

FOREIGN ASSISTANCE BUDGET AUTHORITY
Million \$

PROGRAM	FY 78 <u>Actual</u>	FY 79 <u>Actual</u>	FY 80 <u>Actual</u>	FY 81 <u>Request</u>	FY 81 <u>Estimate</u>	FY 82 - <u>CARTER</u>	FY 82 - <u>REAGAN</u>
IDCA:							
AID	1294	1560	1602	2035	1716	2389	1900
TDP	N.A.	N.A.	N.A.	N.A.	N.A.	7	7
IFAD	0	0	0	0	0	85	45
IO&P	189	203	208	232	210	248	215
(UNDP)	(115)	(126)	(126)	(135)	(126)	(145)	(130)
(UNICEF)	(25)	(30)	(35)	(40)	(36)	(45)	(39)
Sub-Total	<u>1483</u>	<u>1763</u>	<u>1810</u>	<u>2267</u>	<u>1926</u>	<u>2729</u>	<u>2167</u>
MDBs:							
IBRD	380	163	163	86	33	712	163
IDA	800	1258	1072	1100	1100	1080	850
IFC	38	40	19	14	0	14	14
ADB	218	194	154	30	25	5	5
ADF		71	111	171	115	168	125
AFDB	N.A.	N.A.	N.A.	18	18	18	18
AFDF	10	25	25	58	42	58	58
IDB	480	589	589	59	51	59	53
FSO		175	175	325	200	300	191
Sub-Total	<u>1926</u>	<u>2515</u>	<u>2308</u>	<u>1861</u>	<u>1584</u>	<u>2414</u>	<u>1477</u>
OTHER:							
PL 480	923	806	886	1229	1229	1263	1163
ESF/PKO	2219	2321	1972	2056	2154	2450	2600
Peace Corps	86	99	99	115	109	122	95
IAF	0	10	13	16	16	18	12
Refugees	79	227	483	532	491	611	568
					<u>4464</u>		
African Dev. Foundation						5	0
Sub-Total	<u>3307</u>	<u>3463</u>	<u>3453</u>	<u>3948</u>	<u>3999</u>	<u>4469</u>	<u>4438</u>
TOTAL	6716	7741	7571	3076	7509	9612	8082

**United States
International
Development
Cooperation
Agency**

**Congressional
Presentation
Fiscal Year 1982**

TABLE OF CONTENTS

List of Tables and Charts	2
Letter of Transmittal	3
Introduction	5
Part I — The Importance of Third World Development to the American People	7
<i>Economic Interests</i>	7
Export Growth	7
Investment Opportunities	8
Critical Industrial Materials	8
Immediate Benefits to the United States from Foreign Aid	8
<i>Political and Global Security Interests</i>	9
Part II — Current State of Third World	11
<i>Financial Pressures and Adjustment</i>	11
<i>Poverty: The Core Problem</i>	14
<i>North-South Dialogue</i>	15
Part III — Instruments To Promote Development	17
<i>Economic Assistance</i>	17
Bilateral Programs	17
Multilateral Programs	19
<i>Other United States Policies and Programs that Affect Development</i>	23
Trade Policy	23
Financial and Monetary Policy	25
Private Investment	25

IDCA Policy Initiatives	27
Priority Sectors of Development	27
Country Coordination	31
Trade and Development Program	31
Science and Technology	31
Accomplishments of Foreign Aid: Some Success Stories	32
Diminishing Scale of U.S. Economic Assistance	33
Part IV — Comprehensive Development Budget	35
Summary of U.S. Comprehensive Development Budget Proposed for FY 1982 (Table A)	36
Sector Allocations	38
Overview for All Sectors (Table B)	40
Priority Sectors	38
— Agriculture	38
— Family Planning/Primary Health Care	39
— Energy	43
Regional Summaries (Table C)	46
ANNEX:	
Role of IDCA	49

TABLES AND CHARTS

Tables — Parts I, II and III

1. Trends in U.S. Exports	7
2. Net Official Development Assistance from DAC Countries	34

Tables — Part IV

A. Budget Request Summary	36
B. Sectoral Summary	40
B-1 UNFPA Population Assistance	43
B-2 Current and Proposed World Bank Energy Lending Programs: FY 1981-1985	45
C. Regional Summaries	47

Charts

1. Annual Growth in U.S. Exports to Developing and Developed Countries	6	8. U.S. Budget Dollar	37
2. Increase in U.S. Exports to Developed and Developing Countries	9	9. Effect of Higher Oil Prices on Non-OPEC LDCs	27
3. U.S. Trade in Manufactured Products with Developing Countries	10	10. Long-Term Debt of Developing Countries	30
4. Selected U.S. Exports to Developing Countries, 1973 and 1979	12	11. Birth Rates and Death Rates	33
5. Increase in U.S. Direct Investment in Developing Countries, 1977-1979	13	12. World Population Figures: Current and Projected	34
6. Reliance on Developing Countries for Selected Minerals, Metals and Raw Materials	18	13. Regional Population Figures: 1975, and Projected to 2000	35
7. Exports to Developed Countries and Development Assistance Procurement by State	20	14. Terms of Trade	21
		15. Official Development Assistance as a Percentage of GNP	44
		16. U.S. Economic Assistance Trends, 1949-1979	51
		17. IDCA Structure	50



DIRECTOR

TO THE CONGRESS OF THE UNITED STATES:

This document presents a comprehensive picture of President Carter's 1982 budget for development assistance.

As such, it reflects the priorities that IDCA has established in the last year. Increasingly United States aid, both bilateral and multilateral, is directed to helping developing countries expand food production, energy production, and family planning. Increased food production is needed to avert world hunger; increased energy production is needed to improve the global balance between energy supply and demand; both increased food and energy production help to reduce the inflationary pressures generated by rising food and oil prices. Expanded family planning can mean as much as a billion people less to consume food, energy, and other scarce materials by the beginning of the next century.

The 1980 Venice Summit meeting of major industrial countries agreed that these countries would increase their bilateral aid in these three fields. Our Fiscal Year 1982 budget reflects such an increase in United States aid. Other Summit countries are also undertaking such increases. This should pave the way for closer coordination and cooperation among major donors' bilateral aid programs in these fields, which will enhance the effectiveness of these programs.

The same focus is reflected in the heavy emphasis on food production in programs of the international institutions supported by the United States, particularly the World Bank Group. It is also reflected in the possibility of an expanded lending program in the World Bank to help increase energy production in developing countries, which the United States strongly supports. These institutions have also placed increased emphasis on aid for family planning in the last year.

The greater attention devoted to each of these areas by multilateral banks and other international institutions reflects, in part, the urgings of United States representatives. Growing contacts between the Agency for International Development and the multilateral institutions have increased the effectiveness of both bilateral and multilateral aid; these two types of aid now complement and reinforce each other in greater degree than ever before. This is evidenced in the fact that we now have, for the first time, a single integrated foreign aid program and budget of the kind sought by the late Senator Humphrey when he first urged the establishment of IDCA. In these and other ways, IDCA has contributed to closer coordination among, as well as a single set of priorities for, all types of development aid to which the United States contributes.

Over the past years, the United States has made significant gains in its relations with much of the Third World. A major foreign policy task for the 1980s is to capitalize on those gains and to solidify our relations with as many developing countries as possible.

The Third World will continue as the most unpredictable factor in global diplomacy. There will be continued political upsets, food shortages, and financial uncertainties. Inevitably there will be disappointments for the United States. But the opportunity now exists to put the United States in an unprecedented position of mutual confidence and respect with the developing nations of the world.

Reaching that position will require us to strengthen our bilateral and regional relationships and create multilateral arrangements and institutions responsive to Third World needs. We can do that by committing ourselves to a positive, collaborative diplomacy based on a carefully crafted set of economic and political efforts.

Development assistance — the focus of this presentation — is only one of those efforts. Trade, finance, commodity, and energy policies are also critical, as is the adeptness of our diplomacy and our political and military approaches.

The United States cannot alone bring about the successes for which we strive. Other donors — industrial countries as well as OPEC nations — must join with us. Developing countries will themselves have to take difficult and bold actions. But the quality and strength of United States leadership will go a long way toward determining the future structure of the international society.

The budget request summarized in this document, and explained in detail in companion documents, provides the basis for the United States to urge other donors and recipients to join in concerted and accelerated action to meet the principal development needs of the Third World. We are convinced that United States leadership will elicit fresh determination among other donors and developing countries alike to make substantial progress in overcoming the obstacles to equitable and sustainable growth.

Congressional action on this year's budget request for development assistance takes on special significance. For two consecutive years, Congress has not enacted regular appropriations for most of the development programs. Instead, it has funded those programs through Continuing Appropriation

Resolutions. Beyond the serious budgetary pressures this has placed on the programs themselves, the signal it has conveyed to the international community — both to the Third World and to other donor countries — has seriously damaged United States interests. It is imperative that Congress act promptly on the 1982 budget request as one means of reestablishing in the eyes of others the United States' commitment to the process of equitable growth and peaceful change in developing nations.

Congress will face challenges to that commitment in other ways as well this year. Major legislation in several areas is due to be acted on by the Ninety-Seventh Congress. That legislation includes measures to authorize the United States to meet important, internationally-negotiated funding agreements. One of these measures is a carry-over from last year. The Ninety-Sixth Congress did not complete action upon an authorization for United States participation in the Sixth Replenishment of the International Development Association (IDA). Failure by the United States to live up to its pledge to participate in the replenishment of IDA — the largest source of development funding for the poorest nations of the world — would have grave consequences for our political relations with other donors and our economic and political relations with developing countries. The same legislation also would authorize for the first time United States participation in the African Development Bank. Our contribution to that regional development bank would be an important contribution to African development, and to our political interests in a sensitive region.

Another vitally important proposal that is expected to come before Congress this year would authorize United States subscriptions to the General Capital Increase of the World Bank. As this report explains, the growing financial strains on developing countries are oppressive. They are damaging to our own interests as well as to those of the developing nations. The Bank's General Capital Increase is one vital step being taken by the international community to help developing countries deal with those strains. Moreover, the Bank's ability to borrow funds in private markets means that the budgetary outlays will be only seven and one half percent of our increased shares. United States participation is key.

Legislation will be required to authorize United States participation in replenishment of the International Fund for Agricultural Development (IFAD). Approval of the replenishment is important not only because of IFAD's developmental approach — which is aimed at small and landless farmers in the poorest countries — but also because IFAD provides a unique structure for recycling OPEC surpluses into Third World development efforts.

Finally, the Ninety-Seventh Congress will face a range of other important measures that will say much about the future of our own economy and security. These include legislation reauthorizing the Food for Peace (PL 480) Program; reauthorizing the Overseas Private Investment Corporation (OPIC); providing for United States participation in the Common Fund; and completing the authorization process for United States participation in the replenishments of the Inter-American Development Bank, its Fund for Special Operations, and the Asian Development Bank. Of equal importance, the annual Foreign Assistance Authorizing legislation for Fiscal Year 1982 — which provides for our continued bilateral development assistance, the Peace Corps, and our voluntary contributions to International Organizations and Programs as well as our Security Assistance programs — will be taken up in 1981.

Taken together, these and other development measures that Congress will confront will be important elements of an increasingly constrained budget. Their price, however, will not be nearly so high as the political, and in the longer run, economic cost that would come from failure to meet the challenge that they present.

We cannot afford to put forward a program indicating that our attitude toward the Third World is business as usual. We cannot pretend that incremental improvements — in which each year's timid steps forward ratify the losses of the year before — are anything but a guarantee of ultimate failure. The United States and the Third World share a common goal — renewed growth through stable, non-inflationary increases in the global product. The United States and the developing world now basically agree on the bottlenecks — in energy, agriculture, population, and finance — that could turn our shared jeopardy into common defeat.

Our basic strategy for world development has been and must continue to be a strategy for shared growth. The approach that underlies this comprehensive development assistance request is to foster that growth by challenging other donors and developing countries to step-up the essential work already underway, to meet the critical challenge of development.

United States assistance — bilateral and multilateral — cannot alone solve the grave economic problems facing Third World countries. But an efficient and effective development assistance program can make a major impact on key areas of concern, especially when integrated into a broader strategy for development cooperation. The evidence set out in this and the companion documents is overwhelming that the funds proposed in the request will produce substantial development progress — progress that will benefit every American.

Thomas Ehrlich
Director,
United States International
Development Cooperation Agency

December 1980

INTRODUCTION

United States economic relations with developing countries are among our most important international ties. A central feature of those relations is our declared national policy to promote equitable economic growth within the Third World.

The United States Government pursues this goal through a wide range of policies and programs, among the most important of which are our various development assistance activities. At the same time, U.S. trade, international financial, international monetary, and international investment policies also have profound effects on economic conditions in developing nations and the three billion people who live in those countries.

In recognition of the importance of these policies and programs, the President and Congress established the U.S. International Development Cooperation Agency in 1979 to serve — in the words of the President's message to the Congress — as “a focal point within the U.S. Government for economic matters affecting U.S. relations with developing countries.” One of the main responsibilities of IDCA is to present annually to the Congress a comprehensive review of the President's request for all development assistance programs and the wider policy setting within which the budget request is made.

This presentation provides an overview of the Fiscal Year 1982 budget proposals for all of the development programs. It also describes the underlying rationale and the goals of U.S. economic development assistance programs.

As the presentation shows in considerable detail, assisting the development of Third World nations contributes directly to our own national well-being. The United States is concerned about the conditions of people in developing countries, however, for reasons apart from our economic, political, and security interests. Fundamental concerns for people, their well-being, their dignity, and their freedom, are deeply rooted in our heritage.

The strongest link between the American people and the development process has been our sensitivity to the plight of the billion human beings throughout the world who live in conditions of absolute poverty. They have never had enough to eat or access to clean drinking water. Half of their children die before they reach the age of five; half of the children who do survive

never see the inside of a classroom. Fifteen million people die each year of infection and malnutrition; 800 million people — two thirds of whom are women — cannot read or write.

A fundamental reason for our continued support for the development programs described in this presentation is our commitment to aid those who are in greatest need. This commitment spans eight Administrations, and transcends ideology or party affiliation. Every American can look with a sense of pride and satisfaction at the alleviation of suffering that our aid has provided over three decades.

As a nation of immigrants, perhaps more than other nations, a humanitarian commitment to aid the world's poor is a part of our social fabric.

The American people's reaction to human tragedy has been typified in our response to the plight of refugees, who often suffer under conditions of abject poverty. The U.S. has provided physical sanctuary to half a million Indochinese, Eastern Europeans, and Cubans who have come to our shores escaping tyrannical governments.

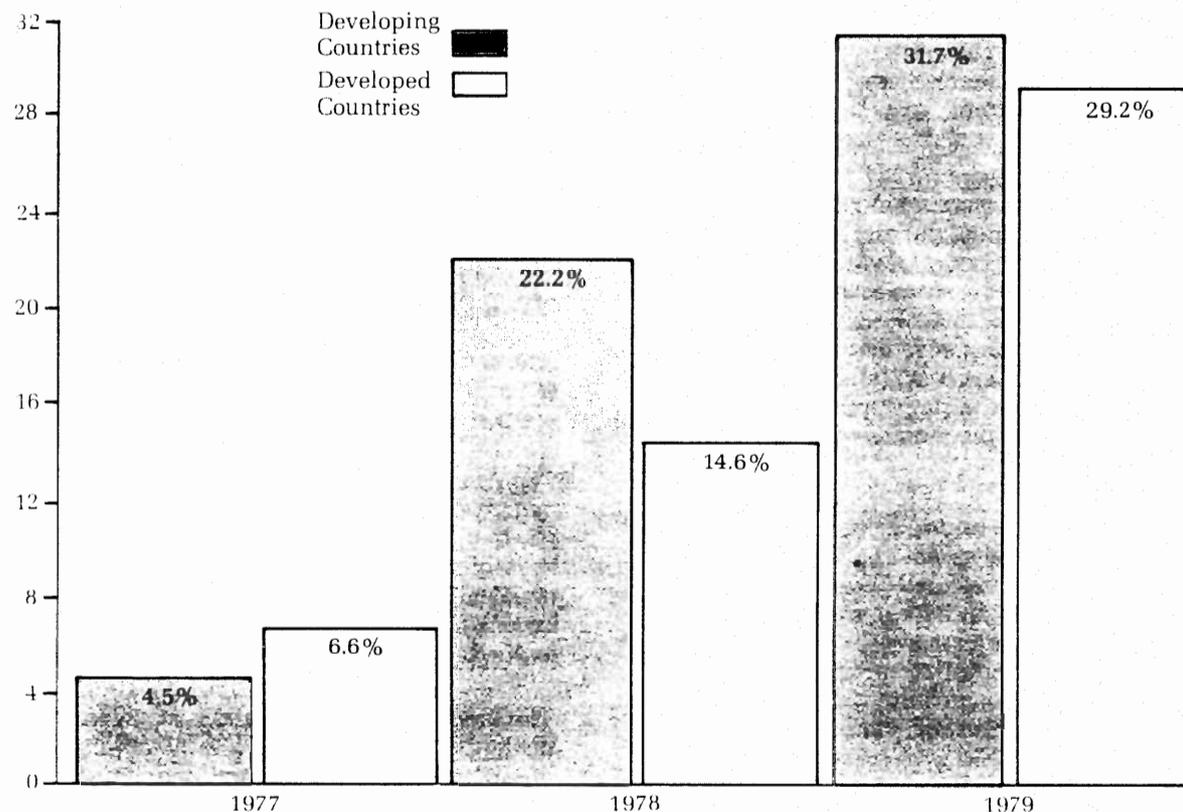
The programs described in this presentation are the tools with which the United States promotes the sustaining, equitable growth in developing countries necessary to overcome the conditions of absolute poverty.

