLE, DISCUSS THE CONSTRAINTS TO POLICY REFORM. IT SHOULD ALSO CONTAIN A BRIEF DISCUSSION OF THE CURRENT NEGOTIATION SITUATION BETWEEN THE RECIPIENT COUNTRY AND THE IMF, IBRD, AND ANY REGIONAL MULTILATERAL FINANCIAL INSTITUTIONS, WHERE APPLICABLE, AS WELL AS THE DEGREE OF COMPLIANCE WITH CURRENT IMF OR IBRD STRUCTURAL ADJUSTMENT AGREEMENTS.

- THE STRATEGY SECTION OF THE CDSS SHOULD CONTAIN, IF APPROPRIATE, A DISCUSSION OF THE ROLE THE MISSION SEES AID TAKING IN ENCOURAGING THE DEVELOPMENT AND IMPLEMENTATION OF ECONOMIC POLICIES WHICH EFFECTIVELY PROMOTE ECONOMIC DEVELOPMENT. IS THE HOST GOVERNMENT RECEPTIVE? ARE DONORS ACTING IN CONCERT OR ARE THEY AT VARIANCE WITH EACH OTHER? CAN AID PROJECTS BE USED TO ENCOURAGE REFORM IN THE SECTORS OF INTEREST TO THE AGENCY? CAN OR SHOULD PROGRAM ASSISTANCE BE USED IN THIS REGARD AND UNDER WHAT CONDITIONS? WHERE POLICY REFORM IS UNLIKELY, CAN AID PROJECTS BE DESIGNED TO INSULATE THEM FROM BAD POLICIES? BASED ON THE ANALYSIS OF THE NEED FOR REFORMS AND THE CONSTRAINTS TO ENACTING SUCH REFORMS, THE STRATEGY SHOULD IDENTIFY REALISTIC AID POLICY REFORM PRIORITIES, AND THEN LAY OUT A PLAN FOR ACHIEVING THESE OBJECTIVES.

B. PRIVATE SECTOR

- THIS ADMINISTRATION IS COMMITTED TO THE PRINCIPLE THAT AID AND THE PRIVATE SECTOR CAN AND MUST COOPERATE IN ORDER TO MAKE MEANINGFUL PROGRESS TOWARD ACHIEVING THE AGENCY'S DEVELOPMENT OBJECTIVES. MISSIONS ARE STRONGLY ENCOURAGED TO EXPLORE WAYS OF STRENGTHENING THE DEVELOPMENT OF THE INDIGENOUS PRIVATE SECTOR AND

- TO PURSUE OPPORTUNITIES FOR MARSHALLING THE SKILLS AND RESOURCES OF THE US PRIVATE SECTOR IN WAYS THAT COMPLEMENT AID RESOURCES.

- THE PRIVATE SECTOR PRINCIPALLY CONSISTS OF PRIVATE BUSINESS ENTERPRISES, NON-PROFIT PRIVATE AND VOLUNTARY ORGANIZATIONS (NPOs), AND UNIVERSITIES, BECAUSE OF THEIR LARGELY AUTONOMOUS NATURE EVEN WHEN AFFILIATED WITH STATE OR OTHER GOVERNMENTS. IN MOST DEVELOPING COUNTRIES, FARMERS, AGRIBUSINESS FIRMS, COOPERATIVES, AND RURAL AND URBAN SERVICE INDUSTRIES COMPRISE THE BULK OF THE PRIVATE SECTOR, AND ARE APPROPRIATE SECTORS FOR AID PARTICIPATION.

- EACH MISSION SHOULD DISCUSS THE PRIVATE SECTOR AS PART OF ITS BROAD MACROECONOMIC ANALYSIS. THIS DISCUSSION SHOULD IDENTIFY THE ROLE PLAYED BY THE INDIGENOUS PRIVATE SECTOR IN THE ECONOMY, ANALYZE ITS POTENTIAL AND THE CONSTRAINTS AFFECTING ITS GROWTH. THE PRIVATE SECTOR CAN MAKE A CONSIDERABLE CONTRIBUTION TO ALLEVIATING POVERTY THROUGH STIMULATING OUTPUT AND EMPLOYMENT

UNCLASSIFIED

Department of State

OUTGOING
TELEGRAM

PAGE 03 OF 07 STATE 316566

9544 049960 A107233

STATE 316566

9544 049960 A1

- GROWTH.
- IN IDENTIFYING THE CONSTRAINTS FACING THE INDIGENOUS PRIVATE SECTOR, MISSIONS SHOULD PAY PARTICULAR ATTENTION TO THE GENERAL BUSINESS CLIMATE AND THE SPECIFIC GOVERNMENT POLICIES AND REGULATIONS THAT AFFECT PRIVATE SECTOR ACTIVITIES. MISSIONS SHOULD IDENTIFY, AS WARRANTED, WEAK INSTITUTIONS, DEFICIENT PHYSICAL INFRASTRUCTURE, PROBLEMS IN MANAGEMENT, MARKETING, PURCHASING, TECHNOLOGY, TRAINING, AND CREDIT. THE PROPER COMBINATION OF PUBLIC AND PRIVATE SECTOR INVESTMENT THAT MAXIMIZES AGENCY DEVELOPMENT OBJECTIVES SHOULD BE CAREFULLY THOUGHT THROUGH.
- MISSIONS ALSO SHOULD EXAMINE THE POTENTIAL FOR PROMOTING INCREASED INVOLVEMENT OF US PRIVATE ENTERPRISES AND COOPERATIVES IN THE DEVELOPMENT PROCESS IN ORDER TO SUPPLEMENT ONGOING AID ACTIVITIES. DEFINITIVE POLICY ON AID'S PRIVATE SECTOR PROGRAMS, INCLUDING THE ROLE OF THE PRE BUREAU, IS PRESENTLY BEING FORMULATED AND WILL BE SENT TO THE MISSIONS WHEN COMPLETED.
- C. DEVELOPMENT OF HUMAN RESOURCES AND INSTITUTIONAL CAPACITY
- EFFECTIVE INSTITUTIONS PROVIDE A COUNTRY THE SELF-SUSTAINING CAPACITY TO SOLVE CRITICAL DEVELOPMENT PROBLEMS. FURTHERMORE, THEY:
 - -- ENHANCE A COUNTRY'S ABILITY TO MARSHALL ITS OWN HUMAN AND NATIONAL RESOURCES FOR DEVELOPMENT;
 - -- ENABLE INDIVIDUALS TO OBTAIN ACCESS TO THE SKILLS, RESOURCES AND SERVICES NEEDED TO INCREASE THEIR PRODUCTIVITY, INCOMES AND WELL-BEING; AND
 - -- INCREASE THE ABSORPTIVE CAPACITY AND EFFECTIVENESS OF EXTERNAL ASSISTANCE, THEREBY FOSTERING DEVELOPMENT THAT CONTINUES BEYOND THE PERIOD DURING WHICH ASSISTANCE IS PROVIDED.
- IT IS THEREFORE AID POLICY TO HELP RECIPIENT COUNTRIES ESTABLISH AND STRENGTHEN PUBLIC AND PRIVATE INSTITUTIONS ESSENTIAL TO MUTUALLY AGREED, PRIORITY DEVELOPMENT OBJECTIVES. AID WILL ALSO HELP COUNTRIES DEVELOP THE HUMAN RESOURCES, BOTH MALE AND FEMALE, NEEDED FOR EFFECTIVE INSTITUTIONS.
- THE CREATION OF SUCH CAPACITIES WILL OFTEN REQUIRE A LONG-TERM COMMITMENT AND EFFORT -- E.G., TEN YEARS OR MORE -- FROM AID, THE HOST COUNTRY AND, IN MANY CASES, OTHER DONORS AS WELL. MISSIONS SHOULD THEREFORE PROVIDE A SUFFICIENTLY LONG-TERM ASSESSMENT OF HOW AID RESOURCES WILL BE UTILIZED TO IMPROVE RELEVANT INSTITUTIONAL CAPACITIES WITHIN THE HOST COUNTRY. INSTITUTIONAL DEVELOPMENT ACTIVITIES CAN INCLUDE A RANGE OF POSSIBLE ASSISTANCE MODES, INCLUDING TRAINING FOR SKILL AND MANAGEMENT UPGRADING, AS WELL AS MORE ACTIVE INVOLVEMENT THROUGH TECHNICAL AND CAPITAL ASSISTANCE TO ESTABLISH AND MODIFY ORGANIZATIONAL OBJECTIVES, FUNCTIONS, STRUCTURES, PROCEDURES, STAFFING AND INCENTIVES. MISSIONS SHOULD IDENTIFY THE INSTITUTIONS, AT BOTH THE NATIONAL AND LOCAL LEVEL, THAT WILL ASSUME MAJOR ROLES IN SUPPORTING AND IMPLEMENTING THE PROPOSED COUNTRY ASSISTANCE STRATEGY. THE FOLLOWING ISSUES SHOULD BE ANALYZED: (1) WHAT ARE THE CHIEF DEVELOPMENT TASKS THAT WILL NEED TO BE PERFORMED BY THESE INSTITUTIONS IN SUPPORTING AND IMPLEMENTING THE COUNTRY ASSISTANCE STRATEGY? (2) WHAT KINDS OF SKILLS AND ORGANIZATIONAL CAPACITIES WILL NEED TO BE STRENGTHENED IN ENABLING THESE INSTITUTIONS TO PERFORM THESE TASKS? (3) WHAT ARE THE IMPLICATIONS OF KEY "EXTERNAL" POLICY, SOCIOECONOMIC, CULTURAL AND/OR POLITICAL FACTORS THAT IMPINGE UPON EFFECTIVE INSTITUTIONAL DEVELOPMENT? IF ADVERSE, WHAT FEASIBLE ALTERNATIVES ARE AVAILABLE?
- IN PROPOSING INSTITUTIONAL DEVELOPMENT PROGRAMS MISSIONS SHOULD PAY SPECIAL ATTENTION TO INSURING CLIENT PARTICIPATION IN THE FUNCTION OF THE INSTITUTION AND TO STRENGTHENING LINKAGE BETWEEN NATIONAL LEVEL INSTITUTIONS AND LOCAL BENEFICIARIES. WE MUST ALSO BE SENSITIVE TO THE PROBLEM OF FORCE FEEDING THE INSTITUTIONAL DEVELOPMENT PROCESS. IF WE FINANCE TOO LARGE A SHARE OF AN INSTITUTION'S GROWTH, WE RISK DEPENDENCY AND A DIMINUTION OF INDIGENOUS CAPABILITY TO MEET RECURRENT COSTS IN THE FUTURE.
- D. TECHNOLOGY DEVELOPMENT, TRANSFER, AND EXTENSION
- MISSIONS ARE ENCOURAGED TO SUPPORT THOSE ASPECTS OF THEIR PROGRAMS THAT PROMOTE THE DEVELOPMENT OF INNOVATIVE SCIENTIFIC AND TECHNICAL SOLUTIONS TO PRESSING LOCAL DEVELOPMENT PROBLEMS. EXPERIENCE HAS TAUGHT THAT AN INDIGENOUS CAPACITY: (1) TO DEVELOP AND APPLY A CONTINUING STREAM OF INNOVATIONS DESIGNED TO INCREASE PRODUCTIVITY, EMPLOYMENT AND INCOMES; AND (2) TO EVALUATE AND TO ADAPT TECHNOLOGIES TRANSFERRED FROM INDUSTRIALIZED COUNTRIES IS CRUCIAL FOR DYNAMIC, SELF-SUSTAINING ECONOMIC DEVELOPMENT. THIS IS ESPECIALLY TRUE IN THE AGRICULTURAL AND ENERGY SECTORS.
- TO THE EXTENT RELEVANT IN ANY PARTICULAR COUNTRY SETTING, MISSIONS SHOULD ALSO INVESTIGATE PROGRAMS THAT ENCOURAGE INTERNATIONAL TECHNOLOGY TRANSFER AND DIFFUSION, ESPECIALLY THOSE THAT OPERATE THROUGH MARKET MECHANISMS (FOR EXAMPLE BY ADDRESSING PATENT POLICY ISSUES OR PROVIDING TECHNICAL ASSISTANCE IN AREAS SUCH AS TECHNOLOGY SALES, LICENSING AND ROYALTY AGREEMENTS, AND MANAGEMENT CONTRACTS).
- MISSIONS SHOULD BE ALERT TO OPPORTUNITIES FOR INVOLVING OR APPLYING CENTRALLY FUNDED RESEARCH IN THE RECIPIENT COUNTRY. MISSION/CENTRAL BUREAU INTERACTION IS ABSOLUTELY VITAL TO THE AGENCY'S EFFORT TO IMPROVE THE QUALITY AND EFFECTIVENESS OF THE AID PROGRAM.
- AID IS COMMITTED TO THE IMPORTANCE OF APPROPRIATE TECHNOLOGY IN ALL ITS PROGRAMS, IN ORDER TO INSURE THAT THE ADOPTION OF NEW TECHNOLOGIES GENERATES EMPLOYMENT AND INSURES SUSTAINABILITY. THESE CONSIDERATIONS ARE IMPORTANT IN ALL OF THE AGENCY'S ACTIVITIES, RANGING FROM AGRICULTURE AND ENERGY THROUGH LABOR-BASED CONSTRUCTION METHODS TO SERVICE DELIVERY SYSTEMS. WE WISH TO STRESS THE RELATIONSHIP OF ECONOMIC POLICY TO THE PROCESS OF TECHNOLOGICAL CHANGE - APPROPRIATE
- POLICIES ARE ESSENTIAL TO THE EMERGENCE OF TECHNOLOGIES CONSISTENT WITH LOCAL ECONOMIC REALITIES.
- 3. SECTOR GUIDANCE
- A. AGRICULTURE AND RURAL DEVELOPMENT
- THE PRIMARY OBJECTIVE OF AID'S FOOD AND AGRICULTURAL ASSISTANCE REMAINS THAT OF HELPING RECIPIENT COUNTRIES TO INCREASE FOOD AND AGRICULTURAL PRODUCTION ON A SELF-SUSTAINING BASIS AND TO ENABLE THEIR HUNGRY AND MALNOURISHED TO OBTAIN THE FOOD THEY NEED. AGRICULTURE