This presentation's overview of the budget proposals for the development programs is a summary only. Detailed descriptions and justifications are provided in the separate Congressional Presentation Documents of the individual agencies and programs. The full Fiscal Year 1982 IDCA budget presentation to the Congress includes the following documents:

- Overview
 - IDCA Congressional Presentation (this document)
- Volume I
 - Agency for International Development (AID)
 - Main Volume
 - Africa
 - Asia
 - Latin America
 - Near East
 - Centrally-Funded Programs
- Volume II
 - International Organizations and Programs (IO & P); and
 - International Fund for Agricultural Development (IFAD)
- Volume III
 - Trade and Development Program (TDP)

Percent
Increase
In Exports
Over
Previous
Year

CHART 1
ANNUAL GROWTH
IN U.S. EXPORTS TO DEVELOPING
AND DEVELOPED COUNTRIES



SOURCE: International Monetary Fund, *Direction of Trade Yearbook*, 1980

A more detailed discussion of the development issues and economic background summarized in this overview document is presented in the 1981 *Development Issues Report*, the annual report to Congress of the Interagency Development Coordination Committee, which is chaired by the Director of IDCA. The *Development Issues Report* provides a full analysis of U.S. development policies, programs, and activities for the year 1980.

The IDCA 1982 Congressional Presentation itself consists of four parts. **Part I** explains the ties between developing countries and the United States. It discusses why, in addition to our humanitarian concerns, economic development is important to the U.S. on the basis of our economic interests, and our political and security needs.

Part II discusses the current needs of the developing nations — the urgent financial challenges and the oppressive poverty — which must be

addressed to help those nations achieve equitable, self-sustaining economies.

Part III summarizes the tools through which the U.S. promotes development cooperation for the Third World. It outlines the bilateral and multilateral development programs, as well as other U.S. policies and activities that have a major effect on international development. Part III also explains some of the policy directions that characterize the overall U.S. international development effort.

Part IV presents the Comprehensive Development Budget for 1982. It shows the budgets proposed for each of the bilateral development programs and the contributions recommended for each of the multilateral development programs. Part IV also describes the efforts by the major bilateral and multilateral instruments in the three priority development sectors of agriculture, family planning/primary health care, and energy.

PART I

IMPORTANCE OF THIRD WORLD DEVELOPMENT TO THE AMERICAN PEOPLE

The interests of the United States are linked to Third World development in numerous and often complex ways. In addition to the strong humanitarian concern the United States has always expressed for those living in conditions of absolute poverty, the importance of our development cooperation is reflected in two aspects of our relations with developing countries: our economic interests and our political and security needs.

ECONOMIC INTERESTS

As developing countries grow, the role they play in the international economy increases. The process of economic growth in developing countries substantially benefits our economy.

EXPORT GROWTH

The developing countries are enormously important markets for U. S. exports of both manufactured and agricultural products.

Over the past decade, our exports to all developing countries have grown considerably faster than our exports to industrialized countries (Table 1 and Chart 1). **U. S. exports to developing countries have expanded at an average annual rate of 19.2% over the past decade**, compared to 15.6% for exports to developed countries. In 1979, U. S. exports to developing countries (both oil exporters and oil importers), amounted to over \$60 billion, or almost 35% of total U. S. exports (Chart 2). Every state in the Union is involved in exporting to developing countries.

TABLE 1

TRENDS IN U. S. EXPORTS

OPEC & Other Oil Exporting Developing Countries ¹			Non-Oil Developing Countries			Developed Countries		
Exports (billions of \$)	% Increase from Previous Year		Exports (billions of \$)	% Increase from Previous Year		Exports (billions of \$)	% Increase from Previous Year	
1970	2.7		1970	10.3		1970	29.9	
1971	3.0	11%	1971	10.5	2%	1971	30.4	2%
1972	3.4	13%	1972	11.1	6%	1972	34.3	13%
1973	4.7	38%	1973	16.3	47%	1973	47.1	37%
1974	8.3	77%	1974	24.4	50%	1974	63.0	34%
1975	12.8	54%	1975	26.4	8%	1975	64.8	3%
1976	14.8	16%	1976	25.6	- 3%	1976	70.5	9%
1977	16.5	12%	1977	26.8	5%	1977	74.9	6%
1978	19.3	17%	1978	33.6	25%	1978	85.6	14%
1979	18.5	- 4%	1979	44.5	32%	1979	110.6	29%

Totals may not add due to rounding and omission of Eastern European Countries.

¹OPEC countries and Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. Other oil exporting developing countries are Angola, Bahamas, Bahrain, Brunei, Congo (Brazzaville), Egypt, Leeward and Windward Islands, Netherlands Antilles, Oman, Trinidad and Tobago, Tunisia, and Zaire.

SOURCE: *Twenty-Fourth Annual Report of the President of the United States on the Trade Agreements Program, 1979*

The oil-importing developing countries represent the fastest-growing consumers of the U. S. exports. Our exports to these countries in 1979 increased by 32% over 1978, reaching \$44.5 billion, or nearly a quarter of all U. S. exports.

U. S. exports of manufactured products to developing countries have shown especially strong growth (Charts 3 and 4). Exports of manufactured products to developing countries grew from \$9 billion in 1971 to over \$45 billion in 1979, representing an average annual rate of growth approaching 20% (compared to 14.5% for exports of manufactured products to developed nations). Exports of manufactured products to the non-OPEC developing countries alone grew from \$7.2 billion in 1970 to \$33.7 billion in 1979, an 18.7% annual increase. Developing countries bought over 39% of our exported manufactured products in 1979, and the U. S. enjoyed a \$19 billion surplus in manufactured goods trade with the developing world.

U. S. manufactured exports to developing nations are particularly strong in capital goods and transportation equipment. In 1979, the U. S. had a favorable trade balance with the Third World of \$5 billion in civil aircraft; of \$756 million in computers; of \$562 million in steel products; and of \$778 million in paper and paper products.

U. S. exports of manufactured goods provide clear economic benefits to U. S. industries and workers. About 6% of all American manufacturing jobs produce for export to developing countries. An estimated 500,000 Americans are employed in the production of manufactured products for export to the oil-importing developing countries alone. In addition, many more U. S.

jobs are provided indirectly in transportation, distribution, and other areas related to exporting.

Exports of agricultural products to developing countries are also extremely important in our overall trade relations. The harvest of one out of every four farm acres in the United States is shipped to the Third World. Two-thirds of our cotton exports — 40% of the entire crop — is exported to less developed countries. Those countries are a rapidly growing market for soybeans, with exports jumping from \$359 million in 1973 to over \$1 billion in 1979. In the absence of these markets it is estimated that there would be a 20-25% loss of U. S. gross farm income.

In addition, farm sales abroad create jobs for workers in grain elevators, for truckers, shippers, and others who service farm production.

The rapid growth of U. S. exports to developing nations has been concentrated in those developing countries whose own development has made them significant markets for U. S. goods and services as well as sources of imports for the U. S. market. Other less advanced nations need, and will continue to need private finance in amounts adequate to sustain increasing trade with the United States.

INVESTMENT OPPORTUNITIES

Developing countries' ties with the U. S. private sector are expanding significantly. **In 1979, the upward trend of U.S. private direct investment in developing countries continued with an increase of 19%**, compared with a rise of 17% the year before. At the end of 1979, a cumulative \$47.9 billion were invested by U. S. companies in the Third World (Chart 5). Half of this amount was invested in minerals, agricultural, and other productive areas. Another one-third was invested in manufacturing, and only 15% was in petroleum.

American investors, both direct and portfolio, play a leading role in providing financing to developing nations. As of June 1979, loans from private U. S. banks to the oil importing developing countries totalled \$54 billion, or close to 40% of all foreign bank loans to those countries. Of that amount, \$36 billion is lent in Latin American and the Caribbean, \$15 billion in Asia, and \$3 billion in Africa.

CRITICAL INDUSTRIAL MATERIALS

Many of our manufacturing industries depend on raw materials imported from developing countries (Chart 6).

Petroleum is one, but only one, of the primary products we import from the Third World. **Last year, the United States imported \$49 billion of commodities from non-oil producing develop-**

ing countries. One hundred percent of the **columbium** and **strontium** we need for steel and other metals and alloys used in our aerospace, machinery, transportation, and ceramic industries must come from developing countries. Those countries provide 100% of our **natural rubber**.

We import from the Third World more than half of the **bauxite** used in the aluminum industry; of the **zinc** used in the electrical, alloy, and construction industries; of the **cobalt** used in industrial and aircraft engines and in the computer industry; of the **tin** used for electrical construction and transport industries; of the **copper** used in electrical and industrial construction; of the **tungsten ore** used in the metal-working and construction-machinery industries; of the **silver, lead**, and many other materials we need.

IMMEDIATE BENEFITS TO U. S. FROM FOREIGN AID

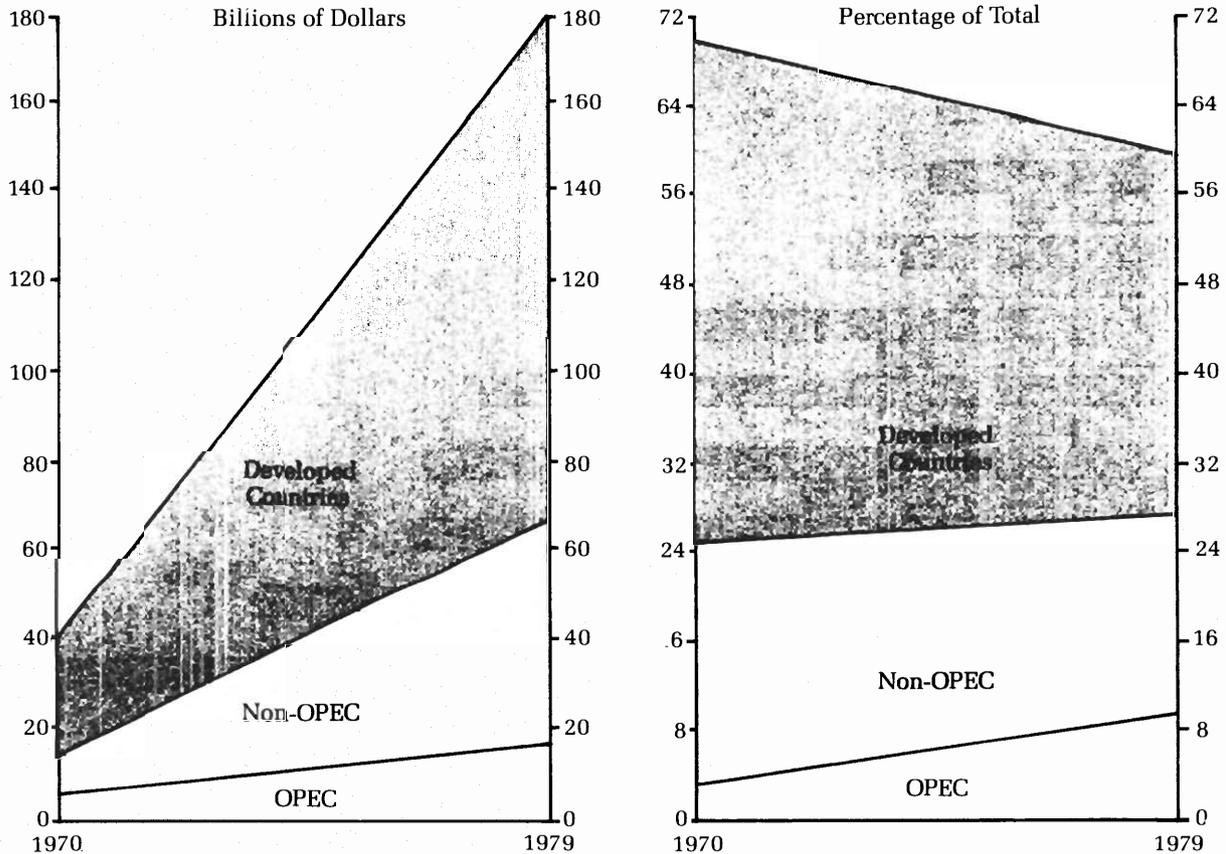
In addition to the general economic advantages to the U.S. from development of the Third World, there is also an important domestic economic benefit derived from the assistance itself. **Most of the dollars spent by the U. S. for foreign assistance stay in the United States** (Chart 7). In 1979, over \$2.5 billion of both bilateral development assistance and multilateral development funds were used in the United States to procure goods and services for delivery to the non-oil producing developing countries. In addition, all of the funds for PL 480 commodities and a large share of the more than \$2 billion of Economic Support Funds are also spent in the United States. The estimated annual U. S. economic benefits from the multilateral development banks (MDBs) alone are striking:¹

— U. S. exports directly financed by the MDBs' activities were	\$1.1 billion
— thereby increasing U. S. GNP by	\$2.7 billion
— creating additional U. S. jobs	nearly 50,000
— raising net Federal Tax Receipts	\$0.7 billion
— reducing net cost to U. S. budget to	\$0.2 billion
— U. S. current account surplus over the life of the banks as a direct result of the MDBs' activities	\$11.0 billion

Of the 2 million U. S. jobs estimated to be generated by all exports to developing countries, it has been calculated that 600,000 jobs are supported by the several foreign assistance programs. In addition, by law, 50 percent of all

¹Based on 1977-1978 average during which U. S. Government outlays for the MDBs averaged \$890 million. Source: U. S. Department of Treasury.

CHART 2
INCREASE IN U.S. EXPORTS TO DEVELOPED AND DEVELOPING COUNTRIES



SOURCE: Department of Commerce, FT-990

commodities procured for bilateral U.S. foreign aid are shipped in U.S. maritime vessels.

Finally, more than a third of U.S. bilateral assistance is in the form of loans. Almost \$25 billion has been returned to the U.S. Treasury by developing countries in repayments of principal and interest since 1947. These returns on earlier loans are now received at an annual rate of \$600-800 million.

POLITICAL AND GLOBAL SECURITY INTERESTS

American security rests on far more than military strength alone. Third World countries are becoming increasingly important to the United States — as sources of critical materials, as partners in diplomacy, as markets for American businesses and farms, and as co-trustees of an endangered global environment.

Conflicts and problems involving developing countries that at one time might have appeared remote from our political and security interests are no longer so. Recent events in Afghanistan, the Middle East, Indochina, southern Africa, and

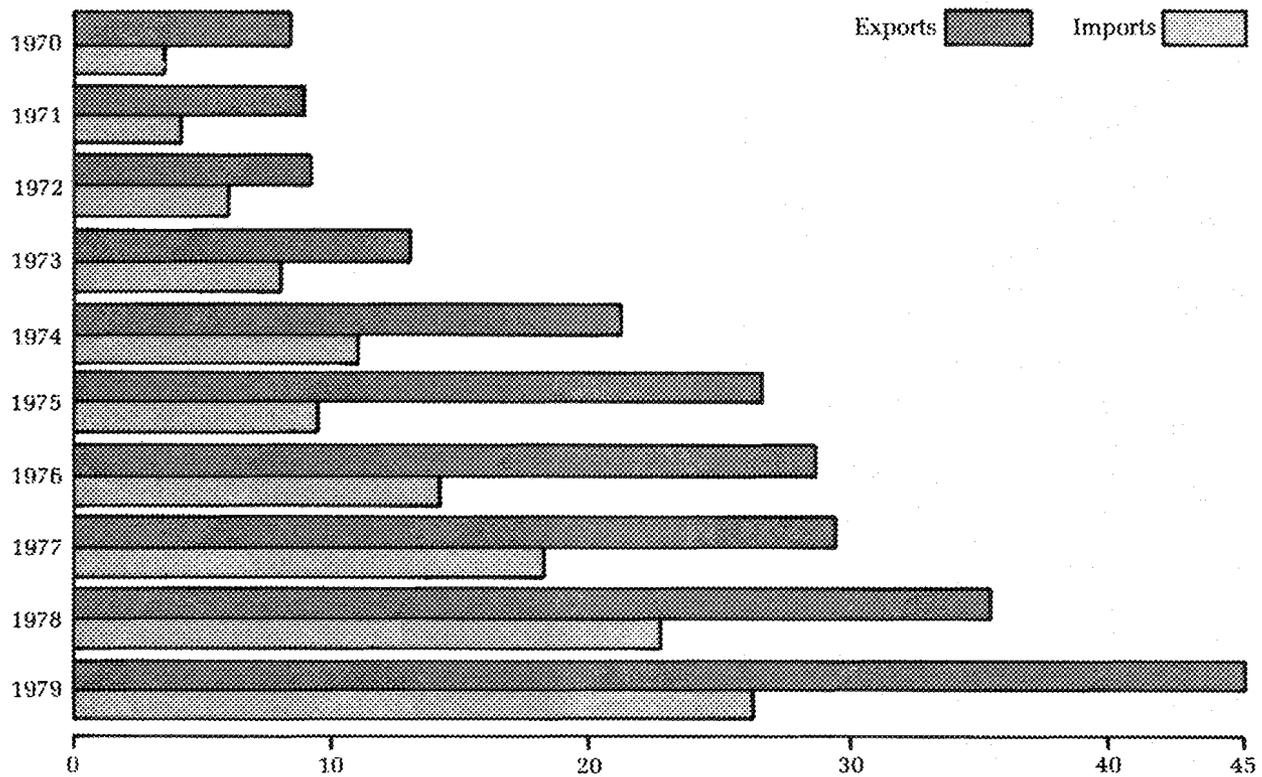
close to home in Central America and the Caribbean are prime examples.

Developing countries also have an increasingly major impact on key regional and global disputes of importance to the United States.

Political instability often occurs when economic and social pressures explode. When people have a reasonable hope that living conditions will improve, they have a stake in stability and peace. Mass hunger or imminent economic collapse create an environment that is susceptible to violence and the intrusion of those who try to exploit instability to their own advantage. To a considerable extent, U.S. security interests depend on internal political, economic, and social health in the Third World. The achievement of that health is the goal of our development efforts.

Development cooperation is also essential to U.S. political interests in resolving a range of international problems whose solutions require the common and concerted actions of developing as well as industrial nations. Protection of the earth's environment and its ability to support

CHART 3
U.S. TRADE IN MANUFACTURED PRODUCTS WITH DEVELOPING COUNTRIES
 (Billions of Dollars)



SOURCE: U.S. Department of Commerce, *U.S. Trade with Major World Areas* (various issues)

the world's people is a prime example — a problem of direct concern to American interests that can be managed only with the support of Third World countries. Other areas in which we need the cooperation of developing nations include disease control, refugee settlement, narcotics control, exploration of the deep seabed, nonproliferation of nuclear weapons, and the ending of international terrorism.

Collective international efforts are essential to deal successfully with these and other critical problems. We are much more likely to receive cooperation from Third World countries in those international efforts if we cooperate with them in meeting the primary problem on their agenda — development. We cannot buy political allies, nor

should we expect to. But U.S. development assistance to nations whose per capita incomes are a small fraction of ours is a vital element in establishing a partner relation with those nations. And that relation is necessary for successful common efforts in checking the massive threats to the globe's environment, resources, and security.

The United States now spends 24¢ out of every budget dollar for defense (Chart 8). By contrast, only 1¢ out of every budget dollar is provided for foreign economic aid, and that amount must cover AID Development Assistance, ESF, Food for Peace, the Peace Corps, U.S. contributions to UN development programs, and our support for the multilateral development banks.

PART II

CURRENT STATE OF THE THIRD WORLD

The preceding sections described some of the ways in which economic development of Third World countries is essential to our own interests. The developing nations, however, face staggering obstacles. The first section of Part II describes the immediate and immense financial obstacles that limit the abilities of those nations to meet their development needs.

Even if immediate financial strains can be accommodated or overcome, the basic obstacle of oppressive poverty will persist. The second section of this Part analyzes that obstacle and the reasons why economic development in the Third World is essential to ease growing pressures on global food supplies, to slow the population explosion, to deal with the energy crisis, and to protect the global environment.

Efforts to cooperate in international economic development are taking place in the context of a continuing dialogue between nations of the North and of the South. The third section of this Part describes that North-South dialogue, and the issues that are at stake.

FINANCIAL PRESSURES AND ADJUSTMENT

For most oil importing countries, developed and developing, 1980 was a year of slow economic growth, high inflation, and large balance of payments deficits, with many of the causes likely to continue in 1981. The common factor in each case was the dramatic increase in the price of oil over the last two years (Chart 9).

CAUSES OF FINANCIAL PRESSURE

Several other factors combine to further increase the strains in the external accounts of the oil-importing developing countries. Declining export markets and increasing debt service burdens enlarge the deficits to be financed. The effects of global inflation on import prices, the declining real value of foreign assistance, and the cost and scarcity of new commercial borrowings, further complicate their problems of financial management.

While the world average **rate of inflation** rose to 15-16% in 1980, the average rise for the oil-importing developing countries was 30-35%. The rise in oil prices is especially burdensome. These developing countries must now pay \$67 billion to import the energy they require, compared with \$32 billion in 1978. By 1985, it is predicted that, unless adjustments are made, the developing country oil-import bill will be \$124 billion. The increase in the cost of energy has significantly altered the economic environment

and has made the achievement of economic growth and social advance by the oil importing developing world far more difficult. It has also increased the urgency of undertaking major economic policy reforms and adjustments designed to adapt the economies of these countries to the new economic conditions.

The **economic downturn in the industrial countries** has further intensified the strains for the oil-importing developing countries. For these countries, slowed growth in the industrial nations has reduced the demand for their exports and reduced their own economic growth prospects. The growth in the volume of exports to the Western industrial countries, for example, fell from 8.5% in 1979 to only 1.5% in 1980. The slow growth of the U.S. economy produced an estimated 2½% decline in the volume of U.S. imports from developing countries in 1980.

Third World debt has also sharply increased.

Oil-importing developing countries now owe the rest of the world \$300 billion (Chart 10) (60% to private sources), and need around \$40 billion a year for debt service alone. That debt service represented 18½% of their GDP² in 1979, as compared to 14% in 1973. (If non-guaranteed private debt were included, the figures for some countries would be considerably higher.)

The abilities of developing countries to repay these loans are becoming increasingly strained. The oil-importing developing countries' current account deficits are projected to reach \$68 billion in 1980, and \$78 billion in 1981.

FINANCIAL PROSPECTS

These factors have had a detrimental impact on the economic performance of the oil-importing developing countries. The per capita growth in these countries in 1980 was little more than 2%. More rapid economic growth will be necessary to achieve a significant improvement during the 1980s in the well-being of those living in oil-importing developing countries.

These figures showing average performance of non-oil developing countries mask marked differences between individual countries with regard not only to their past and current economic performance but also the impact of external factors on their economies and the nature of the adjustment process that will be needed. These differences can be illustrated by looking at the general performance and economic position of the low-income developing countries versus that of the middle-income developing countries.

²Gross Domestic Product (GDP) differs from Gross National Product (GNP) in excluding income from investments abroad.

The World Bank estimates that under the most favorable assumptions, the growth of per capita income in the poorest countries — that is, countries with per capita income averaging only \$168 annually³ — will average only 2% annually during the 1980s. Within that country grouping, Sub-Saharan African countries would grow on a per capita basis by only 0.6% annually. Under more pessimistic, and perhaps more valid assumptions, these growth rates would be 1.1% for all of the poorest countries as a group, and 0.35% for Sub-Saharan African countries.

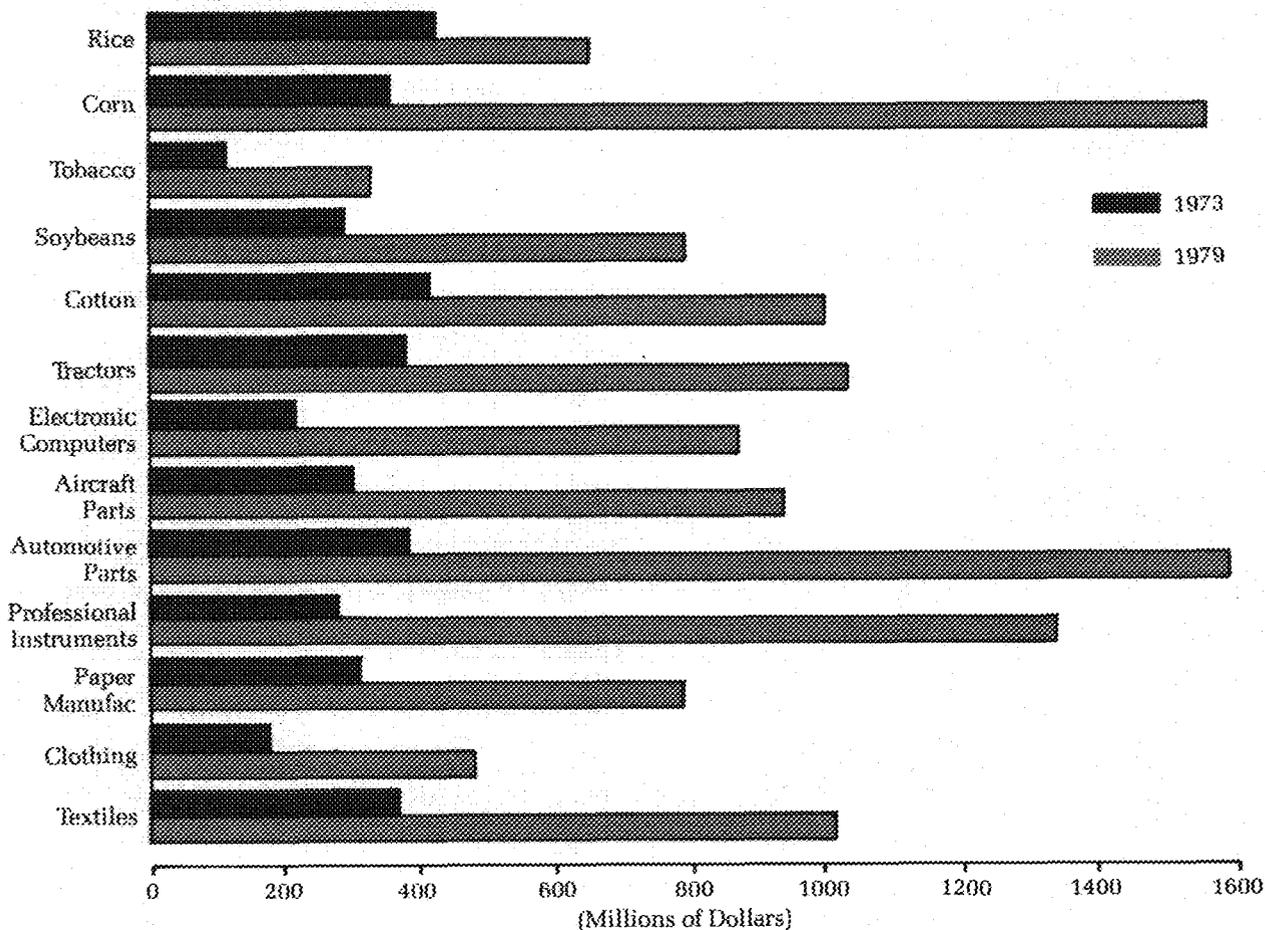
By way of contrast, during the same period the middle-income oil-importing countries are expected to grow on a per capita basis by over 3% annually under the optimistic scenario, and 2.2% annually under the pessimistic scenario. These countries start from a per capita income base of \$1,375.⁴

To further contrast the differences among developing countries, it is useful to compare two

important social indicators. For the poorest developing countries, the life expectancy at birth is only 49.9 years, and the adult literacy rate only 38%. The middle-income countries have life expectancy at birth of 61 years, and adult literacy rates of 71%. These figures compare to 71 years and 99% respectively for the industrialized countries.

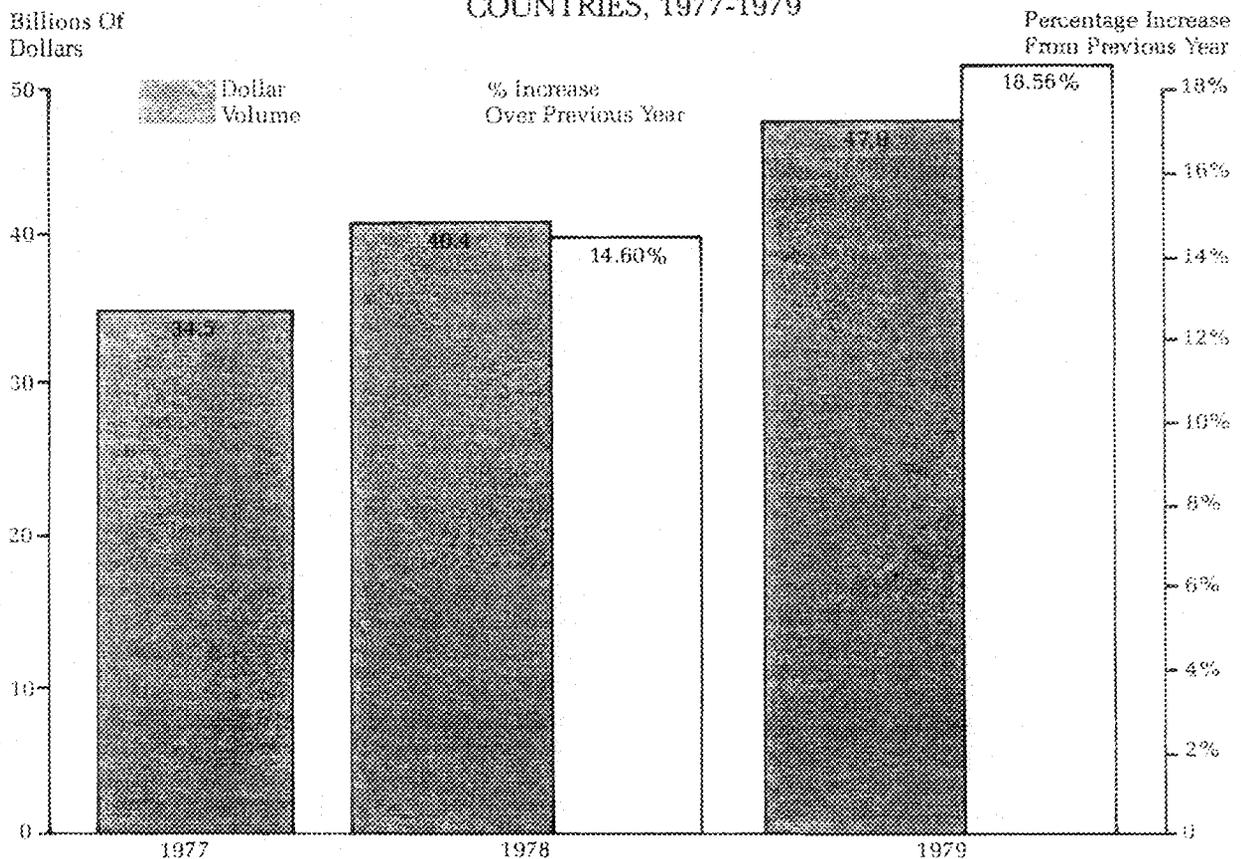
The poorest countries generally are heavily dependent upon their agricultural production. As a group, these countries will have a 1980 growth rate in agricultural production of close to 4%, approximately 1.5% in per capita terms. This rate includes the performance of Bangladesh and India, however, which had bumper harvests in 1980. Other countries among the poorest were not so fortunate. For the 25 Sub-Saharan African nations that have been among the poorest and slowest-growing developing countries, crop failures created by the current drought have severely worsened their already poor economic performance.

CHART 4
SELECTED U.S. EXPORTS TO DEVELOPING COUNTRIES, 1973 and 1979



SOURCE: U.S. Department of Commerce
U.S. Trade with Major Worlds Areas, 1973-1979

CHART 5
INCREASE IN U. S. DIRECT INVESTMENT POSITION IN DEVELOPING
COUNTRIES, 1977-1979



SOURCE: U.S. Department of Commerce, *Survey of Current Business*, August, 1980

Adjustment to the loss in real income caused by increased oil prices and other economic trends noted earlier will require Third World nations to adopt domestic reforms to increase savings and output with emphasis on export earnings, and to increase agricultural production. It will also require energy conservation and the search for new energy sources. These will certainly be the conditions for increased external financial support on which developing countries must depend. The availability of that external assistance is essential, in turn, if the developing countries are to undertake the adjustments and the growth that is necessary for their long-term credit worthiness.

INTERNATIONAL RESPONSE

In an effort to help developing countries in their financial management and development efforts, the International Monetary Fund (IMF) and the World Bank took measure of the critical world financial situation during 1980 and put forward plans for a response. The Bank proposes to increase its lending in support of country programs of structural adjustment to assist countries

in restructuring their economies to meet current conditions without undue sacrifice of longer term development. The IMF has increased its resources available to countries undertaking programs of adjustment to reduce their balance-of-payments deficits to levels that are sustainable over the long-term. The IMF action will continue to be conditioned upon corrective economic actions by recipient countries, but with increased sensitivity to the need in some cases for a longer adjustment period to minimize economic and social costs. The World Bank and the IMF will closely coordinate those activities.

The oil exporting nations are currently accumulating annual surpluses of \$115-120 billion. Moreover, unlike the period from 1974-78, their surpluses are projected to continue. In this context, it is hoped that oil exporting countries will increasingly lend directly to developing countries. Further efforts are underway to utilize a portion of their surpluses for lending to the oil-importing developing countries through financial intermediation by the World Bank and other international financing institutions.

POVERTY: THE CORE PROBLEM

About 800 million people in developing countries live in absolute poverty — “a condition of life so characterized by malnutrition, illiteracy and disease as to be beneath any reasonable definition of human decency.”⁵

To live in absolute poverty means that life expectancy is less than 50 years; that children between the ages of one and four die at 20 times the rate of those in industrial countries; that three-fifths of the children finish three years or less of primary school. Absolute poverty means a life of illiteracy, poor health, malnutrition, and crowded and primitive shelter (Chart 11).

Three major reports published in 1980 drew global attention to Third World poverty and the vital need to accelerate Third World economic growth: *North-South: A Program for Survival* by the Brandt Commission, an independent group of public and private leaders from 17 developed and developing countries, chaired by former German Chancellor Willy Brandt; *Overcoming World Hunger: The Challenge Ahead*, by the U.S. Presidential Commission on World Hunger; and the *Global 2000* report by the Council on Environmental Quality and the Department of State. The three studies conclude that the assistance needs of the poor countries are substantially greater than their ability to increase domestic savings and the aid the wealthier countries are providing, and that it is to the urgent mutual interests of the North and South to accelerate the attack on world poverty.

The development assistance programs proposed in Fiscal Year 1982, and described in Part IV of this presentation, focus on three key aspects of poverty — population/primary health care, food, and energy. While the development process is complex and multi-faceted, success or failure in these three areas will largely determine the extent to which the Third World countries can lift their citizens out of poverty. They are also areas in which the United States has major expertise.

POPULATION/PRIMARY HEALTH CARE

The Third World's capacity to provide for its basic human needs, already very constrained, will be affected seriously by the enormous increases in population expected by the end of the century. At projected growth rates, **the world's population will grow from about 4.5 billion to about 6.35 billion in the year 2000, with 5 billion, or about four-fifths, living in the less developed countries** (Chart 12). At present trends, the two-child family will not become the norm throughout the world until the year 2020, and the world's population will not stabilize until the year 2090 — at 10 billion people.

The proportion of people living in the less-developed regions of the world will be substantially larger in the coming years. The population of Africa is likely to increase from its current 10% of total world population to 13% of world population in the next 20 years. Latin America currently accounts for 8% of the world population, but by the year 2000, 10% of all people will be living in Latin America. Those living in Asia will continue to constitute about 57% of the world population. The population in the remaining regions — primarily the industrialized countries — will decrease from its current level of about one-fourth of the world population to roughly one-fifth of the total (Chart 13).

A vast movement is underway from rural to urban areas. By the year 2000, Mexico City may have 30 million people within its precincts; Calcutta, 20 million. The pressures on land, sanitation, water, health care, shelter, and jobs will be massive. Even now, two-thirds of the world's population lack access to minimum quantities of safe water; three-fourths of all people lack adequate sanitation. Thus, diarrheal infections, compounded by malnutrition, and close birth spacing are the leading cause of mortality and morbidity.

Despite gains in the 1960s, malaria continues to be a major cause of sickness and death throughout the developing world. Of a total of approximately 200 million people infected with malaria, 80% live in Africa. Schistosomiasis, or snail fever, a debilitating disease that leads to premature death, infects 200-300 million people. Complications of pregnancy and childbirth still exact a heavy toll in maternal and infant mortality.