UNCLASSIFIED

Department of State

OUTGOING
TELEGRAM

PAGE 04 OF 07 STATE 316566

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STATE 316566

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- CULTURAL DEVELOPMENT, PARTICULARLY WITH RESPECT TO INCREASED FOOD AVAILABILITY, REMAINS AID'S TOP PRIORITY. IN THIS CDSS, ADDITIONAL EMPHASIS SHOULD BE GIVEN TO THE ROLES OF POLICY ANALYSIS, SCIENCE AND TECHNOLOGY, AND THE PRIVATE SECTOR IN ACCOMPLISHING THE SECTOR GOAL.

- AN EFFECTIVE AGRICULTURAL STRATEGY USUALLY INVOLVES AN INTEGRATED APPROACH WHICH: (1) HELPS TO BUILD PRODUCTIVE CAPACITY THROUGH TECHNICAL ASSISTANCE AND INVESTMENTS; AND (2) EXPANDS MARKETS AND PEOPLE'S ACCESS TO MARKETS BY REDUCING BARRIERS TO TRADE AND INCREASING EMPLOYMENT.

- THE BREADTH OF THE AID ASSISTANCE STRATEGY FOR ANY MISSION WILL DEPEND ON THE LIKELY SIZE OF THE US ASSISTANCE PROGRAM, (NOT ONLY DA BUT ALSO ESF AND PL 480) PERSONNEL LEVELS AND AVAILABILITY, THE PROGRAMS OF OTHER DONORS AND THE STAGE OF DEVELOPMENT OF THE RECIPIENT COUNTRY (CAN WE PHASE OUT OVER THE CDSS PERIOD, FOR EXAMPLE). THE NUMBER OF SUBSECTORS WITHIN AGRICULTURE IS A COUNTRY-SPECIFIC ISSUE WHICH REQUIRES MISSION JUDGEMENT. IT IS OUR PERCEPTION THAT PAST CDSS'S HAVE TENDED TO BE UNFOCUSED, INCLUDING LARGE NUMBERS OF SUBSECTORS TO COVER THE WIDEST SPECTRUM OF POSSIBLE PROJECTS. THIS YEAR WE WOULD LIKE TO SEE MORE CAREFULLY FOCUSED SECTOR AND SUBSECTOR ANALYSES, EVEN IN COUNTRIES WITH THE LARGEST PROGRAMS.

- AN EFFECTIVE AGRICULTURAL STRATEGY MUST REST ON EFFECTIVE POLICIES. AS INDICATED ABOVE, POSSIBLE SUPPORT FOR POLICY REFORM IS PART OF AID'S OWN POLICY PERSPECTIVE. MISSIONS SHOULD, THEREFORE, CRITICALLY EXAMINE COUNTRY POLICIES AFFECTING FOOD AND AGRICULTURAL DEVELOPMENT. SUCH POLICIES MUST PROVIDE ADEQUATE AND STABLE INCENTIVES TO RURAL PRODUCERS, ESTABLISH SOUND

- BUDGET PRIORITIES FOR AGRICULTURE, AND ENCOURAGE HEALTHY GROWTH OF THE RURAL PRIVATE SECTOR. WHERE THE PRIVATE SECTOR PLAYS A MAJOR ROLE IN FOOD PRODUCTION, PROCESSING, MARKETING, THE MANUFACTURE OF GOODS AND THE DELIVERY OF SERVICES TO AGRICULTURE, MISSIONS SHOULD ASSESS POLICY AND OTHER CONSTRAINTS TO THE PRIVATE SECTOR CONTRIBUTION TO FOOD AND AGRICULTURAL DEVELOPMENT AND EXPLORE WAYS IN WHICH AID ASSISTANCE AND POLICY DIALOGUE MIGHT REDUCE SUCH CONSTRAINTS. A COUNTRY'S STRATEGY FOR ASSURING ADEQUATE SUPPLIES OF FERTILIZER AND OTHER AGRICULTURAL INPUTS SHOULD RECEIVE SPECIAL ATTENTION. OBVIOUSLY, SUCH A STRATEGY INVOLVES PUBLIC AS WELL AS PRIVATE SECTOR POLICIES AND ACTIONS. THE US PRIVATE SECTOR, PARTICULARLY THE AGRIBUSINESS SECTOR, SHOULD ALSO BE CONSIDERED AS A POTENTIALLY IMPORTANT SOURCE OF SKILLS AND RESOURCES TO ADDRESS LDC CONSTRAINTS.

- RENEWED ATTENTION TO NATIONAL AGRICULTURAL RESEARCH STRATEGIES IS CRITICAL TO THE DEVELOPMENT OF SELF-SUSTAINING CAPACITY FOR RESEARCH AND INNOVATION. INTERNATIONAL AGRICULTURAL RESEARCH CENTERS (IARCS) CAN BE EXPECTED TO PLAY AN IMPORTANT ROLE IN DEVELOPING NEW AGRICULTURAL TECHNOLOGY, BUT FUNCTIONING NATIONAL AGRICULTURAL RESEARCH AND EXTENSION SYSTEMS ARE REQUIRED TO UTILIZE AND BENEFIT FROM IARC ASSISTANCE. AT THE SAME TIME, CONTINUED ATTENTION TO THE DEVELOPMENT OF LOCAL INSTITUTIONS NEEDED TO FOSTER COMMUNITY SELF-RELIANCE, MAY ALSO BE REQUIRED TO: (1) IMPROVE LOCAL STORAGE OF FOOD COMMODITIES AND THUS TO CONTRIBUTE TO NATIONAL AS WELL AS LOCAL FOOD SECURITY; (2) DEVELOP MORE EFFICIENT MEANS FOR MANAGING SCARCE AGRICULTURAL INPUTS AND RESOURCES (SUCH AS THROUGH

- IMPROVED MANAGEMENT TECHNIQUES IN COOPERATIVE OR WATER-USERS ASSOCIATIONS); OR (3) FURTHER THE EXTENSION AND ADOPTION OF IMPROVED PRODUCTION TECHNOLOGIES.

3B. HEALTH

- IN A PERIOD OF SEVERE RESOURCE CONSTRAINTS, AID CONTINUES TO SUPPORT APPROPRIATE HEALTH PROGRAMMING AS AN ESSENTIAL PART OF THE DEVELOPMENT PROCESS. IMPROVEMENTS IN HEALTH ARE FUNDAMENTAL TO THE ACHIEVEMENT OF OVERALL DEVELOPMENT OBJECTIVES, FOR POOR HEALTH REDUCES PRODUCTIVITY OF STUDENTS AND WORKERS AND RAISES ABSENTEEISM AMONG BOTH GROUPS, THEREBY REDUCING TOTAL OUTPUT AND DIMINISHING DEVELOPMENT PROSPECTS. LDC AND DONOR RESOURCES FOR HEALTH CONTINUE TO BE QUITE LIMITED. INDEED, PROJECTED AID FUNDING FOR HEALTH PROGRAMS IN FY 83 IS HALF THAT OF FY 81. MISSION STRATEGY SHOULD BE BASED ON:

- -- THE NATURE, MAGNITUDE, AND CAUSES OF THE COUNTRY'S MAJOR HEALTH PROBLEMS AND MAJOR BOTTLENECKS TO EFFECTIVE HEALTH CARE DELIVERY;

- -- THE ADEQUACY OF SUPPORT FOR COMMUNITY-BASED, LOW-COST HEALTH SYSTEMS SUSTAINABLE BY THE GOVERNMENT OR COMMUNITY;

- -- THE EXTENT OF DEMAND FOR PRIMARY HEALTH CARE SERVICES;

- -- WAYS OF MAXIMIZING THE HEALTH IMPACT OF AID'S INVESTMENTS THROUGH THE SUPPORT OF LOCAL INSTITUTIONS (INCLUDING TRADITIONAL PRACTITIONERS), THE TRANSFER OF APPROPRIATE TECHNOLOGY, AND THE STRENGTHENING OF HEALTH MANAGEMENT AND PLANNING CAPABILITIES.

- ACCORDINGLY, WE SUGGEST MISSIONS CONSIDER PROGRAMS WHICH, WITH DIMINISHED FUNDING, COULD CONTRIBUTE TO IMPROVED UTILIZATION OF RESOURCES IN THE HEALTH SECTOR. SUCH PROGRAMS SHOULD CONSIDER THE FOLLOWING:

- -- HOST GOVERNMENTS' INSTITUTIONAL CAPACITY TO PLAN, MANAGE, AND AFFORD EXTENSION OF HEALTH SERVICES;

- -- MEANS FOR FINANCING HEALTH SERVICES FROM SOURCES OTHER THAN GENERAL GOVERNMENT REVENUES;

- -- POSSIBILITIES FOR PROJECTS WHICH UTILIZE US SKILLS IN TECHNICAL ASSISTANCE, TECHNOLOGY TRANSFER, MANPOWER DEVELOPMENT, ETC., TO COMPLEMENT LARGER INFRASTRUCTURE INVESTMENTS BY OTHER DONORS. THIS IS PARTICULARLY APPLICABLE TO WATER SUPPLY AND SANITATION PROGRAMS;

- -- POSSIBILITIES FOR ADDING A RESEARCH OR EVALUATION ELEMENT TO OPERATING PROJECTS TO ADDRESS PROBLEMS WHICH ARE IMPEDING EFFECTIVE DELIVERY OF HEALTH SERVICES.

3C. EDUCATION

- THE AGENCY BELIEVES THAT IMPROVED LDC PERFORMANCE IN EDUCATION AND TRAINING IS A NECESSARY CONDITION FOR LONG-TERM DEVELOPMENT. THERE IS STRONG EVIDENCE THAT PROGRESS IN EXPANDING BASIC SCHOOLING AND INCREASING ADULT FUNCTIONAL LITERACY CONTRIBUTES DIRECTLY TO PROGRESS IN IMPROVING AGRICULTURAL PRODUCTIVITY, DIFFUSING NEW TECHNOLOGIES, REDUCING FERTILITY AND CHANGING HEALTH BEHAVIORS.

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- AID RESOURCES SHOULD BE CONCENTRATED ON:
 - -- TECHNICAL ASSISTANCE, INCLUDING EXTERNAL TRAINING FOR KEY EDUCATORS;
 - -- STRENGTHENING LOCAL CAPACITIES TO ASSESS, PLAN AND ADMINISTER EDUCATION SYSTEMS, FORMAL AND NONFORMAL;
 - -- ASSISTING ON A SELECTIVE BASIS KEY ELEMENTS OF BASIC EDUCATION INFRASTRUCTURE (E.G., MATERIALS PRODUCTION FACILITIES) WHERE THE LACK OF SUCH INFRASTRUCTURE IS ASSESSED TO CONSTRAIN LOCAL EFFORTS TO REFORM OR BRING ABOUT NEEDED EFFICIENCIES IN THE DELIVERY OF EDUCATION.
 - -- PROMOTING EDUCATION OF FEMALES AT ALL LEVELS OF THE EDUCATIONAL SYSTEM.
- IT IS EXPECTED THAT VOCATIONAL/TECHNICAL SKILLS TRAINING WILL CONTINUE TO BE A NEED IN MOST COUNTRIES. TRAINING SHOULD BE CLOSELY RELATED TO EMPLOYMENT NEEDS, BE PRACTICAL IN NATURE, AND BE COORDINATED WITH THE EMPLOYING INDUSTRIES, MINISTRIES AND LOCAL ORGANIZATIONS. A STRONG ROLE FOR THE PVO ORGANIZATIONS AND FOR THE PRIVATE SECTOR IN IMPLEMENTING TRAINING IS ENCOURAGED.
- HIGHER LEVEL TRAINING FOR TECHNICIANS, ADMINISTRATORS, PROFESSIONAL AND SCIENTIFIC PERSONNEL IS EXPECTED TO CONTINUE AS A MAJOR EMPHASIS BOTH WITHIN THE SECTION 185 EHR ACTIVITIES AND WITHIN THE PROJECT ACTIVITIES OF THE OTHER FUNCTIONAL ACCOUNTS.
- TRAINING MUST BE SEEN AS A ESPECIALLY IMPORTANT ACTIVITY IN THOSE COUNTRIES WHICH ARE NOT CARRYING OUT ECONOMIC POLICIES CONDUSIVE TO GROWTH AND DEVELOPMENT. IN THESE COUNTRIES, AN INVESTMENT IN THE LONG-TERM DEVELOPMENT OF HUMAN RESOURCES MAY BE THE MOST REALISTIC EMPHASIS.

30. POPULATION

- RAPID POPULATION GROWTH IS A MAJOR OBSTACLE TO SOCIAL AND ECONOMIC PROGRESS IN MOST DEVELOPING COUNTRIES; EFFORTS TO HELP LDCS REDUCE SUCH GROWTH THROUGH PROVISION OF VOLUNTARY FAMILY PLANNING SERVICES, SUPPORTED BY OTHER DEVELOPMENT POLICIES AND PROGRAMS, REMAINS AN AID PRIORITY. AID WILL CONTINUE TO DEVELOP AND DISSEMINATE THE MOST WIDELY USED CONTRACEPTIVE METHODS; DEVELOP LOW-COST SERVICE DELIVERY SYSTEMS; TRAIN PERSONNEL; INCREASE INTEREST IN FAMILY PLANNING AMONG INDIVIDUALS, COMMUNITIES, AND NATIONAL LEADERS; AND PROMOTE MULTILATERAL ASSISTANCE FOR FAMILY PLANNING.
- IN DESIGNING POPULATION PROGRAMS, MISSIONS SHOULD INVESTIGATE VARIOUS WAYS IN WHICH THE POPULATION PROBLEM MAY BE ADDRESSED THROUGH LINKING OTHER DEVELOPMENT PROGRAMS TO FAMILY PLANNING PROGRAMS, E.G., THE CAPACITY OF THE HEALTH DELIVERY SYSTEM TO PROVIDE FAMILY PLANNING SERVICES, IMPROVEMENTS IN THE EDUCATIONAL PROSPECTS AND INCOME EARNING CAPACITIES OF WOMEN AND GIRLS, IMPROVED INFANT AND MATERNAL HEALTH, AGRICULTURAL INNOVATIONS WHICH LESSEN THE DEMAND FOR CHILD LABOR, ETC.