The major impediment to improved health in developing countries is lack of primary health care, especially at the community level. There are few clinic facilities or outreach workers in rural areas, forcing people to travel long distances for health care, or to rely on whatever is locally available. Many developing countries assign only 1 or 2% of their GNP to health services. Government expenditures for health in these countries are often \$1 or less per person.

FOOD

From now until the end of the century, food production in many areas is likely to grow more slowly than total population. Some of the poorer countries, especially in Africa where malnutrition is already widespread, may even face a decline in their food supplies. The *Global 2000* report estimates that arable land will increase only 4% in the next 20 years. Most of the increased output of food will have to come from higher yields on present acreage, requiring large investments in irrigation, seeds, fertilizer, pes-

ticides, and research on higher yielding technologies.

While per capita food consumption is anticipated to increase over the next 20 years, most of that increase will take place in already-developed countries. Per capita food consumption is expected to increase by 21% in the industrialized countries, but only by 9% in the developing countries, with most of the increase occurring in the relatively more developed Latin America and East Asia. In the absence of increased production efforts, average per capita food consumption is not expected to improve at all in South Asia, and it is likely to decline in Sub-Saharan Africa. In Central Africa, average caloric consumption for the year 2000 is projected to be more than 20% below what the UN Food and Agriculture Organization (FAO) considers minimal. The World Bank has estimated that the number of malnourished people in the developing world could double or even triple by the year 2000.

ENERGY

The energy situation is critical to all countries, of course, but can have a particularly devastating impact on the developing world. All countries are in the midst of a long transition to energy systems less reliant on oil. Difficult as this transition is for countries such as ours, it is even more difficult for most developing countries. These countries must accomplish a double transition. Not only must their modern sectors make more efficient use of commercial fuels, but their poor people must shift to more efficient use of traditional renewable energy sources. The World Bank projects that consumption of commercial energy in the developing countries will rise more than 80% in the 1980s, growing to 17% of the world total by 1990. The annual cost to the developing world of imported energy is projected at \$230 billion (in 1980 dollars), if the developing countries can find the means to pay.

While petroleum and coal will remain the principal fuels on which developing countries rely for industrial development, firewood is likely to continue as the principal household fuel for most of the populations of the Third World. With the rising demand for firewood, and the clearing of marginal lands for expanding agricultural populations, the energy, population, and food problems of the Third World come together to form massive threats to the forests, soil, and general environments of large areas of the earth's surface.

NATURAL RESOURCES

The supply of food and the viability of all countries on the planet depend ultimately on the earth's natural resource base. The *Global 2000*

report presents compelling evidence that this base is increasingly being degraded. The carrying capacity of the earth's basic biological systems is not keeping up with human needs. As the Report demonstrates, the conditions of poverty — particularly explosive population growth, hunger, and mismanagement and loss of croplands and forest lands — must be dealt with in order to reverse the strains on the earth's carrying capacity. Altering the trends of demand on the earth's resources is profoundly important for the future of all people throughout the world — in developed as well as developing nations.

The pressures of poverty create strong pressures for change. Numerous activities are taking place in which the developing nations and the industrialized countries are attempting to establish cooperative international development goals and efforts. The next section describes those activities.

NORTH-SOUTH DIALOGUE

Over the course of the 1980s, as in the last two decades, developing countries will press their economic concerns in a variety of international fora. Discussions on international economic issues involving developed and developing nations are often referred to as the North-South dialogue.

Although the 119 nations that make up the developing world vary dramatically in condition and circumstances, they often take common positions concerning the international economic system and changes in that system. Their most commonly-stated objectives are:

- increased financing to help promote development, including expanded concessional development aid;
- higher and more stable prices for raw materials;
- improved access to developed-country markets for their manufactured goods;
- transfers of technology;
- a greater voice within international institutions making decisions on international economic and financial policies that affect the Third World.

The United States and other developed countries of the North support mutually beneficial changes while seeking to preserve the fundamentals of an international economic system that works reasonably well. In evaluating proposals for changes in the system, the United States and other developed countries seek to ensure:

- stability and predictability that promotes trade and facilitates financial transactions;
- efficient use of world resources;
- cooperative action on an array of global prob-

lems, ranging from poverty and hunger to international terrorism, unchecked arms competition, nuclear proliferation, and environmental degradation.

To help meet their concerns, the developing countries called for Global Negotiations on international economic issues to be launched by the 11th Special Session of the UN General Assembly in September 1980. In preparation for three years, this Session was designed to construct an International Development Strategy (IDS) as well as the framework for the Global Negotiations.

The Session was able to reach agreement on a wide ranging International Development Strategy for the 1980s — the Third Development Decade. The IDS was adopted by the 35th regular session of the UN General Assembly in December 1980, at which time the United States and other countries made formal statements of explanation on some of the points in the IDS. The Strategy provides a framework for development cooperation throughout the decade. The Special Session was not able to reach agreement on the procedures or agenda for the Global Negotiations, however. Discussions are nonetheless continuing, with the hope of concluding preparations for the Global Negotiations as soon as possible.

The largest segment of the world's people — 3 billion out of 4 billion — live in developing countries and are experiencing heightened political awareness and economic aspirations. The various fora in which the North-South dialogue takes place offer important opportunities to help make change peaceful and constructive.

³Calculated in 1977 U. S. dollars.

⁴Ibid.

⁵World Bank, 1980 *World Development Report*.

INTERNATIONAL DEVELOPMENT TERMS OF REFERENCE

A number of terms frequently heard in the context of the North-South Dialogue are difficult — and in some cases, impossible — to define precisely, and often are a source of some confusion. The information below furnishes some commonly accepted terms of reference. As a precaution, however, it is emphasized that these are neither officially nor universally accepted definitions (except for OPEC and OECD).

First World The developed, industrialized West including Japan, the United States, West Europe, Canada, Australia, and New Zealand.

Second World Countries with centrally planned economies.

Third World Developing countries. The term sometimes includes the oil exporters, but more commonly is applied to those with per capita incomes under \$1000. At times, the very poorest countries with per capita incomes under \$300 are referred to as the **Fourth World**.

Developed Countries (DCs) refers primarily to countries with industrialized economies and with average annual per capita incomes above \$3000; including the first world, the USSR, and Eastern Europe.

Developing Countries (LDCs) refers primarily to nations with rural agricultural economies and with per capita annual incomes below \$3000; includes the third and fourth worlds, and some countries of the second world including Cuba and China.

North Includes first world and developed countries of second world (although in the "North-South Dialogue," the Soviet Union and Eastern Europe countries play a relative minor role).

South Includes the third and fourth worlds and less developed countries of the second world.

The Group of 77 A term used primarily within the UN, representing a caucus of the developing countries on economic matters. This group, which was initially 77 nations, has grown to 119 countries, but the original term is still used. Although regional differences, levels of development, trade relationships, and resources create internal differences, the developing countries remain relatively cohesive on development issues.

OPEC Organization of Petroleum Exporting Countries) Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, * Kuwait, * Nigeria, Qatar, * Saudi Arabia, * The United Arab Emirates, * Venezuela. (*Capital surplus oil exporter).

OECD Organization for Economic Cooperation and Development) Primarily the Western industrialized countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

PART III

INSTRUMENTS TO PROMOTE DEVELOPMENT

The preceding Parts explained why development cooperation with Third World countries is essential to United States economic, political, strategic, and humanitarian interests, and summarized the international development needs that the United States can help to meet. This Part describes the programs and policies within IDCA's mandate that promote international development. It reviews first the range of economic assistance programs, both bilateral and multilateral, and then the other U.S. policies and programs that affect international development. This Part also describes some of the main characteristics of the U.S. development efforts, including a discussion of the policy objectives in each of the three priority sectors of our development assistance programs.

ECONOMIC ASSISTANCE: BILATERAL PROGRAMS

The transfer of U.S. resources and technical help to developing countries, through bilateral and multilateral channels, takes many forms. Following is a description of the primary bilateral instruments for direct economic assistance. This description is succeeded by a discussion of multilateral instruments supported by the United States.

The largest share of U.S. official development assistance is allocated on a bilateral basis. It provides visible and tangible evidence of America's concern for international development and for improvement in the lives of poor people throughout the world.

AID Development Assistance: U.S. bilateral Development Assistance is administered by the Agency for International Development (AID), a component of IDCA. Development Assistance programs reflect a Congressional mandate to pursue basic human needs through a focus on the sectors that most directly promote equitable growth. The priority sectors for bilateral aid are those in which the United States programs hold a particular comparative advantage: **agriculture, family planning/primary health care, and energy.** AID is also engaged in development activities that involve education and manpower training, shelter, urban problems, housing guarantees, women in development, and other fields.

The AID programs emphasize countries where U.S. assistance is most needed, where there is a clear commitment to equitable development, and where the U.S. has a strong long term interest in development. With policy guidance from IDCA, AID Development Assistance is increasingly focused on the three priority sectors of development.

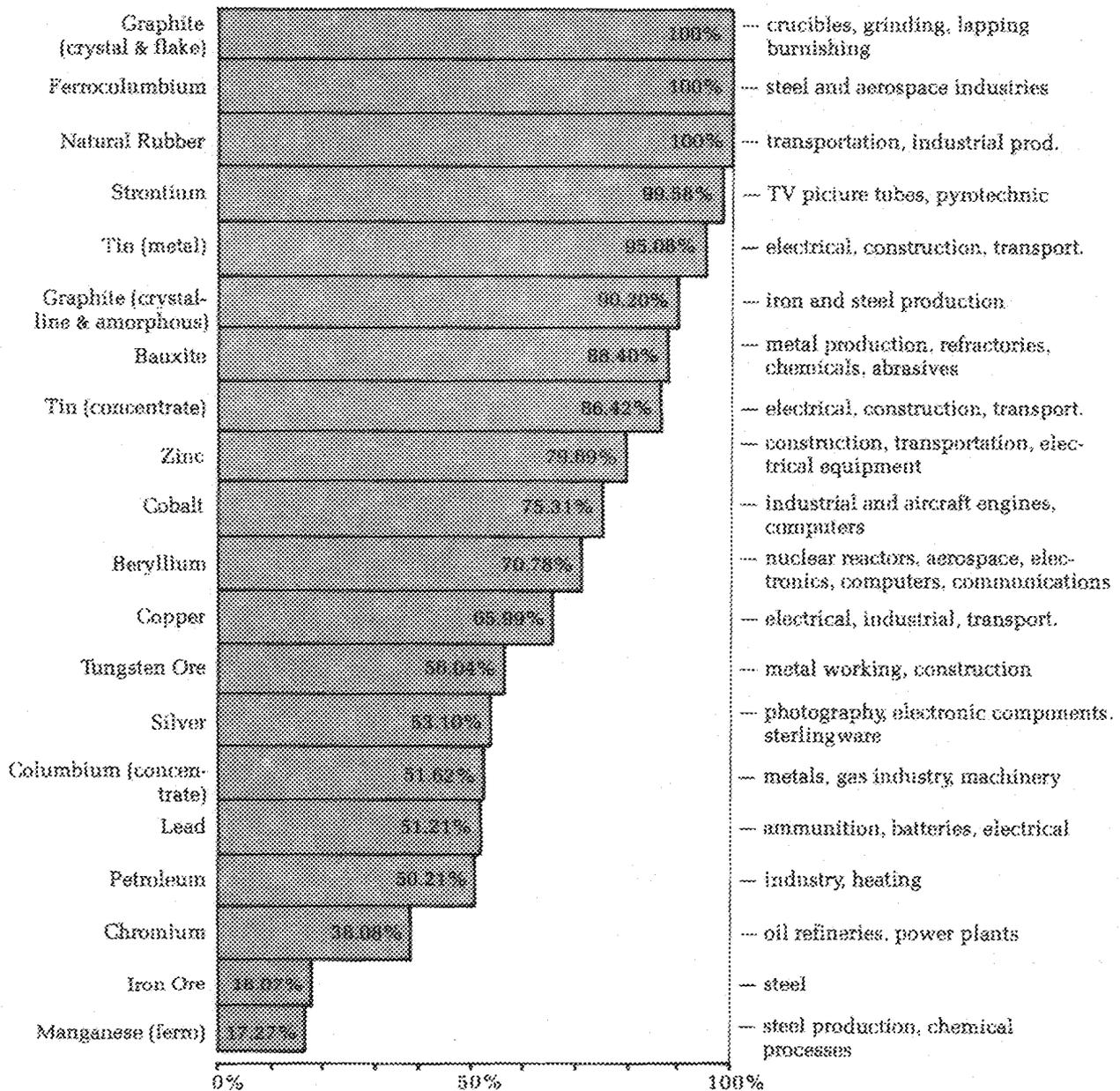
Economic Support Fund (ESF): This Fund, which is part of the Security Assistance program, was established to promote economic and political stability in regions where the U.S. has special security interests and has determined that economic assistance can be useful in helping to secure peace or to avert major economic or political crises. The Secretary of State, in cooperation with the Director of IDCA, is responsible for policy decisions and justification for the ESF program. Administered by AID, ESF resources can meet a variety of needs including balance of payments support, financing of infrastructure and other capital projects, as well as support for development programs of more direct benefit to the poor.

ESF assistance was instrumental in the achievement of a peace treaty between Israel and Egypt, and continues to contribute to the economic stability which is an essential factor as the two governments move toward resolution of the remaining issues.

Food for Peace (PL 480): The Food for Peace (PL 480) program was established to combat hunger and encourage development abroad, as well as to aid American farmers by expanding markets for U.S. agricultural commodities. USDA shares with IDCA the responsibility of directing the program, with foreign policy guidance from the State Department, and it is administered in the field by AID. About 6 million tons of food and other agricultural goods are allocated annually through concessional sales and grants of food to provide resources for development, relieve famine, and combat malnutrition. PL 480 is an important part of development strategies for Third World countries because it provides resources necessary to meet national food and nutrition needs while they increase their own food production.

CHART 6
U.S. IMPORT RELIANCE ON DEVELOPING COUNTRIES FOR SELECTED MINERALS, METALS, AND RAW MATERIALS

1979
 (Percentage Of Total Imports)



SOURCE: U.S. Bureau of Mines, Mineral Experts -- all figures exclude China

There are three types of PL 480 programs:

- **Title I** provides for the sale of U.S. agricultural commodities for dollars on credit terms. Care is exercised that the transactions not displace commercial sales or disrupt normal trade, as well as assuring food aid does not create a major disincentive for local agricultural production.
- **Title II** provides for the grant of U.S. agricultural commodities to governments and to private relief and international organizations

for humanitarian relief. It is used to combat malnutrition, especially in children, to promote economic and community development, and for needy persons and nonprofit school lunch and preschool feeding programs.

- **Title III**, the Food for Development Program, provides for multiyear commitments and loan forgiveness where the recipient country and the U.S. Government agree the resources provided will be used to support additional development activities in agricultural and rural development.

Peace Corps: An autonomous agency within ACTION, Peace Corps is an important part of the U. S. development effort. It works in close cooperation with other U. S. development operations. Trained Peace Corps volunteers work next to their counterparts in 63 developing countries in such fields as food production, education, health, and natural resources conservation and management. The result of this direct contact is tangible evidence that Americans care about the well-being of poor people in the Third World. When the volunteers return they pass on to their fellow citizens a better understanding of the problems of developing countries and how closely we are affected by these problems. Many volunteers remain in the development field. Nearly 500 former volunteers are currently employed in AID, for example.

Inter-American Foundation (IAF): The IAF was established by Congress in 1969 as an autonomous government corporation. It extends grants to local private groups in the Caribbean and Latin America, particularly those traditionally outside the mainstream of U. S. development assistance programs. The IAF is working to promote more equitable, responsive, and participatory approaches to development and foreign assistance in the region through its grants supporting self-help projects.

African Development Foundation: The African Development Foundation was authorized by Congress in 1980. Similar to the IAF, it is intended to be an autonomous government corporation that extends small-scale, self-help grants to local private groups in Africa.

Private Voluntary Organizations (PVOs): Non-governmental organizations are involved in a significant portion of our bilateral development efforts. They have an excellent record of accomplishments in addressing problems that are basic to development, particularly in the fields of health and family planning. U. S. supported PVO representatives work in virtually every country in the world. They are supported by official funds, but also rely heavily on the private contributions of millions of Americans.

Refugee Assistance: Armed conflict, civil disturbances, famine, and human rights violations all contributed to growth of the world refugee population last year. Both the Refugee Assistance program, administered by the Department of State and the International Disaster Program, administered by AID, provide immediate survival support to distressed people, and then help them begin to live normal lives again through the provision of food, shelter, tools, seeds, and whatever else is needed to become self-sustaining, either within their own borders or in a foreign land.

ECONOMIC ASSISTANCE: MULTILATERAL PROGRAMS

A major share of U. S. development assistance is provided through our support for international institutions. The overwhelming majority of this assistance is provided through our participation in the system of multilateral development banks (MDBs).

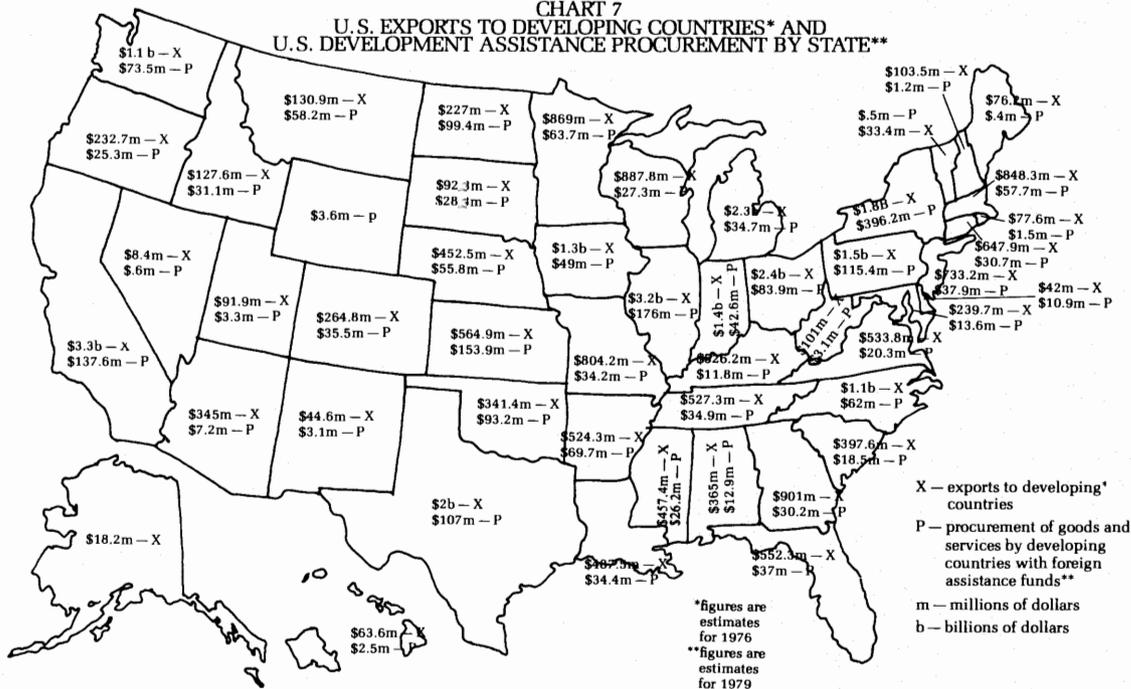
MULTILATERAL DEVELOPMENT BANKS

The MDBs are particularly qualified to fund both high-cost infrastructure projects that are vital to the overall economic progress of developing countries and basic human needs projects that directly increase the productivity of the poorest groups. The multilateral character of the development banks enables them to prescribe conditions for lending and to advise recipient countries on broad economic policies to make development lending more efficient in a manner not possible under bilateral programs. In recent years, at the urging of the United States, the MDBs have allocated an increasing proportion of their funds for projects in rural areas of the poorest developing countries. This focus on directly reaching the poorest people complements the banks' more traditional lending for infrastructure and contributes to better balance among development objectives.

The banks' non-concessional windows are able to mobilize large amounts of funds for economic development at a minimum cost to the U. S. This is possible because U. S. subscriptions are more than matched by other donors. On average, for every one dollar contributed by the United States, other nations contribute three. Furthermore, most of these subscriptions — typically 90 percent or more — are callable capital guarantees. These guarantees permit the MDBs to issue bonds in the private capital markets that finance development projects. Callable capital subscriptions are not paid in to the bank unless the bank cannot meet its bond obligations — an event which has never occurred, and it highly unlikely to ever occur. The combination of subscriptions by other donors and the access to the private capital markets results in up to \$60 of lending for each dollar the U. S. pays in.

The World Bank Group, supported by 140 member countries is the largest of the MDBs and consists of three institutions, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The common objective of these institutions is to promote economic development and raise living standards in the developing countries by transferring financial resources and development expertise.

CHART 7
U.S. EXPORTS TO DEVELOPING COUNTRIES* AND
U.S. DEVELOPMENT ASSISTANCE PROCUREMENT BY STATE**



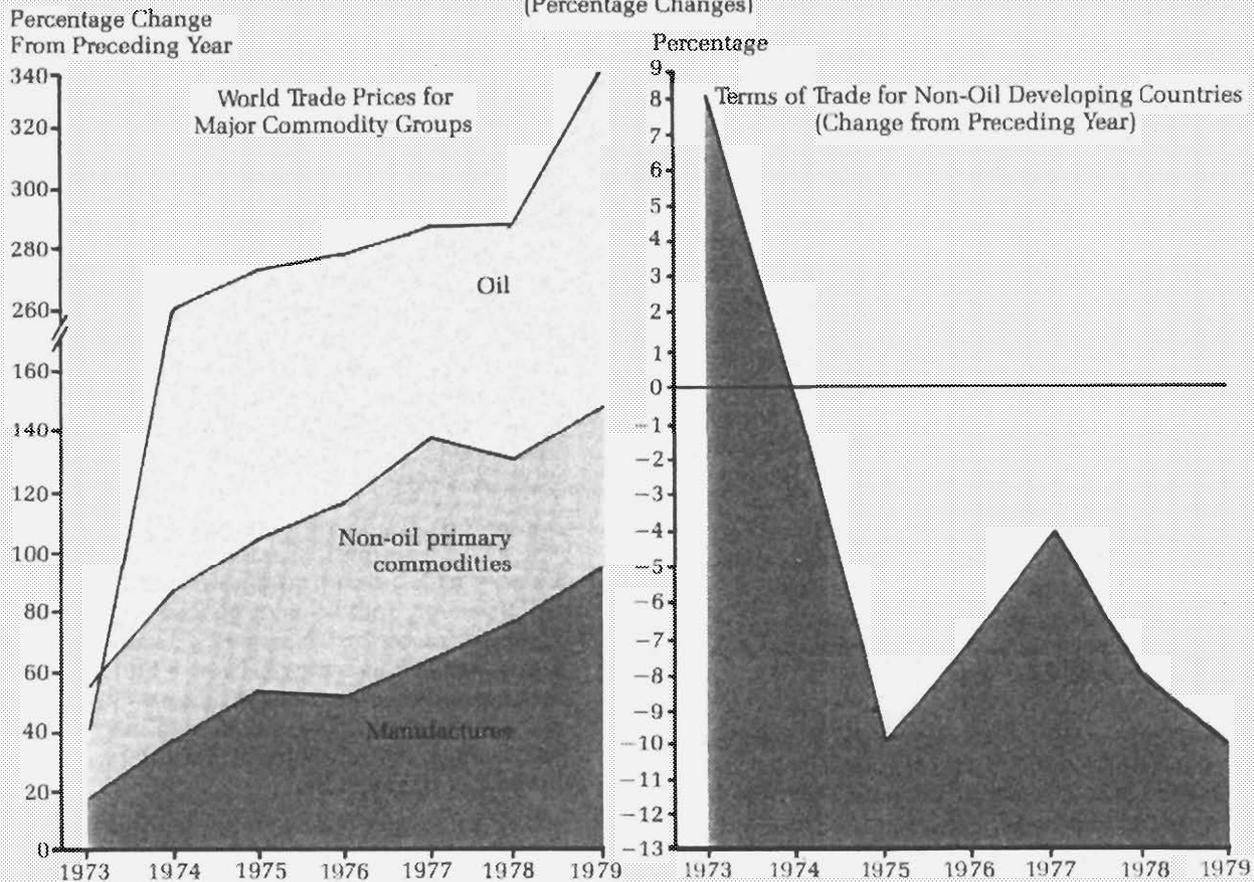
International Bank for Reconstruction and Development (IBRD), whose capital is subscribed by member countries, finances lending operations — \$7.6 billion in FY 1980 — primarily from borrowings in the world capital markets and from retained earnings and loan repayments. Loans are repayable over 20 years or less, including a five-year grace period. The Bank charges an interest rate on a cost-plus basis, based on its own cost of borrowing. The Bank's loans are directed toward countries at the relatively more advanced stages of economic development, generally referred to as middle income developing countries, that can better afford to pay the market-related rate the Bank offers.

International Development Association (IDA) lends only to the poorest developing countries, those with an annual per capita income of \$680 or less. Ninety percent of IDA funds go to countries with per capita incomes below \$360. IDA lending is concentrated in South Asia and

Sub-Saharan Africa where the overwhelming majority of the poorest people in the world live, and in the sectors of agriculture, rural development, and energy. The Association is the single largest source of concessional development assistance for the poorest countries that are eligible to borrow its funds. Without IDA's concessional terms, the poorest countries could not afford to finance projects on anywhere near the scale necessary to develop their impoverished economies. IDA loans have 50-year maturities including a 10-year grace period. They carry no interest, but a 1.75 percent annual service charge is assessed.

International Finance Corporation (IFC) makes loan and equity investments in its member countries. The IFC tries to encourage private sector financing by risk sharing and by putting together financing packages for projects that would otherwise be difficult to finance on a purely private sector basis.

CHART 14
TERMS OF TRADE
(Percentage Changes)



(Terms of Trade -- The difference between the price of imports and the price of exports.)

SOURCE: International Monetary Fund, Annual Report, 1980

Regional Development Banks provide financing to developing countries within their geographical region on both concessional and nonconcessional terms. A major advantage of the regional development banks is that they are staffed with nationals of countries in the region who thus have a more detailed understanding of the development conditions that confront the borrowers.

Inter-American Development Bank (IDB): The IDB provides development assistance to Latin American and Caribbean countries. Like other MDBs, the IDB provides resources on both market-related and concessional terms. The Bank's hard window utilizes capital market borrowings to fund the majority of its lending program. The IDB's Fund for Special Operations (FSO) provides development loans on concessional terms to the poorest countries in the region. In the most recent replenishment of the IDB the U.S. achieved many significant objectives, including directing an increased proportion of funds to the very poorest of the eligible countries, and low income groups throughout the hemisphere.

Asian Development Bank (ADB): The lending operations of the ADB are an effective way to both spur development in the poorest countries of Asia and the Pacific and to support basic United States foreign policy interests. The ADB, particularly through its concessional window, the Asian Development Fund (ADF), has placed an increased emphasis on lending for projects intended to meet the needs of the poorest people in these countries. Projects for agriculture and agro-industry have recently accounted for approximately one-third of all ADB and ADF lending with energy comprising about one-quarter. The largest borrowers from the ADB and ADF include Indonesia, Philippines, Korea, Thailand, Pakistan and Bangladesh.

African Development Bank (AFDB): Membership in the Bank has, until recently, been restricted to African nations. The limited resources of its African members have severely restricted the Bank's access to the private capital markets and its lending program. In May 1979, however, the Governors of the Bank invited non-regional countries to join their institution. Legislation to authorize U.S. membership was not completed by the 96th Congress. The Bank places particular emphasis on projects that are included within regional or national development programs. A special preference is accorded to all projects that benefit two or more member states and thus stimulate intra-African cooperation. The United States and other non-regional countries are members of the AFDB's concessional loan affiliate, the **African Development Fund (AFDF)**. The AFDF lends only to the poorest African countries, those with a per capita income of \$280 or less. In AFDF lending, priority is given to projects that help meet basic health, education, and food needs.

International Fund for Agricultural Development (IFAD): IFAD is a specialized agency of the United Nations. Its basic purpose is to provide concessional agricultural loans and grants in developing member states to help small and landless farmers expand food production, improve nutrition, and combat rural poverty. Focusing on the poorest sections of the rural population, IFAD seeks to bring small farmers and the landless into the development process. Lending terms range from 15 to 50 years, with interest one percent to eight percent. The loans are often co-financed with multilateral banks, United Nations agencies, and bilateral donors. Seventy-five percent of the IFAD loans have been allocated to countries with per capita incomes of \$300 or less. IFAD is unique in its structure. Funding and governance come from three categories of countries: OPEC countries, developed nations, and the non-OPEC developing countries. The IFAD structure is a positive indication of one way to recycle additional OPEC resources into the development process.

Resources available to IFAD will be exhausted in mid-1981, and the Fund will require replenishment. This Fiscal Year 1982 budget request includes proposed funding for U.S. participation in the IFAD replenishment, which is qualified on the conclusion of replenishment negotiations.

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Included in this category are development-related programs of the OAS, which benefit Caribbean and Latin American nations, and development-related programs of the UN. United Nations development programs benefit developing countries throughout the world through support of comprehensive development planning, the use of appropriate technology, rural agricultural development, environmental protection, disease eradication, and family planning. These programs are able to work in fields and regions that are difficult for bilateral programs. The major International Organizations and Programs include:

United Nations Development Program (UNDP): The UNDP is currently providing technical assistance to 152 countries and territories, and can call upon any individual organization, or a combination of the UN system's 35 specialized and associated agencies to bring a mix of resources and technical help to bear on its development programs. The activities of the UNDP are financed entirely through voluntary contributions of its members.

UNDP's policy of concentrating on the poorest of the least developed countries will be strengthened during its forthcoming Third Development Program Cycle (1982-86). Out of its projected resources of \$6.5 billion, approximately 80% of allocations for country projects will go to countries with per capita income below \$500.

Special emphasis will be placed on activities directed toward increasing agricultural productivity, improving health and other social services, and employment generation. The UNDP also formulates multilateral programs addressing global concerns, and will use its unique position within the donor community to focus attention on these issues.

United Nations Children's Fund (UNICEF): UNICEF is a long-term development institution focused on delivering basic services to mothers and children of the Third World. UNICEF's current programs in 110 countries are financed entirely through the voluntary contributions of member states and from private sources. Efforts are made to have programs planned and implemented by villagers themselves, and are designed to provide such basic social services as maternal and child health care, potable water, sanitation, adequate nutrition, and primary and non-formal education. Its principal development goal is to foster improved living conditions of children in the developing world through the long range improvement of their health, education and social welfare through a concern for the total well-being of children and their families.

UN Interim Fund for Science and Technology for Development: This Fund was created following the 1979 UN Conference on Science and Technology for Development in Vienna. Its resources will be devoted to projects that will build within developing countries the capacity to utilize science and technology in their own development. By the end of 1980, over 800 proposals for Interim Fund support were received from almost all Third World governments. These included requests for assistance in science and technology; policy planning for infrastructure development; choice, acquisition, and transfer of technology; facilitating exchange of scientific and technological information; strengthening of international research linkages; and human resources development.

United Nations Environment Program (UNEP): UNEP was created in 1972 to stimulate assessment of major global and regional environmental hazards and to coordinate action to improve environmental management. UNEP's initiatives in protecting and maintaining the global environment have been strongly supported by the U.S., and by developed and developing nations alike.

Organization of American States (OAS): OAS, which is not part of the UN system, conducts programs that support technical cooperation contributing to the economic and social development of Latin America and the Caribbean. Major program activities include rural development, technical and vocational training, research into new energy sources, food production and distribution, livestock improvement, and adult literacy. The poorer and most disadvantaged people within member nations receive special attention. During the past years, several Latin American countries have become net contributors to the OAS program, and the U.S. share of contributions has declined to just over 50 percent of the budget.

OTHER U.S. POLICIES AND PROGRAMS THAT AFFECT DEVELOPMENT

In addition to economic assistance, many other U.S. policies affect development in the Third World. These include trade and commodity policies, international financial and monetary arrangements, and private foreign investment.

TRADE POLICY

Trade is an important link in U.S. interaction with developing countries. Not only does trade play a crucial role in the development process, but Third World prosperity, which trade helps bring about, fosters our prosperity. As the economies of developing countries grow they are able to buy more of our goods, and their exports may help lessen our own inflationary pressures.

Trade is also a vital generator of foreign exchange and development growth for Third World countries, particularly the more advanced of those countries. Export promotion has assumed greater importance for the numerous developing countries which face substantial external account deficits. These deficits will be increasingly difficult to finance by means of additional private lending from abroad or from official aid, and promoting exports has become an important solution to medium term balance-of-payments problems in those countries.

The United States recognizes the importance of trade to the developing countries and has responded by progressively opening its market to imports from developing countries. The overall success of this effort is reflected in the performance of exports in manufactured products from developing countries to the United States. This trade grew from \$3.5 billion (13.5% of total manufactured imports) in 1970 to \$26.4 billion (23.5% of those imports) in 1979. Increased trade with the developing countries, of course, benefits the United States as well as its trading partners. If developing countries cannot sell to us they cannot buy from us.

Aspects of U.S. trade policy that have particularly important effects on international development include:

The General Agreement on Tariffs and Trade (GATT): The GATT was first concluded at Geneva in 1947 through multilateral trade negotiations. 83 nations are now members. The GATT established procedures and principles that govern international trade. It is conducted on a non-discriminatory basis (with special exceptions to take into account development goals of developing countries), and protection for domestic industries is to take the form of tariffs, not import quotas. Consultation is to be the primary method to solve global trade problems.

Since 1947, seven Rounds of **Multilateral Trade Negotiations (MTN)** have taken place, including the recently completed Tokyo Round. In the Tokyo Round, which lasted six years, the United States reached bilateral tariff agreement with 27 developing countries. As a result, the United States will cut tariffs on imports from developing countries by over one-fourth. More important, agreement was reached on codes of conduct restricting the use of non-tariff barriers to trade, which will help assure improved market access for developing countries. The United States is a signatory to all these codes, and has advocated full developing country participation in the code. The United States has a good record of trade liberalization, but it has been necessary to restrict imports of certain products in which the impact of imports on domestic industry has been particularly severe. The challenge of the next few years will be to continue the post-war trend of trade liberalization. A number of trade problems, including an appropriate follow up to the Multifiber Arrangement, will have to be addressed in 1981. The United States will need to take into account the concerns of the Third World in resolving these problems.

The Generalized System of Preference (GSP): The United States, like other industrialized countries, has a GSP program under which certain developing country imports benefit from tariff preferences. The current GSP program, which was established in 1976, is authorized until 1985. Our program includes graduation provisions whereby countries lose GSP eligibility for particular products in which they have demonstrated their international competitiveness during the previous year.

⁶ In international trade, "commodities" refer to unprocessed products — e.g., coffee beans, but not coffee in the can; wheat but not flour. An exception is sugar, which is shipped after processing.

Commodities: Commodity trade⁶ accounts for nearly 45% of Third World exports. Many developing countries depend on exports of one or two products for the bulk of their foreign exchange earnings, and those earnings can be severely affected by a fluctuating market (Chart 14). This was the case in 1972-1975 when prices fluctuated more widely than they had in a generation. Developing countries sought a series of international agreements to stabilize trade in the major commodities to protect themselves against a recurrence of the 1972-1975 experience. Since then there have been consultations on 18 commodities. Both developed and developing countries have a mutual interest in formulating a sound, cooperative approach to commodity problems. This approach should encompass the related issues of stabilizing prices around long-term market trends, liberalizing trade, improving market structures, diversifying exports, and encouraging resource development and investment.

Substantial progress was made in international commodity negotiations during 1980. Negotiations were completed on a *Common Fund for commodities*, which will function as a source of buffer stock financing for associated commodity agreements. The Fund will receive \$470 million in assessed contributions, of which the United States' share will be \$73.85 million. U.S. participation in the Fund will require Congressional approval.