3E. ENERGY

- THE AGENCY IS PLANNING INCREASED ATTENTION TO ENERGY

- ACTIVITIES IN THE FUTURE, REFLECTING THE CRITICAL NATURE OF ENERGY TO ACHIEVING COUNTRY AND AID DEVELOPMENT GOALS. MISSIONS SHOULD GIVE SPECIAL ATTENTION TO ENERGY, NOT AS A SEPARATE END PRODUCT, BUT INTEGRATED AS A CRITICAL FACTOR IN ACHIEVING AID'S DEVELOPMENT GOALS IN FOOD PRODUCTION, EMPLOYMENT AND THE ENVIRONMENT.
- IN THE FORMULATION OF PROGRAMS, MISSIONS SHOULD ASSURE MAXIMUM COORDINATION AND INFORMATION EXCHANGE WITH OTHER BILATERAL ASSISTANCE AGENCIES, THE WORLD BANK AND OTHER MULTILATERAL ORGANIZATIONS, AND THE PRIVATE SECTOR.
- EFFECTIVE ACTION TO ADDRESS DEVELOPING COUNTRY ENERGY PROBLEMS WILL REQUIRE A MIX OF PUBLIC AND PRIVATE SECTOR EFFORTS. AID'S PUBLIC SECTOR ASSISTANCE SHOULD BE STRUCTURED TO SUPPORT AND COMPLEMENT THE PRIVATE SECTOR.
- TO FULFILL THIS ROLE, AID'S PROGRAMS SHOULD CONCENTRATE ON TECHNICAL ASSISTANCE, CAPITALIZING ON CONTRIBUTION OF PUBLIC SECTOR ASSISTANCE IN BUILDING INSTITUTIONAL CAPACITY AND TRANSFER OF TECHNOLOGY.
- AID ENERGY PROGRAMS SHOULD EMPHASIZE THE FOLLOWING:
 - -- ANALYSIS OF NEEDS, USES, RESOURCES, AND POLICIES
 - POLICY LEVEL ASSISTANCE BUTTRESSED BY SOUND ANALYSIS IS CRITICAL TO SUCCESSFUL DEVELOPING COUNTRY ENERGY POLICY, AND MAXIMIZES THE CATALYTIC RESULT OF AID INPUTS.
 - -- TRAINING AND INSTITUTIONAL DEVELOPMENT
 - THE AWARENESS AND HENCE THE CAPACITY OF DEVELOPING COUNTRIES TO ADDRESS ENERGY CONSTRAINTS IS STILL EVOLVING. ASSISTANCE IN THESE AREAS WILL HAVE BOTH SHORT AND LONGER TERM SIGNIFICANCE. AID ASSISTANCE, IN A FIELD WHERE AID HAS LONG AND SUCCESSFUL EXPERIENCE CAN BE UNIQUELY SUPPORTIVE.
 - -- SITE TESTING AND DEMONSTRATION OF NEW TECHNOLOGIES
 - NEW TECHNOLOGIES WILL BE INCREASINGLY COST EFFECTIVE, ESPECIALLY FOR REMOTE RURAL APPLICATIONS, BUT THE NEW TECHNOLOGIES MUST BE CAREFULLY DEMONSTRATED AND EVALUATED IN ACTUAL DEVELOPING COUNTRY APPLICATIONS. AID ASSISTANCE CAN HELP EXPLORE THESE NEW APPLICATIONS SYSTEMATICALLY.
 - -- INCREASING ENERGY SUPPLIES
 - THE PRODUCTION AND MORE EFFICIENT USE OF ENERGY IS THE ULTIMATE PRODUCT OF AID'S ENERGY ACTIVITIES. AID'S ENERGY PROGRAMS -- FOR BOTH FOSSIL FUELS AND RENEWABLES -- ENCOURAGE THESE ENDS, PRIMARILY BY CREATING AN ENVIRONMENT FOR PRIVATE SECTOR INVESTMENT. AID'S PROGRAMS SHOULD GIVE SIGNIFICANT ATTENTION TO FUELWOOD ACTIVITIES CRITICAL TO USE BY POORER PEOPLE AND WHERE THE PRIVATE SECTOR ROLE IS SECONDARY.

3F. HOUSING

- ACCELERATING URBANIZATION IS ONE OF THE MOST PROFOUND DEMOGRAPHIC PHENOMENA OF THIS CENTURY. IT IS EXPECTED THAT THE URBAN POPULATION OF THE DEVELOPING WORLD WILL HAVE GROWN BY ABOUT 800 PERCENT BETWEEN 1950 AND THE

Department of State

DEPARTMENT OF STATE
TELEGRAM

PAGE 06 OF 07 STATE 316566

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- YEAR 2000. STRESSES ASSOCIATED WITH RAPID URBANIZATION
- ARE MOST ACUTE IN THE LDC'S WHERE FINANCIAL AND INSTI-
- TUTIONAL RESOURCES ARE INADEQUATE TO COPE WITH NEWLY
- CREATED AND UNFAMILIAR PROBLEMS.

- BECAUSE OF THE SERIOUSNESS OF THIS PHENOMENON,
- MISSIONS CONSIDERING SHELTER PROGRAMS SHOULD DEVELOP
- A SHELTER AND URBAN DEVELOPMENT STRATEGY AS AN INTE-
- GRAL PART OF THE CDSS. MISSIONS SHOULD DEFINE THE
- EXTENT OF THE PROBLEM (E.G., URBANIZATION RATES,
- GROWTH OF SQUATTER SETTLEMENTS) AND PROPOSE ALTER-
- NATIVES FOR ADDRESSING THE MOST CRITICAL PROBLEMS.
- THE AGENCY'S PRIMARY TOOL FOR COMING TO GRIPS WITH
- PROBLEMS SPAWNED BY RAPID URBANIZATION IS THE HOUSING
- GUARANTY (HG) PROGRAM. HG FUNDS ARE USED PRIMARILY
- TO BOLSTER THE FINANCIAL RESOURCES OF A COUNTRY FOR
- IMPLEMENTING SHELTER RELATED PROGRAMS. EMPHASIS
- SHOULD BE PLACED ON WAYS IN WHICH HG FUNDS CAN BE
- USED TO RELIEVE CONSTRAINTS ON THE PRIVATE SECTOR'S
- CAPACITY TO PROVIDE ADEQUATE SHELTER FOR THE POOR AS
- WELL AS ON AN ASSESSMENT OF THE PROPER ROLE OF
- GOVERNMENTAL INSTITUTIONS.

4. US ASSISTANCE RESOURCES

- MISSIONS ARE ENCOURAGED TO INTEGRATE ALL ELEMENTS OF
- US FOREIGN ASSISTANCE INTO A BROAD, COHERENT STRATEGY
- FOR ACHIEVING US OBJECTIVES. THUS, MISSIONS SHOULD
- SEEK TO PROGRAM DA, ESF, PL 480 AND HG RESOURCES, IN
- SUCH A WAY AS TO INSURE THAT THERE IS COMPLEMENTARITY
- AND COHESION IN THE MISSION'S STRATEGY. IN ADDITION,
- COORDINATION OF THE AGENCY'S RESOURCES WITH PEACE
- CORPS AND US PRIVATE SECTOR (BOTH PVO AND BUSINESS)
- ACTIVITIES IS VITAL IN MAXIMIZING THE EFFECTIVENESS
- OF THE AGENCY'S PROGRAM.

- CLEARLY, CERTAIN INSTRUMENTS HAVE CHARACTERISTICS WHICH
- MAKE THEM MORE SUITABLE FOR CERTAIN PURPOSES. THUS,
- WHILE ESF SHOULD BE USED TO MEET DEVELOPMENT OBJECTIVES
- TO THE MAXIMUM EXTENT CONSISTENT WITH OUR SECURITY AND
- POLITICAL OBJECTIVES, IT IS MORE SUITABLE FOR ADDRESS-
- ING SHORT-TERM BALANCE OF PAYMENTS SUPPORT PROBLEMS THAN
- IS DEVELOPMENT ASSISTANCE; PL 480 IS PRIMARILY DESIGNED
- TO MEET SHORT-TERM FOOD DEFICITS. NEVERTHELESS,
- THERE ARE OPPORTUNITIES FOR USING ONE
- RESOURCE TO COMPLEMENT OTHERS, AS, FOR EXAMPLE,
- USING PL 480 COMMODITIES TO INFLUENCE POLICY

- CHANGES WHICH AFFECT THE VIABILITY OF A DA-FINANCED
- AGRICULTURAL MARKETING PROJECT.

A. PL 480

- THE CDSS DISCUSSION OF THE AGRICULTURAL SECTOR
- SHOULD, AS EARLIER SUGGESTED, HIGHLIGHT OPPORTUNITIES
- FOR AND CHALLENGES TO INCREASED FOOD SELF-SUFFICIENCY.
- WHERE THERE IS A FOOD GAP, A PL 480 PROGRAM MAY BE AN
- APPROPRIATE ELEMENT OF AID'S BILATERAL STRATEGY, AND
- THUS THE CDSS SHOULD EXPLICITLY CONSIDER WHETHER FOOD
- AID SHOULD BE INCLUDED AS PART OF THE OVERALL ASSIS-
- TANCE EFFORT. FOOD AID PROPOSALS SHOULD BE BASED ON
- AN ANALYSIS OF NEED, SHOULD REFLECT AN APPRECIATION OF
- THE POSSIBLE DISINCENTIVE EFFECTS THAT SUCH AID MIGHT
- HAVE ON PRODUCTION AS WELL AS POLICY REFORM, AND SHOULD
- WHENEVER POSSIBLE, FLOW FROM A COMPREHENSIVE STUDY OF
- THE FOOD SECTOR. (WHERE SUCH STUDIES DO NOT NOW EXIST,
- THEY SHOULD BE DEVELOPED AS SOON AS POSSIBLE, AND PRO-
- VIDE THE BASIS FOR DETERMINING SELF-HELP CONDITIONS,
- AND LOCAL CURRENCY USES.) FURTHER, MAJOR POLICY ISSUES
- TO BE ADDRESSED BY THE PL 480 PROGRAM SHOULD BE

- IDENTIFIED, AS WELL AS THE PRINCIPAL SELF-HELP MEASURES
- TO BE NEGOTIATED.

- INTEGRATION OF PL 480 RESOURCES WITH OTHER RESOURCES
- MAY OCCUR AT THE OVERALL COUNTRY STRATEGY LEVEL, THE
- SECTOR LEVEL, OR THE PROJECT LEVEL. WE ANTICIPATE
- THAT AID/W SUPPORT FOR PL 480 PROPOSALS WILL BE
- INFLUENCED BY THE EXTENT TO WHICH PROGRAMS ARE
- INTEGRATED WITH OTHER ASSISTANCE MODES, AS WELL AS
- THEIR LIKELIHOOD TO HAVE A SIGNIFICANT DEVELOPMENT
- IMPACT.

- AN ASSURED FOOD SUPPLY IS CRUCIAL TO THE POLITICAL
- STABILITY OF ANY GOVERNMENT. THEREFORE, COUNTRIES
- THAT REQUIRE FOOD AID MAY BE PARTICULARLY WILLING TO
- DISCUSS POLICY REFORMS NECESSARY TO SPUR INCREASED
- DOMESTIC FOOD PRODUCTION. NOT ONLY DOES FOOD AID
- CREATE AN OPPORTUNITY FOR POLICY DIALOGUE WITH
- RECIPIENT GOVERNMENTS, BUT IT ALSO MAY CREATE THE
- CONDITIONS NECESSARY FOR COUNTRIES TO UNDERTAKE POLICY
- REFORMS THAT OTHERWISE WOULD BE CONSIDERED TOO RISKY
- IN THE ABSENCE OF FOOD AID.

- WHEN TITLE II PROGRAMS ARE PROPOSED, THE CDSS SHOULD
- OUTLINE THE DEVELOPMENTAL AND HUMANITARIAN OBJECTIVES
- OF THOSE PROGRAMS AS WELL AS THEIR RELATIONSHIP TO
- OVERALL COUNTRY DEVELOPMENT PROGRAMS. PROGRAMS WHICH

- HAVE BEEN OPERATIONAL FOR AN EXTENDED PERIOD OF TIME
- SHOULD BE PLANNED SO AS TO HELP THE RECIPIENT GOVERN-
- MENT ASSUME GREATER RESPONSIBILITY FOR IMPLEMENTATION.

- INNOVATIVE WAYS OF PROGRAMMING FOOD AID MAY BE NEEDED
- TO ASSURE THAT THE POOR ARE THE ACTUAL BENEFICIARIES
- OF THE FOOD. THE USE OF SELF-TARGETING FOOD
- COMMODITIES, OR OTHER MODIFIED MARKET APPROACHES, MAY
- BE APPROPRIATE. IN THIS REGARD, MISSIONS SHOULD REVIEW
- THE RECENTLY PUBLISHED POLICY DISCUSSION PAPER ENTITLED
- "FOOD AID AND DEVELOPMENT" (JULY 1981).

B. ESF

- THE ESF SECTION OF THE FAA AUTHORIZES ASSISTANCE
- IN SPECIAL CIRCUMSTANCES TO PROMOTE ECONOMIC AND
- POLITICAL STABILITY. THE ACT ALSO STATES THAT ESF
- SHOULD BE USED TO THE MAXIMUM EXTENT FEASIBLE TO
- FURTHER THE BASIC POLICY DIRECTIONS WHICH UNDERLY THE
- PROVISION OF DEVELOPMENT ASSISTANCE.

- IN COOPERATION WITH THE STATE DEPARTMENT, AID HAS AN
- IMPORTANT ROLE TO PLAY IN THE USE OF ESF. IN MANY
- COUNTRIES ESF FUNDS ARE THE CRITICAL ELEMENT OF THE
- US FOREIGN ASSISTANCE EFFORT. THERE ARE IMPORTANT
- FACTORS RELATED TO ESF WHICH SHOULD BE UNDERSTOOD BY
- MISSIONS, AND PARTICULARLY IN THIS ERA OF CONSTRAINED
- FOREIGN ASSISTANCE BUDGET RESOURCES:

- -- IN THE PROVISION OF ESF THERE MUST BE AN OVERALL
- ECONOMIC RATIONALE FOR ITS USE, EVEN AS SECURITY
- AND POLITICAL CONSIDERATIONS MAY FIRST DICTATE ESF
- AS AN APPROPRIATE INSTRUMENT.

- -- THE FAA SPECIFICALLY POINTS OUT THAT ESF IS TO BE
- RELATED TO DEVELOPMENT CONSIDERATIONS; EVERY EFFORT
- MUST BE MADE BY MISSIONS TO TIE THE ACTUAL USE OF
- ESF FUNDS TO DEVELOPMENT GOALS.

- -- IT SHOULD ALSO BE UNDERSTOOD THAT WHILE ESF MUST
- HAVE AN EFFECTIVE ECONOMIC RATIONALE UNDERLYING THE
- POLITICAL/SECURITY FACTORS ASSOCIATED WITH ITS

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- PROVISION, AND THAT ESF SHOULD BE USED TO THE MAXIMUM EXTENT FOR DEVELOPMENT PURPOSES, IT IS ALSO A FACT THAT DEVELOPMENT ASSISTANCE HAS A DEFINITE POLITICAL IMPACT. IF A MISSION BELIEVES THAT OUR POLITICAL/SECURITY RELATIONSHIPS SHOULD DEMAND HIGHER LEVELS OF DEVELOPMENT ASSISTANCE, THESE CONCERNS CAN BE CONSIDERED IN FINAL ALLOCATIONS OF DEVELOPMENT ASSISTANCE TO A COUNTRY. IN SHORT, WHILE ESF AND DA HAVE DIFFERENCES THERE ARE ALSO SIMILARITIES. MISSIONS SHOULD NOT ASSUME THAT POLITICAL ARGUMENTS WILL BE IGNORED IN DECISIONS ON ALLOCATION OF DEVELOPMENT ASSISTANCE TO COUNTRIES.

-- MISSIONS SHOULD GIVE SPECIAL ATTENTION TO NEW EMPHASES IN PRIVATE SECTOR, ENERGY, INSTITUTIONAL DEVELOPMENT, AND TECHNOLOGY TRANSFER AREAS IN PROGRAMMING THE PLANNED USE OF ESF RESOURCES.

C. PEACE CORPS

- EARLIER THIS YEAR, THE AGENCY ENTERED INTO A MEMORANDUM OF UNDERSTANDING WITH THE PEACE CORPS TO ENHANCE SIGNIFICANTLY COOPERATION IN COUNTRIES WHERE WE BOTH OPERATE. THIS IS A CONTINUATION OF THE EFFORT TO INCREASE COLLABORATION IN THE FIELD BETWEEN AID AND PEACE CORPS. THESE JOINT EFFORTS ARE A VALUABLE WAY OF INCREASING THE IMPACT OF OUR PROGRAMS, AND OF HELPING ASSURE THAT REQUIRED HUMAN AND FINANCIAL RESOURCES ARE AVAILABLE FOR WELL PLANNED DEVELOPMENT EFFORTS. WE REQUEST THAT MISSIONS DISCUSS THE SIZE AND SCOPE OF AID/PC COLLABORATION AND ITS RELATIONSHIP TO THE COUNTRY DEVELOPMENT STRATEGY.

- MISSIONS ARE ENCOURAGED TO BEGIN THE DIALOGUE WITH THE PEACE CORPS IN THE EARLIEST STAGES OF THE STANDARD AID PROJECT DEVELOPMENT CYCLE.

5. 182 (D) PROGRESS AND COMMITMENT

- THE PROGRESS AND COMMITMENT RATINGS WILL BE HANDLED BY AID/W THIS YEAR. REGIONAL BUREAUS WILL PARTICIPATE IN THE RATING PROCESS AND WILL ARRANGE FOR MISSION INPUT AS QUESTIONS ARISE. THIS SECTION OF THE CDSS AS REQUIRED BY PREVIOUS GUIDANCE, CAN BE OMITTED.

6. AGENCY WORKFORCE

- AGENCY STAFF LEVELS WILL CONTINUE TO BE A CONSTRAINT THROUGH THE PLANNING PERIOD OF THE CDSS. MISSIONS SHOULD NOT BASE THEIR CHOICE OF STRATEGY OR PROGRAMS ON PRESUMED INCREASES IN STAFF SIZE. IN FACT, THE AGENCY WILL EXPERIENCE STAFF REDUCTIONS OVER THE NEXT FEW YEARS. THE MAGNITUDE AND TIMING OF REDUCED CEILINGS HAS NOT YET BEEN ESTABLISHED. IN SHAPING STRATEGIES AND PROGRAMS, MISSIONS SHOULD MINIMIZE STAFF REQUIREMENTS, KEEPING IN MIND THAT MISSION STAFF SIZE

- IS LARGELY A FUNCTION OF THE COMBINATION OF PROGRAM SIZE, NATURE OF PROGRAM, MANNER OF IMPLEMENTATION AND CHARACTERISTICS OF INDIVIDUAL COUNTRY SITUATIONS. IN AS BRIEF A DISCUSSION AS POSSIBLE, PLEASE DESCRIBE HOW THE PROGRAM CAN BE MANAGED RESPONSIBLY WITHIN TIGHT PERSONNEL LEVELS.