During 1980 the United States Senate ratified the **International Rubber Agreement**, and Congressional action was completed on implementing legislation for the **International Sugar Agreement**. The United States also participated in negotiations on tin, which are continuing, and on a cocoa agreement, which was concluded, but which the United States and a number of other countries have not joined.

FINANCIAL and MONETARY POLICY

The sluggishness of the world economy in 1980, along with the plight of the oil importing developing countries as they try to finance current deficits and adjust their economies to the reality of higher energy costs, has been described previously.

International finance will play a crucial role for these countries. Unless Third World nations can fund their large balance-of-payments deficits, their output and growth will be seriously affected. If they are unable to make the necessary structural adjustments through increased savings, investment with emphasis on exports, and energy conservation with the development of new energy sources, then they will face ever increasing debt burdens while borrowing becomes more and more difficult.

The broad range of issues surrounding capital needs that affect the developing countries — international monetary policy, country programs for balance-of-payments adjustment, debt policy, and capital market developments — are vital to overall United States financial and development policies.

The **International Monetary Fund (IMF)** is the central monetary institution for the world economy. The IMF serves two key functions: (1) general guidance of the monetary system, including surveillance over exchange arrangements and the balance-of-payments adjustment process, and the evolution of the international reserve system; and (2) provision of temporary financing in support of members' efforts to deal with their balance-of-payments difficulties.

The IMF is essentially a revolving fund of currencies, provided by every member in the form of a quota subscription and available to every member for temporary balance-of-payments financing under prescribed criteria. Financing thus flows back and forth through the IMF, depending on balance-of-payments patterns and financing requirements at any given time. The IMF is not an aid institution; there is no fixed class of lenders or borrowers, no concept of "donor" or "recipient". For example, the U.S. has drawn on IMF resources in recent years.

In 1980 the IMF adopted a broad range of measures that will strengthen its ability to deal with balance-of-payments problems of developing countries and to promote needed adjustments in their economies.

- **Access to IMF resources has been increased** substantially in recognition of the larger financing requirements.
- **The period of adjustment associated with IMF-supported programs has been increased**, reflecting the more difficult longer-term structural changes required by the new energy realities. The IMF is now prepared to enter into successive one-year programs covering several years, which will facilitate more gradual, less disruptive, and thus more politically acceptable adjustment efforts.
- **Greater emphasis is being placed on the expansion of savings, investment, and exports** needed to adjust to higher energy costs.
- **An interest subsidy has been established for the low income developing countries** that will be using the IMF's highest cost resources, financed primarily from repayments of Trust Fund loans plus any voluntary contributions from member countries.

These changes in IMF policy will greatly enhance the ability of developing countries to obtain needed financing while undertaking necessary structural adjustments in their economies.

PRIVATE INVESTMENT

Private investment helps bridge the gaps that constrain development in the Third World — the balance-of-payments gap, the savings gap, the technological gap, and in the long run the per capita gap. Private sector decisions to invest in developing countries depend on U.S. investment and monetary policies, and, to a far greater degree, on the investment climate and opportunities in host countries. Taxation, exchange controls, and investment incentives are the principal instruments of U.S. Government policy that can mobilize investors. Two U.S. programs — components of IDCA — facilitate private participation in development:

The **Overseas Private Investment Corporation (OPIC)** provides political risk insurance to U.S. investors in new or expanding businesses in developing countries. These investments in manufacturing, resource development, finance, food systems, and other productive enterprises are important to the countries' development. For instance, the investments provide local employment, increase a country's GNP, create demand for goods and services and stimulate growth in international trade. At the same time OPIC-backed investments make positive contributions to the U.S. economy: increased exports, improved balance of payments and expanded employment.

OPIC's insurance covers a portion of the loss a U.S. investor would incur in the event of currency inconvertibility, expropriation, war, revolution or insurrection. Coverage is available for loans and technology transfers as well as equity investments. The coverage is purchased by smaller American companies, contractors and banks as well as by the larger corporations experienced in international business.

Complementing this insurance program is OPIC's project financing service. Financing on commercial terms is provided to privately-owned and operated businesses in developing countries. OPIC's policy is that the business be partially owned by a successful American company or have an equivalent long-term relationship with a U.S. firm. As a result of this policy, businesses in developing countries are provided with access to experienced management and the latest, most competitive technology which can then be successfully adapted to local conditions.

Private investment tends to gravitate to the more advanced developing countries which offer predictable long-term growth opportunities. These countries tend to be our most active trading partners in terms of exports of manufactured and agricultural products and services. OPIC continues to back U.S. investment in those countries, and expects to expand its activities in them. An expanded OPIC program in the more advanced developing countries is important to their development process, frees concessional U.S. development assistance for use in the poorer developing countries, and helps American industry compete with government-backed investors and exporters from Europe and Japan. At the same time, OPIC will continue its special efforts to disseminate to U.S. companies investment information about the poorest developing countries, and to facilitate investments by small U.S. businesses and cooperatives in those countries. During the last three years almost one-third of OPIC's commitments went to smaller U.S. firms.

OPIC is a financially self-sufficient, government-owned corporation and the Director of IDCA serves as the Chairman of the Board. It meets its operating expenses and obligations from revenues earned from the insurance and financing services it offers to American companies. An important result is that this program neither requires Congressionally appropriated funds nor diverts them from programs providing concessional assistance.

The Trade and Development Program (TDP) was established in 1980 as an autonomous agency within IDCA. TDP promotes private participation in the development of Third World countries through the provision of project planning services that lead to the sale of U.S. technology for project implementation and through the provision of government-sponsored assistance on a reimbursable basis. This function was formerly the responsibility of the Office of Reimbursable Development Program in AID.

The Trade and Development Program is directed principally at middle-income developing countries that can finance their own development through either domestic resources or access to international financing. It therefore complements the efforts of our bilateral development assistance programs which, primarily through AID, focus on the poorer developing countries.

Two kinds of TDP services are available. First, TDP makes available technology, technical services, and training from U.S. Government agencies on a reimbursable basis. Second, TDP sponsors planning assistance, including project preparation and feasibility studies by U.S. agencies and private firms, on a grant basis. All TDP-sponsored activities must meet the dual criteria of development benefit to the host country and trade benefit to the United States.

Planning Services that are likely to result in major projects using U.S. goods and services are considered for TDP sponsorship if such projects are high on the list of development priority to the host country, and if there is host-country funding for project implementation. Development projects in the energy, agro-industry, mineral extraction, transportation, communications, and technical training areas are given priority consideration.

IDCA POLICY INITIATIVES

The overall U.S. development assistance effort, both bilateral and through U.S. participation in multilateral institutions, has been strengthened by a number of IDCA policy initiatives in 1980. These initiatives are designed to promote greater efficiency and effectiveness in the international development efforts supported by the United States. These were among the most important initiatives:

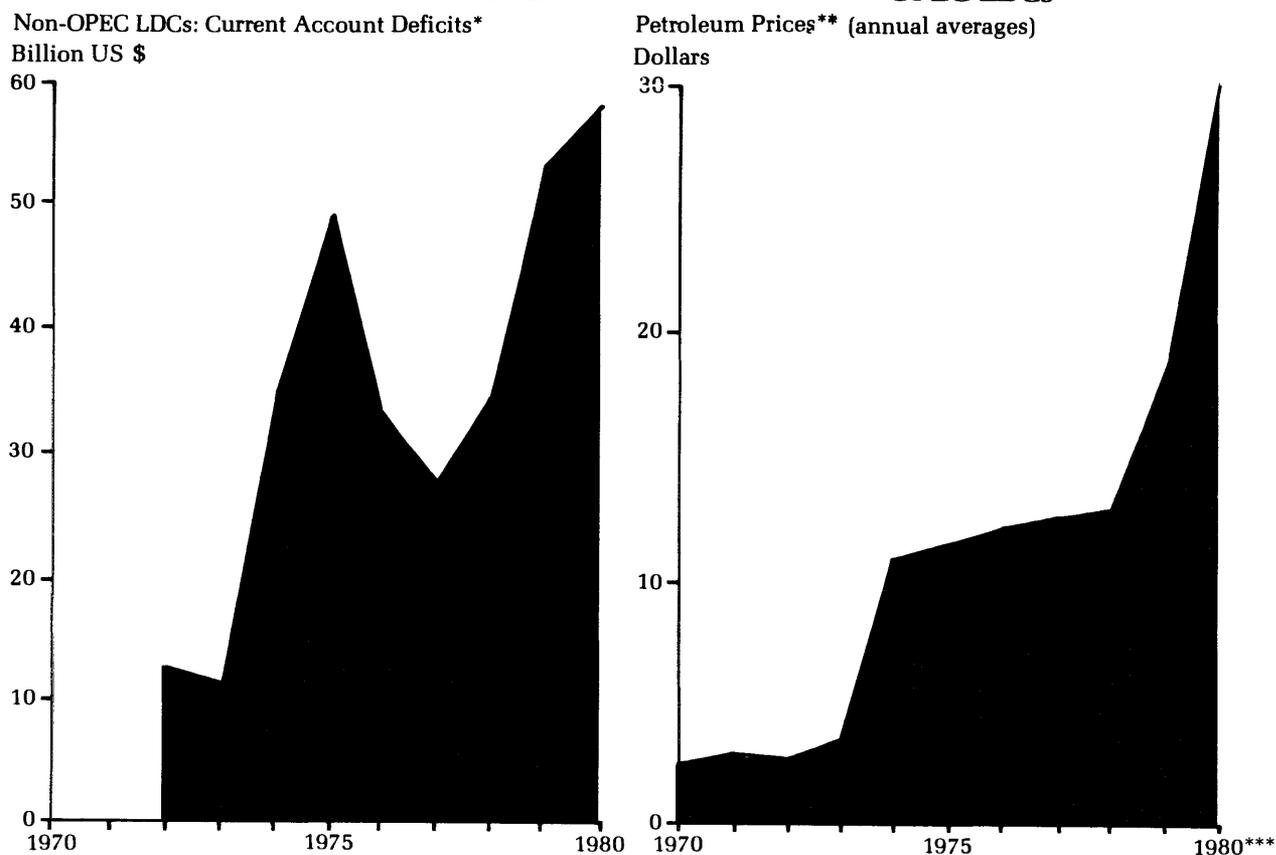
PRIORITY SECTORS OF DEVELOPMENT

Based on careful analysis of developing country needs, the activities of other donors, and the comparative advantage of U.S. efforts, our bilateral development assistance places priority emphasis on three sectors — agriculture, family planning/primary health care, and energy. Through our participation in the multilateral development institutions we have worked with those institutions to ensure that appropriate

emphasis is given to the same priority sectors. The following describes the major objectives of the U.S. development efforts in each of the three sectors. A more detailed discussion of the severity of the problems in each of the priority sectors can be found in Part II of this presentation, and specific descriptions of how the proposed Fiscal Year 1982 budget would address the priority sectors are in Part IV.

Agriculture: An estimated 800 million hungry and malnourished people live in the Third World. The World Bank's *World Development Report, 1980* projects this figure to be 1.2 billion by the end of the century. The plight of the malnourished results from inadequate per capita food production and low incomes. U.S. development efforts in agriculture focus both on *production of food* and the generation of *income for rural poor*.

CHART 9
THE EFFECT OF HIGHER OIL PRICES ON NON-OPEC LDCs



SOURCE: International Monetary Fund, *International Capital Markets Recent Developments and Short-Term Prospects*

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Balance of Payments Division.

*Current Account Deficit: An excess of liabilities over assets in the balance of payment account recording non-capital transactions. (*A Dictionary of Economics*)

**Petroleum prices include petroleum, petroleum products, and liquefied petroleum gas

***Estimated average based on first three quarters

Increasing food production by itself does not guarantee the elimination of hunger and malnutrition. That happens only when poor people themselves grow more food or when increases in food supply are coupled with efforts that allow poor people to earn enough money to buy that food. Since many poor families already own or work on small farms, a *small farm focus* is the key to ensuring that food production increases benefit the poor. On a per acre basis, small farms typically outproduce large farms. But the potential of most of the hundreds of millions of small farms in the developing world has not yet been realized. If it can be realized, both the food production problem and the poverty problem can be brought a long way toward solution. A parallel emphasis is placed on employment generation in rural areas to permit poor families to earn money to obtain their food requirements.

These objectives are pursued through the U.S. bilateral efforts (principally AID Development Assistance, Peace Corps, ESF, and PL 480) and also through U.S. participation in multilateral institutions. With strong U.S. support, the World Bank, the regional development banks, and the International Fund for Agricultural Development have significantly expanded lending levels for agriculture with increased emphasis on small farms and employment generation.

Programs to achieve progress in the agricultural sector vary according to the regional and country context.

In *Asia*, for example, the institutional base is relatively well established. The principal constraint to increasing production and small farm employment, particularly in the short-term, is lack of access to the water that is necessary for greater use of high-yielding seed varieties. The U.S. effort thus focuses on extending secondary and tertiary irrigation systems into areas of Asia — especially in Bangladesh and India — not now served, on further efforts to diversify production in the rainfed areas of Thailand, and on a major project for integrated rural development in Sri Lanka.

In *Central America*, the U.S. addresses the sources of inequities that retard development and may spawn revolution. We encourage recapitalization of small farms, broadening land ownership, and the opening of new lands to small farmers. Given some political stability and sound developmental policies, food self-sufficiency can be achieved relatively soon.

The U.S. effort in the *Caribbean* is aimed at strengthening the island economies by providing more productive employment opportunities and reducing their dependence on imported energy and food. Substantial donor investments in the agricultural sector — stimulated by the Caribbean Group for Economic Cooperation and Development, and channeled through the Caribbean Development Bank in many of the English-Speaking countries — have concentrated on building and restoring the public-sector infrastructure needed to support productive investments. These investments will be complemented by increased efforts in the future to facilitate the growth of small scale, private agribusiness.

The major focus for efforts in *Africa* is to establish a new institutional base, similar to the remarkably successful effort begun in India 25 years ago.

As discussed in Part IV, the budget request for Fiscal Year 1982 includes funds that will mean substantial increases in PL 480 food supplies for malnourished people throughout the Third World.

Family Planning/Primary Health Care: The principal priority of the U.S. in the population and health field is extension of family planning and maternal and child health services in support of primary health care. A *major goal is the doubling of family planning practice in the developing countries.* That goal is entirely realistic. If it is achieved, then birth rates would drop from the present 35 per thousand to about 28 per thousand (still far from a two-child norm). As a result, the population in these countries would be about *one billion people less* in the year 2020 — 4 billion instead of the currently projected 5 billion. Further, if primary health care, particularly in maternal and child health, were extended widely, then gains in productivity, learning capacity, and the quality of life could be substantial.

At present, total spending for family planning is approximately \$1 billion annually. This includes about \$550 million by the developing countries themselves, and about \$450 million from bilateral and multilateral donors. Only 2% of the Official Development Assistance given by countries who are members of the OECD's Development Assistance Committee (DAC) goes towards family planning. Of this, the U.S. supplies about half. The World Bank provides an additional \$100 million.

At this level of spending, only about one-third of all fertile-age couples in developing countries have access to family planning services and about one-fourth use them. Doubling family planning practice to one-half of fertile-age couples by 1990 will require at least doubling total spending on population by 1985. It will also require continued expansion of broader primary health care. This is a realistic, achievable goal if donors and developing countries join together. For the first time, requests for population and primary health care assistance from developing countries far exceed what donors can provide. The United States is therefore promoting an international initiative focused on primary health care and family planning; the Fiscal Year 82 budget request is meant to move this initiative forward. It seeks to:

- extend high-quality family planning, and maternal and child health services and information to encourage their use, in support of the UN-led international drive toward primary health care.
- promote programs in other sectors that encourage smaller and healthier families particularly by improving opportunities for women and ensuring adequate attention to food consumption as well as production;
- provide information on the extent and seriousness of population and health problems at both leadership and community levels.

The U.S. has led the way for more than a decade in urging greater attention to family planning and primary health care. In recent years, other donors have expanded their efforts; notably, the UN Fund for Population Activities (UNFPA), the World Health Organization (WHO), and the World Bank.

Expanding family planning and related health services is consistent with recent declarations of the International Parliamentarians' Conference sponsored by UNFPA, the UN Conference on Primary Health Care, and the UN Mid-Decade Conference on Women. It requires a concerted international effort supported by UNFPA, WHO, UNICEF, the World Bank, and country donors in addition to the United States, as well as the concerned developing countries.

The U.S. is working in other ways to improve health as well. In support of the UN Water Decade, we are helping finance improved water and sanitation. In conjunction with the UN and others, we are developing more effective ways of controlling the most serious diseases, including malaria and various enteric infections.

Energy: In no priority area are the challenges to development more starkly drawn than in energy; in none are linkages between our own national interests and those of the Third World countries more obvious. Their energy development improves our energy security. A barrel of oil produced, replaced with other sources, or conserved in a developing country gives the world a little longer to make its transition away from oil, and — by diversifying oil sources and increasing supply — makes the oil trading system more reliable for all nations. Helping Third World nations stabilize the world's forests can reduce the damage to the earth's water, soil, air, and vital ecosystems. Assisting in the development of alternative energy sources is the most viable means for the United States to reduce the incentives for developing countries to rely prematurely on nuclear power.

Important progress can be made in six areas — fuelwood; new renewable energy sources; energy conservation; fossil fuels exploration; hydropower; and coal usage. These areas constitute the focus of U.S. efforts through our bilateral program and through our participation in multilateral programs. Progress in these areas will mean great benefits for developing countries in meeting the energy challenge.

Vast tracts of sedimentary basins exist throughout the Third World. In the oil-importing developing countries alone, **oil and gas** production could increase from 2.6 million barrels a day now to 5.9 million barrels a day or more by 1990 according to a recent report by the World Bank. An accelerated exploration program begun in the next few years is likely to lead to even greater expanded production in the 1990s.

To stabilize the **fuelwood** situation, the World Bank estimates that some 125 million acres of replanting will be required by 2000. At the same time, demand for fuelwood can be reduced by the spread of more efficient technologies such as improved cookstoves.

There are also good prospects for expanded application of **new renewable energy technologies** of many kinds, especially in rural areas.