7. COUNTRY CDSS REQUIREMENTS

- THE REQUIREMENTS FOR THIS YEAR'S SUBMISSIONS HAVE BEEN MODIFIED. THERE ARE THREE CATEGORIES OF SUBMISSIONS FOR THIS YEAR'S CDSS CYCLE:

(A) FULL CDSSS

- THE FOLLOWING COUNTRIES ARE REQUIRED TO PRODUCE FULL CDSSS: --

- KENYA
- SOMALIA
- SUDAN
- UGANDA
- MALAWI
- HAITI
- ZIMBABWE
- LIBERIA
- MALI
- INDONESIA (ANALYSIS SECTION ONLY)
- GAMBIA
- SOUTHERN AFRICA REGIONAL

(B) UPDATES AND SPECIAL TOPICS

- REGIONAL BUREAUS WILL PROVIDE GUIDANCE ON COUNTRY SPECIFIC CONTENT REQUIREMENTS USUALLY ARISING FROM LAST YEAR'S REVIEW. GENERALLY THESE SUBMISSIONS SHOULD NOT REPEAT NOT BE A FULL 60 PAGE DOCUMENT. SUCH UPDATES WILL HOWEVER INCLUDE AT A MINIMUM A MACRO ECONOMIC ANALYSIS INCLUDING ECONOMIC POLICY FRAMEWORK, ASSESSMENT OF THE LOCAL PRIVATE SECTOR AND INSTITUTION BUILDING NEEDS.

- MOROCCO
- YEMEN
- EGYPT
- JORDAN
- PAKISTAN (PRELIMINARY STRATEGY AT TIME OF ABS. NO MACRO ANALYSIS)
- SRI LANKA
- INDIA
- ROCAP (NO MACRO ANALYSIS)
- CARIBBEAN REGIONAL (NO MACRO ANALYSIS)
- THAILAND
- BANGLADESH
- DOMINICAN REPUBLIC
- COSTA RICA
- EL SALVADOR
- GUATEMALA
- JAMAICA
- PHILIPPINES

LEBANON OMAN

(C) SMALL PROGRAM STATEMENTS, STRATEGY REVIEWS, AND TABULAR SUBMISSIONS. THESE ARE VERY BRIEF SUBMISSIONS FOR WHICH CONTENT AND TIMING WILL VARY. SPECIFIC INSTRUCTIONS WILL BE PROVIDED IN REGIONAL BUREAU GUIDANCE.

- (1) SMALL PROGRAM STATEMENTS
- INDIAN OCEAN STATES
- CAPE VERDE
- CONGO
- GUINEA
- SIERRA LEONE
- DJIBOUTI
- BENIN
- CENTRAL AFRICAN REPUBLIC
- EQUATORIAL GUINEA
- GUINEA BISSAU
- TOGO

(2) STRATEGY REVIEWS OR TABULAR SUBMISSIONS

- BURMA
- ASIA REGIONAL
- TANZANIA
- LESOTHO
- BURUNDI
- RWANDA
- MAURITANIA
- SENEGAL
- UPPER VOLTA
- NEPAL
- SOUTH PACIFIC
- BOTSWANA
- ZAMBIA
- GHANA
- ZAIRE
- NIGER
- SWAZILAND

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OUTGOING TELEGRAM

PAGE 01 OF 03 STATE 021304
ORIGIN AID-35

7302 004973 A108459

STATE 021304

7302 004973 A108459

ORIGIN OFFICE EVA-02
INFO AAAF-01 AFEA-03 AFSA-03 AFFV-04 AFCU-03 AFDP-02 HEPO-04
AFDR-06 AFCA-03 AARS-01 ASEM-01 ASPT-02 ASPN-02 ASOP-02
AALA-01 LACE-03 LACA-03 LADP-03 LADR-03 AAHE-01 HEOP-02
NETC-04 HEEI-03 HENA-03 NEJL-03 PPCE-01 PDR-01 PPPB-03
GC-01 GCAF-01 GCAS-01 GCLA-03 GCFL-01 GCNE-01 FM-02
ASPD-03 ASTR-01 AAGT-01 STN-03 FFP-03 OFF-01 AFDA-01
ES-01 AAID-01 AGRI-01 COM-02 OMB-02 RELO-01 ASSP-02
LACA-03 MP-01 ASBI-03 AFPH-01 2-00 /114 A6
INFO OCT-00 INR-10 EUR-12 AF-10 EB-08 EA-12 10-15
NEA-07 ARA-16 AMAD-01 AGRE-00 OES-09 /135 R

DRAFTED BY AID/FVA/PMG:BDIDMAN
APPROVED BY A/AID:MPHCPHERSON
AID/FVA/FFP:RCHASE (DRAFT)
AID/AA/FVA:JCBLOCH (DRAFT)
AID/AAA/PPS/PDR:RARCHI (ACTG) (DR
FT) A,D/ASIA/DP:CJOMHSON (DRAFT)
AID/AFR/DR:JHUDGE (DRAFT)
AID/AA/NE:BLANGHAI (ACTG) (SUBS)
AID/LAC/DR:DLAZAR (DRAFT)
AID/AA/PPC:LSHUCKER (DRAFT)
AID/AA/PPC:JBOLTON (DRAFT)
AID/PPC:CHICALOPOULOS (DRAFT)
DESIRED DISTRIBUTION
ORIGIN EVA INFO AFDP AFDA AFDR AFPH AAGT AAAG ASEM ASDP ASPD ASTR
AALA LADP LADR AAHE HEDP HEPO NETC PPCE PDR PPPB GC GCAF GCAS
GCLA GCFL GCNE RBS MP FM STN FFP OFF ES AAID AGRI COM OMB
TRSY JV-00 END

P 271336Z JAN 82 ZEX
FM SECSTATE WASHDC
TO AID WORLDWIDE PRIORITY
USMISSION GENEVA PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY ROME PRIORITY
ACCRA POUCH
LAGOS POUCH

UNCLAS STATE 021304
AIDAC FROM MPHCPHERSON, AID ADMINISTRATOR TO MISSION DIRECTORS
E.O. 12065: N/A
TAGS:
SUBJECT: INTEGRATION OF P.L. 480 RESOURCES

1. INTRODUCTION: YOU KNOW THAT I AM COMMITTED TO THE MORE EFFECTIVE USE OF P.L. 480 RESOURCES TO ACCOMPLISH DEVELOPMENT OBJECTIVES. ONE IMPORTANT WAY TO STRENGTHEN FOOD AID'S DEVELOPMENTAL IMPACT IS TO INTEGRATE IT MORE FULLY INTO OVERALL COUNTRY STRATEGIES AND PROGRAMS. AS YOUR MISSION PREPARES ITS CDSS, ABS, AND PROGRAM MATERIALS, I WOULD LIKE YOU TO BE MINDFUL OF THE VARIETY OF OPPORTUNITIES FOR INTEGRATION. THIS MESSAGE OFFERS A NUMBER OF EXAMPLES, DRAWN FROM ONGOING AND PROPOSED COUNTRY PROGRAMS. SOME WILL OF COURSE BE MORE APPROPRIATE IN YOUR COUNTRY PROGRAM THAN OTHERS. AS A WHOLE, THEY SHOULD SERVE TO STIMULATE YOUR THINKING, AND ENCOURAGE INNOVATION. IN THIS REGARD, YOU HAVE RECEIVED THE POLICY DISCUSSION PAPER "FOOD AID AND DEVELOPMENT," IT TOO SHOULD SERVE AS A RESOURCE TO YOU IN THIS EFFORT.
2. LEVELS OF INTEGRATION: INTEGRATION OF P.L. 480 MAY BE SEEN AS HAVING TWO COMPONENTS: (A) THE EXTENT TO WHICH

FOOD AID PROGRAMS CONFORM TO, ARE CONSISTENT WITH, AND PROMOTE THE USG'S OVERALL DEVELOPMENT PRIORITIES AND OBJECTIVES IN A COUNTRY; AND (B) THE DEGREE OF INTERDEPENDENCY, REINFORCEMENT AND COORDINATION OF FOOD AID AND NON-FOOD AID PROGRAMS. WITH RESPECT TO THE FORMER, INTEGRATION CAN TAKE PLACE AT THE BROAD CONCEPTUAL LEVEL AS THE MISSION IDENTIFIES ITS DEVELOPMENT OBJECTIVES, FORMULATES A STRATEGY TO ACHIEVE THESE OBJECTIVES AND SELECTS THE AREAS OF ACTIVITY IN WHICH IT INTENDS TO FOCUS ITS OVERALL ATTENTION AND RESOURCES. SUCH TARGET AREAS ARE CHOSEN BASED, INTER ALIA, ON AN EXAMINATION OF (A) THE CONSTRAINTS AND PROBLEMS IMPEDING EQUITABLE DEVELOPMENT IN THAT COUNTRY AND (B) THE OPPORTUNITIES FOR CONSTRUCTIVE CHANGE, GIVEN THE ENVIRONMENT OF LEADERSHIP AND UNTAPPED POTENTIAL, AND THE LEVEL AND MIX OF RESOURCES WHICH AID IS CAPABLE OF BRINGING TO BEAR. THESE CONSIDERATIONS ARE EXPRESSED IN THE COUNTRY DEVELOPMENT STRATEGY STATEMENT (CDSS), AND THE OBJECTIVES OF EACH P.L. 480 PROGRAM -- WHETHER TITLE I, II OR III -- SHOULD BE COMPATIBLE WITH THIS LARGER STRATEGY FRAMEWORK.