Extensive gains in **energy conservation** are possible, perhaps as much as the equivalent of 2.3 million barrels a day of oil by 1990. These gains can derive from better energy planning and policies and direct efficiency improvements in the industrial and transportation sectors.

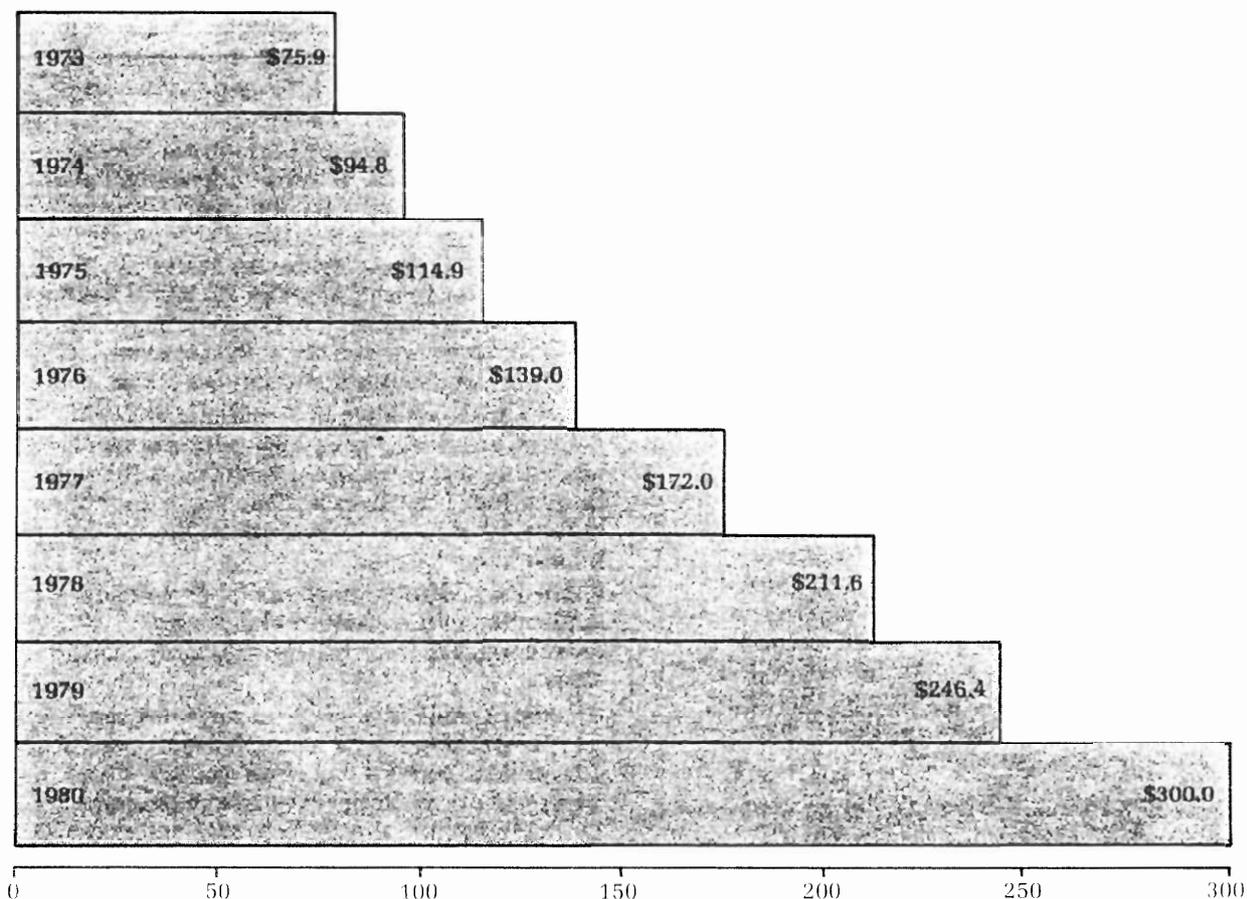
The potential for increased **hydropower** — currently accounting for 44% of developing country electricity output — is great; only 10% of feasible potential has been exploited.

Finally, **coal**, now used largely in India and China, could substitute for about 2.1 million barrels a day of oil by 1990, if used more widely throughout the developing world. This will require increased exploration and production as well as increased reliance on coal imports, particularly from the United States.

In each of these energy areas, development is constrained by lack of both technical and financial resources. Through participation in multilateral institutions, the U.S. is actively seeking the allotment of increased financial resources to these key energy areas. To this end, the U.S.

strongly supports an expanded lending program in the World Bank, possibly through creation of a special affiliate or facility, to help increase energy production in developing countries. Our bilateral programs, primarily through AID, support technical assistance that promotes accelerated capital investment in each of the areas. This year's program also includes a major reforestation effort by AID to provide both increased fuelwood and expanded protection against environmental degradation. Important bilateral energy activities in the key areas are carried out also by OPIC, the Trade and Development Program, the Department of Energy and the Peace Corps.

CHART 10
LONG-TERM PUBLIC DEBT OF NON-OIL DEVELOPING COUNTRIES*



SOURCE: International Monetary Fund, *World Economic Outlook*, May 1980 (1980 figure revised)

*Includes public and publicly guaranteed long-term debt.

COUNTRY COORDINATION

IDCA has undertaken a series of steps designed to ensure that our bilateral programs are coordinated with the needs of a recipient country, with the assistance programs of other donors active in that country, and with U.S. interests in relation to the country.

Multilateral/Bilateral Coordination: IDCA's approach has been to examine overall developing country needs and to propose allocating responsibility for meeting those needs between bilateral and multilateral assistance according to the comparative advantages of each. It is clear that both bilateral and multilateral programs must finance capital and technical assistance in order to attain development objectives. Within that broad framework, the multilateral banks are relied on primarily for programs requiring large amounts of capital.

Bilateral programs are relied on to take the lead in areas that require innovation and experimentation, particularly those that tap American science and technology.

The banks also provide leadership in engaging Third World governments in policy review along a wide range of macro-economic issues, while the bilateral programs focus on severe sectoral bottlenecks and constraints.

Country Allocations: IDCA has sought to focus United States efforts in developing nations where our resources are likely to have maximum impact in achieving self-sustaining growth and in improving the quality of life of poor people. Assistance to particular countries and regions has been evaluated against standards of development performance, relative need, and the importance of development to the long term interests of the United States.

Early Warning System: A system has been developed and put into place, in cooperation with the Treasury Department, for improving U.S. ability to have early and effective impact on World Bank and regional development bank projects in fifteen selected countries. With enough lead time to influence the nature of the projects, early information on proposed bank projects is now sent to AID Missions in the affected country (or to U.S. Embassies in countries where there is no Mission). The analysis and comments of the field personnel are then available to the U.S. representatives at the bank for their use in evaluating the project at the design stage, and when necessary, in seeking an alteration in the project. This system also has the benefit of allowing AID Missions to plan their future activities with improved advanced knowledge of future development activities in the country.

TRADE AND DEVELOPMENT PROGRAM

The importance of the private sector in the development process has been recognized, as noted earlier in this presentation, through the establishment of the Trade and Development Program (TDP) as an autonomous component agency of IDCA. As previously discussed, TDP provides technology, technical services, and training on a reimbursable basis, and planning assistance by U.S. agencies and private firms to developing countries. The program is especially useful in opening new business channels between the U.S. and middle-income countries that no longer receive AID assistance.

SCIENCE AND TECHNOLOGY

The U.S. comparative advantage in development cooperation is perhaps strongest in the fields of science and technology. To ensure that this advantage is fully exploited to the benefit of Third World countries, a new Office of Science Advisor has been established in AID to provide leadership for both AID and IDCA in application of science and technology to developing country problems. The Science Advisor will be in touch with UN agencies and other international institutions, with domestic agencies of the federal government, and with the U.S. private sector. The Advisor will work closely with the National Academy of Sciences, and with land grant institutions under Title XII. Special attention will be given to innovative applications of science and technology in agriculture, family planning, health, and energy.

Promotion of capital savings technology is an area of particular interest to Congress, and IDCA has undertaken a number of steps to strengthen U.S. efforts. With capital in limited supply, and with swelling ranks of the under-employed and unemployed it makes sense for a Third World country to apply, where it can, the least-costly and most employment-generating technology to its development. Coordination within both bilateral and multilateral programming has been improved and projects are examined to ensure that technical innovations are appropriate.

The U.S. strongly supports and plans to contribute to the new **UN Interim Fund for Science and Technology** which is designed to build institutional and human capacities in developing countries to strengthen the role of science and technology in support of development. This Fund has been enthusiastically endorsed by the developing countries, which have submitted over 800 projects for appraisal. It is expected that OPEC nations will join developed countries in providing most of the financing for the Fund.

ACCOMPLISHMENTS OF FOREIGN AID: SOME SUCCESS STORIES

Most Americans acknowledge that the United States is affected by what goes on in the rest of the world, but many wonder if development assistance has been effective — whether anything has been accomplished by the substantial development assistance already provided. In fact, dramatic results can be seen. Striking gains have been made for poor people throughout the Third World. Here are a few examples on both a global and local level:

In the last decade, **developing country growth** overall has exceeded any sustained growth the industrial countries ever have attained as a group. North-South trade has expanded vigorously. More than a dozen countries, formerly in the less developed category, have grown so substantially that they can be called middle income, or newly industrializing nations. Because of their development they are able to pay for their outside technical and capital help without concessional assistance. Development assistance from the U.S. and other donors has helped in these gains.

U.S. family planning assistance has significantly helped Third World nations lower their rates of **population** growth. Largely as a result of assistance from the U.S. and other donors, more than 25% of the couples of reproductive age in developing countries now practice some form of family planning. Birth rates have declined substantially — so much so that despite a decline in death rates, population growth rates have fallen too. With U.S. support, the United Nations Fund for Population Activities has conducted censuses in 28 African countries, a first step for population control, and supported some 1,300 projects in over 100 countries. The commitment of the Indonesian government and AID resources (funds, people and supplies) are the two major factors in Indonesia's decline in population growth from 2.4% five years ago to 1.9% today. Over 5.5 million Indonesian women — 30% of the married women of reproductive age — practice family planning.

In the **health** field, the swampy slums of Guayaquil, Ecuador, were drained and sewage and storm drainage facilities were built for 250,000 inhabitants, all as the result of a \$17 million loan from the Inter-American Development Bank. Ninety percent of the low income settlements surrounding Jakarta lived without sanitary water or waste systems until a 1974 World Bank project, with U.S. support, provided loans to construct over 20,000 communal toilets and to provide safe drinking water.

Smallpox, once one of the most dreaded diseases, has been eradicated from the globe. Over a thirteen year period the U.S. contributed \$27 million to smallpox eradication through AID and the U.S. Public Health Service as well as through our support for the World Health Organization.

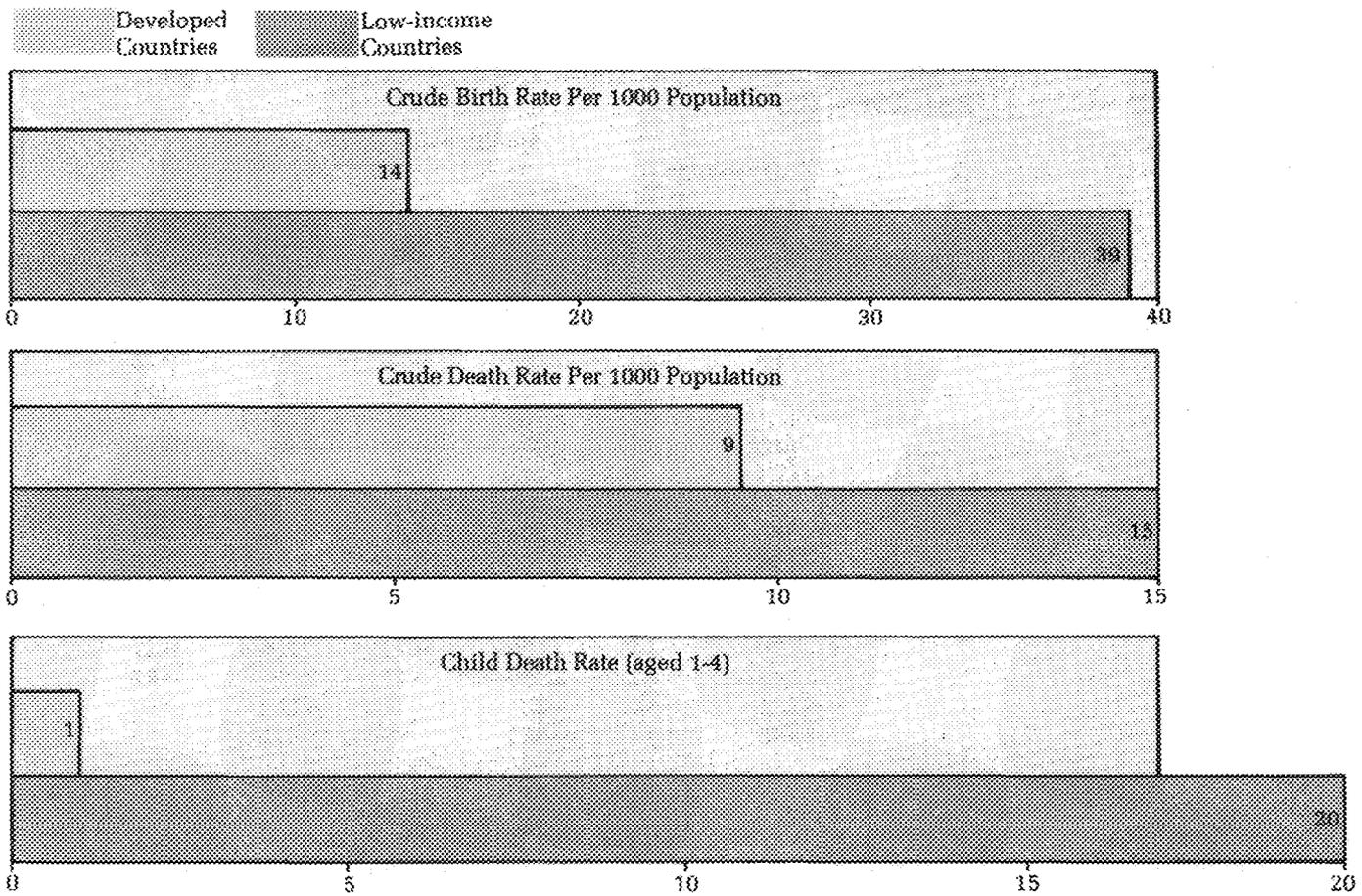
India can now feed its huge population because of the build-up of its **agricultural productive capacity** through the development of the high yielding grains known as the "green revolution," supported by United States, multilateral institutions and the work of the International Rice Research Institute, also funded partly by the United States.

More than 14,000 kilometers of all-weather rural road will connect farmers in 23 Kenyan areas to potential markets as a result of a UN Development Program project. It will also generate 90,000 person-years of employment, since nearly all of the equipment being used is locally-produced and labor intensive. Over the past 30 years, AID has helped Bolivia create a farm credit system. One \$9.2 million loan to provide credit to 200,000 small farmers showed a 40% increase of land planted by participating farmers. Their yields of corn, wheat and barley have increased by 30%, 87%, and 179% respectively. After Jordan's civil war in the 1970s, the Jordan Valley was desolate. Today, 85,000 people live there and with 10% of the country's agricultural land, they produce 65% of its agricultural output, due in large part to the assistance provided by the United States and other donors.

Important savings in the **energy** areas have resulted from development assistance. A United Nations Development Program study in Nicaragua's Monotombo fields, for example, is leading to the construction of two geothermal energy plants, which will produce enough electricity to meet almost 20% of Nicaragua's electrical needs, thereby reducing anticipated oil imports by one million barrels per year.

United States aid was not the sole factor in any of these success stories. But without that aid, none of them would have occurred.

CHART II BIRTH RATES AND DEATH RATES



SOURCE: World Bank, *World Development Report 1980*

— all figures are 1978 weighted averages

DIMINISHING SCALE OF U.S. ECONOMIC ASSISTANCE

As described in the preceding sections, United States development assistance efforts continue to improve in quality, and notable accomplishments have been made through development assistance. In quantitative terms, however, our development assistance effort is not keeping up.

Beginning with the reconstruction effort that followed World War II, the United States established itself as the world leader in providing development assistance. The U.S. still provides larger dollar volume of economic assistance than any other country. Measured in relation to our ability to provide assistance, however, the U.S. is no longer a leader. The United States ranks almost at the bottom of the list of aid-donor countries on the basis of assistance as a percent of GNP.⁷ The United States, with 0.2% of our GNP allocated to Official Development Assistance, ranked 15th on the OECD list of 17 donor countries in 1979. Only Austria and Italy provided assistance at a lower rate (Chart 15 and Table 2).

Despite the fact that our economic well-being, as well as our political and security needs, are increasingly related to development in the Third World, the real value of our assistance programs — measured in constant dollars — is not growing. In real terms, U.S. assistance has remained relatively constant over the past decade. The real value of our current effort, in fact, is at roughly the same level as our programs nearly three decades ago (Chart 16).

The United States can lead in policy-making decisions that will help guide the development of the Third World, but only if we retain a major role as an aid donor. Recognizing the interdependence of the United States and the developing countries, the budget request for Fiscal Year 1982 for development assistance includes substantial increases in the key areas of food.

⁷The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) has established an internationally accepted definition for Official Development Assistance (ODA) which is used for analytic and comparison purposes. U.S. aid meeting these criteria includes Development Assistance (DA); Economic Support Fund (ESF); Food for Peace (PL 480); Peace Corps; contributions to the Multilateral Development Banks and to the UN and OAS development-related programs.