- INTEGRATION THUS IMPLIES CONSISTENCY OF P.L. 480 PROGRAMMING WITH AN OVERALL STRATEGY, REFLECTED IN THE CDSS, WHICH GOVERNS THE NATURE, USE AND ALLOCATION OF NON-FOOD AID RESOURCES AS WELL. BEYOND THIS, THERE ARE OPPORTUNITIES TO INTEGRATE FOOD AND NON-FOOD AID RESOURCES MORE PRECISELY TO ACHIEVE SPECIFIC PROGRAM OBJECTIVES, AND THEREBY ENHANCE THE DEVELOPMENTAL IMPACT OF EACH RESOURCE.

3. ELEMENTS OF P.L. 480 PROGRAMS: FOOD AID PROGRAMS MIGHT BE SAID TO HAVE SEVERAL "DIMENSIONS":

- THE FOOD ITSELF;
- THE POTENTIAL FOR A POLICY DIALOGUE WHICH THE P.L. 480 ASSISTANCE ITSELF, OR AS A PART OF THE OVERALL U.S. ASSISTANCE PROGRAM, PROVIDES;
- THE FOREIGN EXCHANGE RESOURCE FLOW IMPLICIT IN THE P.L. 480 ASSISTANCE;
- THE GENERATED LOCAL CURRENCY;
- THE INTERMEDIARIES (PVOS) WHICH DISTRIBUTE THE FOOD.
- THE IMPORTANCE AND SIGNIFICANCE OF EACH OF THESE VARIES FROM COUNTRY TO COUNTRY DEPENDING ON THE SPECIFIC COUNTRY CIRCUMSTANCES AND THE NATURE OF THE SPECIFIC P.L. 480 PROGRAM. ONE OR MORE OF THESE ELEMENTS ARE, HOWEVER, SUSCEPTIBLE TO INTEGRATION BOTH WITHIN THE CONTEXT OF THE OVERALL U.S. DEVELOPMENT OBJECTIVES AND STRATEGY IN THE COUNTRY AND WITH NON-FOOD AID RESOURCES. THE REMAINDER OF THIS MESSAGE OFFERS ILLUSTRATIONS OF HOW THIS CAN BE ACCOMPLISHED.

(A) THE FOOD: FOOD AID CAN CONSTITUTE AN ADDITIONAL SOURCE OF SUPPLY DEPRESSING DOMESTIC FOOD PRICES THAT CAN INHIBIT INCREASES IN AGRICULTURAL PRODUCTION AND REAL INCOMES IN THE AGRICULTURAL SECTOR. IT IS IMPORTANT THEREFORE THAT FOOD ASSISTANCE BE PROVIDED IN SUCH A MANNER AS TO MINIMIZE THE POTENTIAL NEGATIVE IMPACT ON DOMESTIC PRODUCTION AND TO AVOID RUNNING COUNTER TO U.S. ASSISTANCE EFFORTS TO INCREASE DOMESTIC AGRICULTURAL PRODUCTION CAPACITIES -- THROUGH FOR EXAMPLE DA SUPPORT FOR A VARIETY OF INFRASTRUCTURE PROJECTS, TRAINING, RESEARCH PROGRAMS AND EXTENSION ACTIVITIES.

- TARGETTED FOOD DISTRIBUTION PROGRAMS UNDER TITLES I OR III PRESENT THE CHALLENGES AND OPPORTUNITIES FOR SUPPLEMENTARY SUPPORTIVE PROGRAMS THAT ARE PRESENT IN THE CASE OF TITLE II; DOLLAR FINANCED PROGRAMS OF NUTRITION EDUCATION, HEALTH SERVICES, ETC. CAN BE INTEGRATED TO EN-

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

PAGE 02 OF 03 STATE 021304

7302 004973 A108459

STATE 021304

7302 004973 A108459

HANCE THE IMPACT OF THE FOOD DISTRIBUTION PROGRAM.

OF TITLE I OR ANNUAL REVIEWS OF TITLE III.

- FOOD IS OF COURSE A KEY COMPONENT OF FOOD FOR WORK PROGRAMS UNDER TITLE II. RATHER THAN SUPPORT ISOLATED INFRASTRUCTURE PROJECTS, THE FOOD CAN BE LINKED TO COHERENT AND WELL-DESIGNED DEVELOPMENT EFFORTS SUPPORTED BY NON-FOOD AID RESOURCES. FFW PROGRAMS MAY MOBILIZE LABOR IN LAND RECLAMATION AND RESETTLEMENT, AS AN INTEGRAL PART OF REGIONAL AGRICULTURAL DEVELOPMENT PROGRAMS. A REFORESTATION PROGRAM SUPPORTED BY FFW CAN COMPLEMENT AGRICULTURAL PRODUCTION PROGRAMS IN THE SAME GEOGRAPHIC AREA.

- TITLE II FEEDING PROGRAMS OFFER AMPLE OPPORTUNITIES FOR INTEGRATION. NUTRITION EDUCATION PROGRAMS, FUNDED IN PART OR WHOLE THROUGH THE DA ACCOUNT, CAN MUCH STRENGTHEN MCH ACTIVITIES. INDEED, EVALUATIONS HAVE SUGGESTED THAT MCH PROGRAM IMPACT IS IMPORTANTLY AFFECTED BY COMPLEMENTARY EFFORTS. FURTHER, FOOD DISTRIBUTION CENTERS CAN BE THE LOCUS OF FAMILY PLANNING ACTIVITIES, HEALTH CARE SERVICES AND COMMUNITY DEVELOPMENT -- WHICH CAN BE FUNDED BY A COMBINATION OF DOLLAR AID AND COUNTERPART.

- IN COUNTRIES WHERE THE FOOD IS TO BE PROCESSED, IT CAN BE AN IMPORTANT TOOL FOR EMPLOYMENT GENERATION AND AGRIBUSINESS DEVELOPMENT, DEPENDING ON THE STRUCTURE AND COMPETITIVENESS OF THE LOCAL MILLING INDUSTRY. THE DEPENDENCY ON FOOD IMPORTS AND AID CAN BE REDUCED BY THE PROMOTION OF NEW FOOD TECHNOLOGY ENTERPRISES WHICH BLEND DOMESTICALLY PRODUCED CEREALS AND GRAIN LEGUMES WITH FORTIFIED FOODS IMPORTED UNDER TITLE II. IN ONE COUNTRY A DA-FUNDED PROJECT IS PROMOTING THE PRODUCTION, PROCESSING AND CONSUMPTION OF WEANING FOOD BASED ON

MILLET. IN ANOTHER, FRESH FISH IS PURCHASED WITH TITLE I GENERATIONS FROM ARTISAN FISHERY COOPERATIVES AND DISTRIBUTED BY CRS AS A PROTEIN SUPPLEMENT TO MOTHERS AND CHILDREN AT MCH CENTERS.

(B) POLICY DIALOGUE; P.L. 480 PROGRAMS MAY PROVIDE AN OPPORTUNITY TO ENGAGE LDC GOVERNMENTS IN A POLICY DIALOGUE IN AT LEAST TWO WAYS. THE FIRST ENTAILS DISCUSSIONS OF P.L. 480 AS PART OF THE OVERALL ASSISTANCE PROGRAM BETWEEN SENIOR MISSION STAFF AND HOST COUNTRY OFFICIALS WHICH FOCUS ON MACRO OR SECTORAL POLICY ISSUES THAT REQUIRE SPECIAL ATTENTION. WHERE APPROPRIATE THIS DIALOGUE CAN REINFORCE THE PROGRAMS AND STRUCTURAL ADJUSTMENT EFFORTS OF THE IMF AND THE IBRD. TITLES I AND III MAY IN SPECIFIC COUNTRIES BE PARTICULARLY USEFUL VEHICLES FOR CREATING A POLICY DIALOGUE AND IN REINFORCING THE EFFORTS OF THE IMF/IBRD THROUGH NOT ONLY THE P.L. 480 AGREEMENT BUT ALSO SUCH MECHANISMS AS SIDE LETTERS OF UNDERSTANDING WHICH SUPPORT SELECTED REFORMS BEING PURSUED BY THOSE AGENCIES.

- THE CAPACITY TO ENGAGE THE HOST GOVERNMENT IN SUCH DISCUSSION MAY BE ENHANCED WHEN P.L. 480 AND NON-FOOD AID RESOURCE LEVELS ARE DISCUSSED AT THE SAME TIME. ALTHOUGH THERE MAY BE DIFFERENCES IN THE PROGRAMMING TIMETABLES OF THESE RESOURCES THAT LIMIT OPPORTUNITIES FOR SUCH JOINT DISCUSSIONS, THE EFFECTIVE SCHEDULING OF MID-TERM AND OTHER PROGRAM REVIEWS COULD BE ONE WAY TO INSURE BETTER COORDINATION.

- THE GREATEST POTENTIAL FOR ENTERING INTO A PRODUCTIVE DIALOGUE NORMALLY EXISTS PRIOR TO THE FIRM COMMITMENT OF THE RESOURCES. THE DIALOGUE SHOULD HOWEVER BE AN ONGOING PROCESS WITH THE HOST GOVERNMENT AND THERE MAY BE ADDITIONAL OPPORTUNITIES TO EFFECTIVELY ENGAGE THE GOVERNMENT IN SUCH DISCUSSION, SUCH AS MID-TERM REVIEWS

- SECOND, FOOD AID ITSELF ALSO CAN PROVIDE AN OPPORTUNITY TO ESTABLISH A POLICY DIALOGUE WITH THE HOST GOVERNMENT, PARTICULARLY ON ISSUES SPECIFICALLY RELATED TO THE AGRICULTURAL SECTOR OR THE FOOD AID PROGRAMS AND ACTIVITIES THEMSELVES.

- COORDINATED PROGRAMMING OF FOOD AND NON-FOOD AID RESOURCES PARTICULARLY MUTUALLY REINFORCING P.L. 480, DA AND ISF ACTIVITIES THAT ADDRESS THE NEAR TERM DIFFICULTIES (POLITICAL, FINANCIAL) WHICH MAY RESULT FROM STRUCTURAL ADJUSTMENT AND POLICY CHANGES MAY BE IMPORTANT IN SPECIFIC COUNTRY SITUATIONS IN FACILITATING NECESSARY BUT DIFFICULT POLICY CHANGES.

- FOR EXAMPLE, THE REDUCTION OR ELIMINATION OF A SUBSIDY TO THE FOOD CONSUMER, OFTEN RAISES SERIOUS DOMESTIC, ECONOMIC AND POLITICAL ISSUES INCLUDING THE IMPACT ON THE POORER ELEMENTS OF RURAL AND URBAN SOCIETY OF HIGHER FOOD BILLS. NON-FOOD AID PROGRAMS CAN COMPLEMENT THE FOOD ASSISTANCE IN SUCH CIRCUMSTANCES BY, FOR EXAMPLE, PROJECTS AIMED AT INCREASED FARM PRODUCTION AND IMPROVED DISTRIBUTION.

(C) LOCAL CURRENCY PROGRAMMING: WHILE LOCAL CURRENCIES GENERATED FROM THE SALE OF FOOD ARE IN MOST CASES TECHNICALLY OWNED BY THE HOST GOVERNMENT, NEVERTHELESS IT IS OFTEN POSSIBLE TO REACH AGREEMENT WITH THE GOVERNMENT ON THE USE OF SOME OF THOSE LOCAL CURRENCIES TO SUPPORT A VARIETY OF OTHER PROGRAMS, SOME OF WHICH MAY BE DOLLAR-FUNDED. FOR EXAMPLE, SUCH LOCAL CURRENCIES CAN:

- FUND IN-COUNTRY TRAINING IN, E.G., THE MANAGEMENT OF GRAIN STABILIZATION PROGRAMS SUPPORTED BY P.L. 480 ASSISTANCE, WHILE DA FUNDS MAY FINANCE THE FOREIGN EXCHANGE COSTS OF SUCH TRAINING (U.S. TECHNICIANS) AS WELL AS TECHNICAL ASSISTANCE DESIGNED TO STRENGTHEN THE INSTITUTION'S ANALYTICAL CAPABILITIES.

- SUPPORT DISCRETE PROJECTS WHICH MAY BE DIRECTLY LINKED TO, IF NOT PARTIALLY FUNDED BY, DEVELOPMENT ASSISTANCE (OR ISF). HEALTH CARE CENTERS CAN BE BUILT OR UPGRADED; IRRIGATION SYSTEMS CAN BE CONSTRUCTED IN AREAS WHERE GREATER DOMESTIC PRODUCTION IS A MAJOR OBJECTIVE, ETC. IN BRIEF THE LOCAL CURRENCY GENERATED BY P.L. 480 SALES CAN BE USEFUL IN SPECIFIC CASES TO FINANCE IMPORTANT ELEMENTS OF A COUNTRY DEVELOPMENT STRATEGY INCLUDING DA PROGRAMS. CAUTION, HOWEVER, MUST BE EXERCISED TO AVOID THE USE OF THESE LOCAL CURRENCIES AS A SUBSTITUTE FOR NORMAL HOST COUNTRY EXPENDITURES IN SECTORS SUPPORTED BY THESE DA PROGRAMS.

- A REVIEW OF THE MAXIMUM USE OF LOCAL CURRENCY FROM THE SALE OF FOOD IS CURRENTLY UNDERWAY AND FURTHER GUIDANCE WILL BE GIVEN. THE FIELD SHOULD KEEP IN MIND THAT ONLY IN THE MOST TECHNICAL SENSE ARE THE PROCEEDS THE PROPERTY OF THE HOST GOVERNMENT. THIS IS AN IMPORTANT CHANGE IN VIEW ON THE USE OF PROCEEDS.

(D) PVOS: MISSIONS SHOULD BE MINDFUL OF OPPORTUNITIES TO LINK THE PUBLIC AND PRIVATE SECTORS THROUGH THE VEHICLE OF FOOD AID. PVOS REPRESENT AN IMPORTANT PRIVATE SECTOR RESOURCE. SEVERAL SERVE EFFECTIVELY AS IMPLEMENTORS OF TITLE II FEEDING PROGRAMS. IN ADDITION, PVO PROGRAMS CAN BE SUPPORTED THROUGH AGREEMENT ON LOCAL CURRENCY USES. ADMITTEDLY, THERE MAY BE RELUCTANCE TO RELY ON THESE RESOURCES, PARTICULARLY WHERE NO SPECIAL ACCOUNT EXISTS, AND WHERE THE U.S. IS NOT COMMITTED TO A MULTI-YEAR FOOD AID PROGRAM. NEVERTHELESS, OPPORTUNITIES WILL

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UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

PAGE 03 OF 03 STATE 021304
PRESENT THEMSELVES.

7302 -004973 A108459

- PVOS CAN ALSO BUILD ON THEIR FOOD DISTRIBUTION EXPERIENCE AND EXPAND THEIR ACTIVITIES INTO FOOD PRODUCTION PROGRAMS. LOCAL COOPERATIVES, ASSISTED BY PVOS, CAN SERVE AS LOCAL AGENTS FOR MARKETING AND DISTRIBUTION OF FOOD AID WHILE THE MARKETING SYSTEM IS STRENGTHENED THROUGH DOLLAR FINANCED GRANTS AND LOANS -- INCLUDING FUNDING FOR THE PVOS THEMSELVES.

(E) MOST COUNTRY FOREIGN EXCHANGE EXPENDITURES: IN SOME CASES IT MAY BE POSSIBLE, AS PART OF THE P.L.-480 PROGRAM OR AS PART OF THE OVERALL U.S. ASSISTANCE PROGRAM, TO NEGOTIATE AGREEMENTS WITH THE RECIPIENT GOVERNMENT ON THE USE OF FOREIGN EXCHANGE RESOURCES FOR THE IMPORTATION OF SPECIFIC COMMODITIES OR ITEMS WHICH COMPLEMENT AID PROJECTS OR ADDRESS SPECIFIC PROBLEM AREAS CONSIDERED IMPORTANT TO THE DEVELOPMENT PROCESS. IN ONE COUNTRY, IT WAS AGREED THAT INCREASED LEVELS OF FERTILIZER WOULD BE IMPORTED, FOR USE BY SMALL FARMERS. IN TURN, THE SMALL FARMER PRODUCTION SYSTEMS WERE THE SUBJECT OF OTHER ASSISTANCE PROJECTS, FUNDED BY THE P.L. 480 GENERATED COUNTERPART -- I.E., WORKING CAPITAL REQUIREMENTS MET THROUGH LOANS OBTAINABLE FROM THE RURAL DEVELOPMENT BANK.

4. THERE ARE, ADMITTEDLY, CONSTRAINTS TO INCREASED INTEGRATION OF FOOD AND NON-FOOD AID RESOURCES IN SPECIFIC PROJECTS. THERE IS SOMETIMES A RELUCTANCE TO DEPEND ON A RESOURCE (FOOD, OR THE LOCAL CURRENCY GENERATIONS) WHICH IS SEEN AS "UNRELIABLE" FROM YEAR TO YEAR. THERE ARE PROBLEMS IN ENSURING THE TIMELY TRANSFER OF LOCAL CURRENCY TO THOSE GOVERNMENTAL AND NON-GOVERNMENTAL ENTITIES CHARGED WITH CARRYING OUT THE SPECIFIC ACTIVITIES AGREED UPON (THE LOCAL CURRENCY USES). THE TIMING OF RESOURCE FLOWS INTO A DEVELOPING COUNTRY BECOMES MORE CRUCIAL IN THE CASE OF FOOD AID, PHASING WITH OTHER ACTIVITIES BECOMES MORE DIFFICULT. NEVERTHELESS, THE EXAMPLES CITED HEREIN, WHICH ARE BASED ON ABS'S, PROJECT DOCUMENTS, AND REPORTS FROM REGIONAL BUREAUS, INDICATE THAT INTEGRATION IS IN MANY CASES POSSIBLE AND DESIRABLE. IT IS ESSENTIAL THAT ALL MISSION STAFF, FROM THE DIRECTOR ON DOWN, BE SENSITIVE TO THESE OPPORTUNITIES.

- WHILE THE ABOVE EXAMPLES OF PROGRAM AND PROJECT INTEGRATION HAVE TENDED TO STRESS OPPORTUNITIES TO UTILIZE FOOD AID TO SUPPORT AND COMPLEMENT NON-FOOD AID ACTIVITIES, I WANT TO EMPHASIZE THE NEED TO LOOK AT BOTH SIDES OF THE COIN. THAT IS, THE DESIGNERS OF DOLLAR FUNDED PROGRAMS SHOULD LOOK FOR OPPORTUNITIES TO DRAW ON FOOD AID PROGRAMS TO ENHANCE THEIR DEVELOPMENTAL IMPACT. I WOULD EXPECT PROJECT DOCUMENTATION TO EXPLORE THESE OPPORTUNITIES AND REVIEWERS OF FOOD AND NON-FOOD AID PROGRAMS TO BE ALERT TO THEM. STOESEL

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