Table 2 NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC COUNTRIES TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES

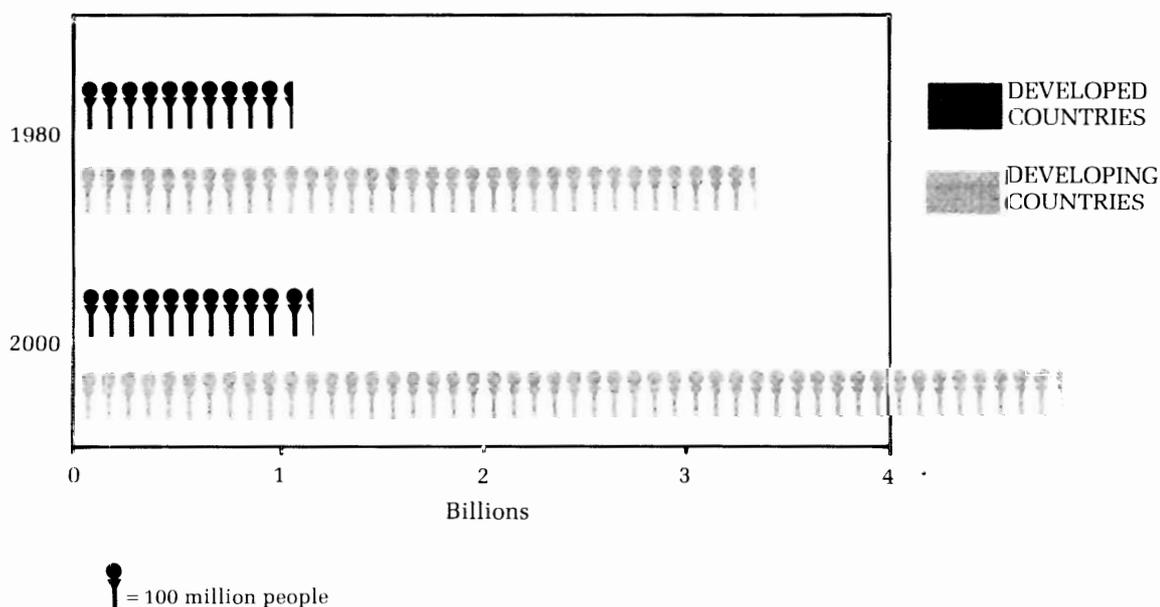
Disbursements Countries	1969-71 Average		\$ million and percent of GNP			
			1978		1979	
	\$ m.	as % of GNP	\$ m.	as % of GNP	\$ m.	as % of GNP
Australia	205	0.59	588	0.55	620	0.52
Austria	12	0.08	154	0.27	127	0.19
Belgium	127	0.49	536	0.55	631	0.56
Canada	314	0.38	1,060	0.52	1,025	0.46
Denmark	63	0.40	388	0.75	448	0.75
Finland	11	0.10	55	0.17	86	0.21
France	1,001	0.67	2,705	0.57	3,370	0.59
Germany	638	0.34	2,347	0.37	3,350	0.44
Italy	153	0.17	375	0.14	273	0.08
Japan	468	0.24	2,215	0.23	2,638	0.26
Netherlands	185	0.57	1,074	0.82	1,404	0.93
New Zealand	14	0.22	55	0.34	61	0.30
Norway	36	0.32	355	0.90	429	0.93
Sweden	132	0.42	783	0.90	956	0.94
Switzerland	29	0.14	173	0.20	205	0.21
United Kingdom	542	0.44	1,456	0.47	2,067	0.52
United States	3,214	0.32	5,664	0.27	4,684	0.20
Total DAC Countries	7,145	0.35	19,983	0.35	22,375	0.35

SOURCE: Organization for Economic Cooperation and Development

energy, and family planning/health. These increases will permit increasingly effective attacks on these three global problems, whose solution is closely linked to our own welfare. The United States cannot hope to reduce inflationary pressures or maintain its security unless expanding

food and energy production improves the global balance between demand and supply in these two vital fields. That increased production will not achieve its purposes in the long run unless population growth rates are reduced through expanded aid for family planning.

**CHART 12
WORLD POPULATION**

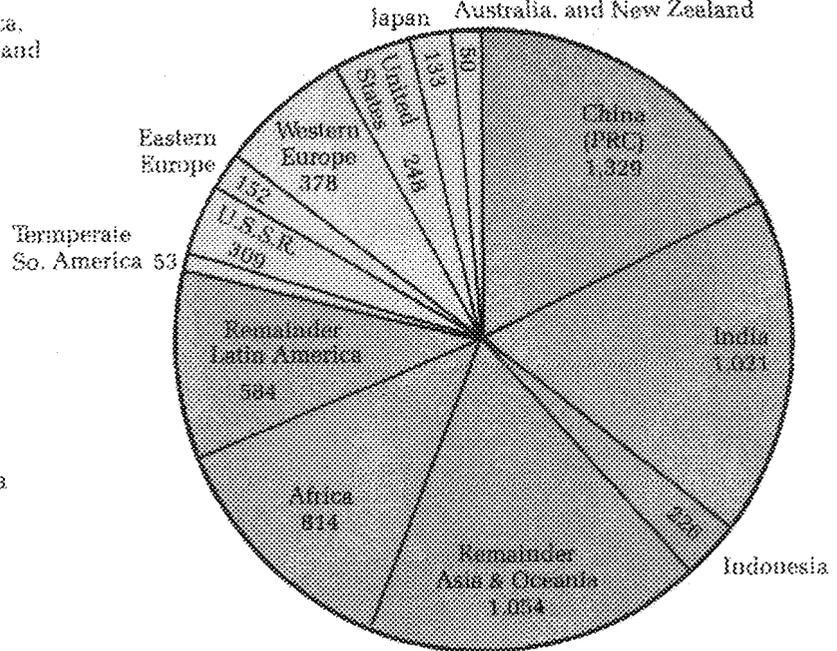
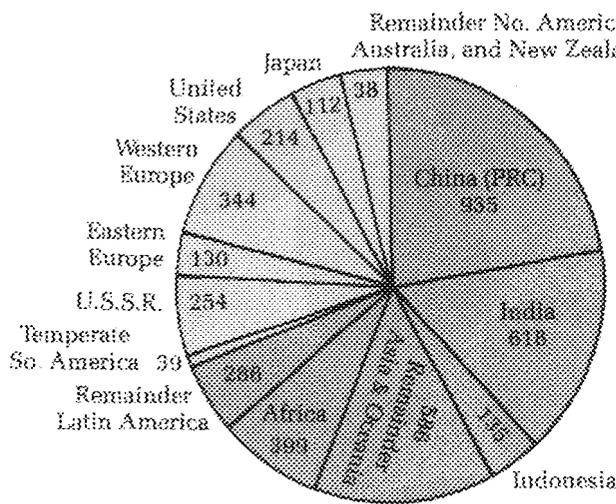


SOURCE: World Bank World Development Report, 1980

1975 Population
4,090 (Millions)

CHART 13

2000 Population
6,351 (Millions)



Industrialized Countries
Less Developed Countries

SOURCE: *The Global 2000 Report to the President*
The Technical Report, Volume Two

PART IV COMPREHENSIVE DEVELOPMENT BUDGET

This part of the IDCA Congressional Presentation outlines and summarizes the Executive request for development assistance and development related programs for Fiscal Year 1982. Detailed submissions and justifications are being presented separately for each program by the responsible agencies. This part also provides information to illustrate the U.S. effort in the context of the efforts of multilateral programs in the various sectors of development.

The statistical overviews included in this section are designed to provide Congress and the public with a comprehensive picture of the resources devoted to bilateral and multilateral development assistance programs supported by the United States Government. Some of the programs for which statistical data are provided in this section are not exclusively developmental in character, but they are important to development and are included in order to provide a complete picture.

The following tables and discussions are designed to illustrate our development assistance effort in three ways: Section A presents a summary of Fiscal Year 1982 Comprehensive Development

Assistance Budget. It shows the amounts requested by the President for each of the development-related institutions and activities supported by the U.S. Government.

Section B provides information on resources devoted to each of the sectors of development by U.S. programs and by multilateral programs. In addition, program descriptions are provided for each of the three priority sectors of agriculture, family planning/primary health care, and energy. Section C shows the regional distribution of bilateral and multilateral development assistance funds.

SUMMARY OF U.S. COMPREHENSIVE DEVELOPMENT BUDGET PROPOSED FOR FY 1982

The Executive's total budget authority request for development programs in Fiscal Year 1982 is \$9.2 billion, as shown in Table A. The table also shows the actual amount appropriated for each of the programs in Fiscal Year 1980, the amount requested by the Executive for Fiscal Year 1981, and the amount available under the second Continuing Appropriation Resolution for Fiscal Year 1981.

TABLE A
BUDGET REQUEST SUMMARY
(millions of \$)
(N/A: not applicable)

	COMPREHENSIVE DEVELOPMENT BUDGET			
	FY 1980 (Actual)	FY 1981 ⁶ (estimate)	FY 1981 (request as amended)	FY 1982 (request)
IDCA				
Agency for International Development (AID) ¹	1602.1	1716.2	2035.1	2388.5
Trade and Development Program (TDP) ²	N/A	N/A	N/A	7.0
International Organizations and Programs	207.8 ⁷	210.4 ⁷	232.0 ⁴	247.7 ⁴
— UN Development Program (UNDP)	126.1	126.1	135.0	145.0
— UN Children's Fund (UNICEF)	34.6	36.0	40.0	45.0
— UN Environment Program	10.0	10.0	7.2	7.2
— UN Interim Fund for Science and Technology for Development	N/A	0	10.0	10.0 ⁸
— Other UN Programs ³	21.6	22.8	23.3	24.0
— Organization of American States	15.5	15.5	16.5	16.5
International Fund for Agricultural Development (IFAD)	N/A	N/A	N/A	85.0 ²
Overseas Private Investment Corp. (OPIC) ⁴	N/A	N/A	N/A	N/A
Subtotal (IDCA)	<u>1809.9</u>	<u>1926.6</u>	<u>2267.1</u>	<u>2728.2</u>
MULTILATERAL DEVELOPMENT BANKS⁵				
International Bank for Reconstruction and Development	163.0	32.8	86.3	711.8
International Development Association	1072.0	1100.0 ¹¹	1100.0	1080.0
International Finance Corporation	19.0	0	14.4	14.4
Asian Development Bank	153.7	24.8	29.8	5.0
Asian Development Fund	111.3	114.8	171.3	167.7
African Development Bank	N/A	18.0 ¹¹	18.0	18.0
African Development Fund	25.0	41.7	58.3	58.3
Inter-American Development Bank	588.7	51.5	59.0	58.9
Fund for Special Operations	175.0	200.0	325.3	300.3
Subtotal (MDBs)	<u>2307.7</u>	<u>1583.6</u>	<u>1862.4</u>	<u>2414.4</u>
OTHER BILATERAL				
Food for Peace (PL 480) ⁹	886.0	1305.0 ¹¹	1229.0	1263.1
ESF and Peacekeeping Operations	1972.0	2153.5	2056.0	2450.5
Peace Corps	99.3	109.0	115.0	121.9
Inter-American Foundation	13.2	16.0	16.0	18.5
African Development Foundation	N/A	(2.0) ¹³	N/A	5.0
Refugees ¹⁰	483.0	491.2	532.0	611.0
Subtotal (other)	<u>3453.5</u>	<u>4074.7</u>	<u>3948.0</u>	<u>4470.0</u>
Gross Total	7571.1	7584.9	8077.5	9612.6
Offsetting Receipts and Other	-296.0	-310.0	-310.0	-363.0
COMPREHENSIVE DEVELOPMENT BUDGET	<u><u>7275.1</u></u>	<u><u>7274.9</u></u>	<u><u>7767.5</u></u>	<u><u>9249.6</u></u>

¹ AID Development Assistance: Excludes miscellaneous trust funds and local currency programs. Includes IDCA/AID operating expenses and the Foreign Service Retirement and Disability Fund.

² TDP: Prior to FY 1982, TDP was funded as part of AID. Program and operating expenses for FY 1980 were \$4.9 million and for FY 1981 were \$6.0 million.

³ Other UN Programs include: World Food Program, UN Capital Development Fund, UN Southern African Development Fund (UN Institute for Namibia, UN Trust Fund for South Africa, UN Education and Training Program for Southern Africa), UN Decade for Women, World Meteorological Organization, International Atomic Energy Agency, Convention on International Trade and Endangered Species.

⁴ OPIC: does not request budget authority. Authority for loan guarantees is: FY 1980 — \$175m, FY 1981 — \$120m, FY 1982 — \$180m; authority for insurance is: FY 1980 — \$1166m, FY 1981 — \$90m, FY 1982 — \$1300m.

⁵ FY 1980 includes callable capital; FY 1981 and FY 1982 do not.

⁶ Based on Continuing Resolution enacted December 1980.

⁷ Does not include \$52 million for UN Relief and Works Agency (UNRWA) which will be funded in State Department appropriations beginning FY 1982.

⁸ Contingent on original pledging conditions being met (i.e. that the U.S. contribution not exceed 20% of total government contributions and that significant contributions be made by developing countries receiving large revenues from oil exports).

⁹ PL 480 program levels for these years are: FY 1980, \$1651 million; FY 1981, \$1715 million; FY 1982, \$1741 million.

¹⁰ Refugees: for information only. These are not development activities. Consists of Migration and Refugee Assistance and the U.S. Emergency Refugee and Migration Assistance Fund.

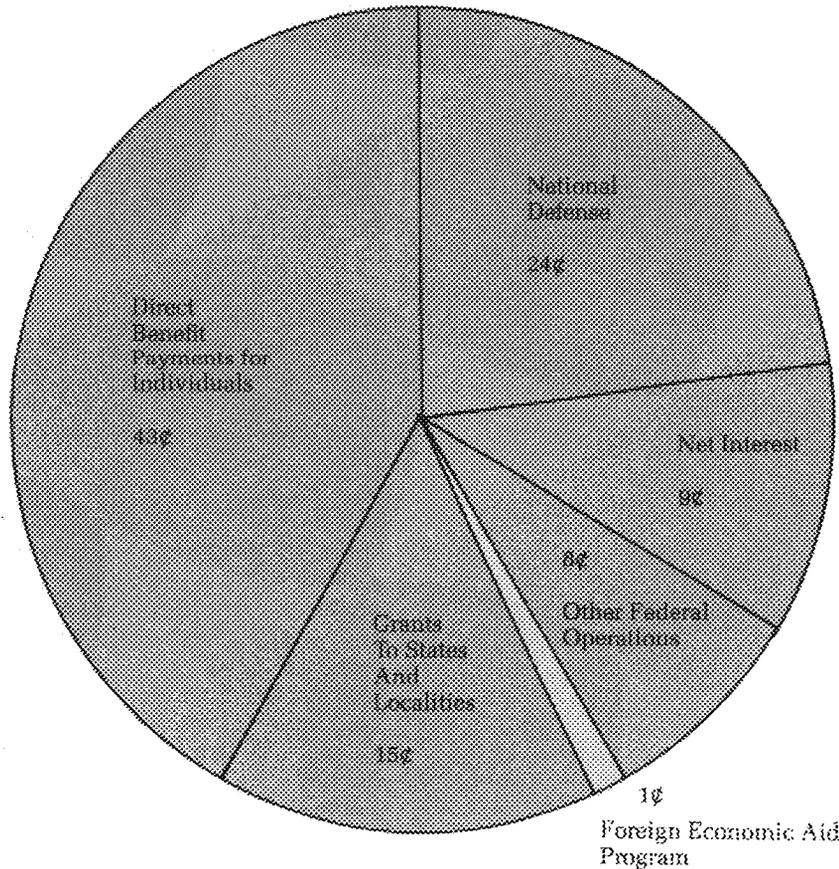
¹¹ Includes proposed supplementals for FY 1981 appropriations: IDA — \$1080 million; AFDB — \$18 million; PL480 — \$76 million.

¹² The request for IFAD is qualified on the conclusion of replenishment negotiations.

¹³ African Development Foundation is funded at \$2 million in the FY 1981 estimate; amount is included within AID.

¹⁴ Does not include \$52 million for the UN Relief and Works Agency and \$250,000 for the UN Disaster Relief office which will be funded in the State Department appropriations in 1982.

CHART 8
THE PRESIDENT'S REQUEST TO THE CONGRESS FOR FY 81



SOURCE: The Budget of the United States Government, FY 1981

SECTOR ALLOCATIONS

This section provides information of two types. **First**, Table B shows the allocation of resources by the U.S. and all major multilateral donors in eight primary sectors of development. **Second**, this section discusses the resources allocated to the three priority sectors — agriculture, family planning/primary health care, and energy — by U.S. bilateral programs and by multilateral programs to which the U.S. contributes.

To provide the information shown in Table B, it has been necessary to fit the many sectoral definitions used by the various institutions into broad categories, and to adjust various budgetary years into the U.S. Fiscal Year. Despite these qualifications, the following tables illustrate which sectors receive greatest support by the institutions. The major sector that the bilateral programs support is agricultural and rural development. In addition family planning/primary health care and energy are two other sectors which receive significant bilateral funding, as does balance of payment support provided through the Economic Support Fund. Much of the support in other areas, such as education, is used for training in the three priority sectors.

Reviewing the multilateral development banks, agricultural and rural development plus energy are the major sectors funded. Other important sectors are industrial development and finance.

The diverse nature of the assistance provided by the international organizations and programs makes sectoral generalizations more difficult. These entities are, however, major supporters of efforts in the agricultural and rural development sector. Other important sectors for this group are health, education, and industrial development.

PRIORITY SECTORS

Following is a budgetary discussion of each of the three priority sectors: agriculture, family planning/primary health care, and energy. The discussions explain the amounts proposed to be spent in each of the sectors by U.S. bilateral programs in Fiscal Year 1982. They also describe actions in these sectors undertaken by major multilateral programs to which we contribute.

Agriculture

The need for food is the principal concern of most people in low income countries. Population is expanding and the availability of arable land is diminishing. The future of 800 million malnourished people in the world today will depend on increases in the food supply and improved incomes in order to gain access to food. To a large extent this will require higher yields from present acreage through investment in irrigation, fertilizer and other inputs, and in continued research on new production techniques.

The production of more food alone does not insure, however, that all hungry people will be fed. As described in Part II, increases in food supplies are often not equally distributed and, without special attention, some of the poorest countries, especially in Africa, face declines in the amount of food available for each individual. Further, even when food is available, large numbers of landless families have incomes too low to buy enough food to meet their nutritional needs, or even avoid hunger. To help meet these problems, as described in Part III, the United States development policy focuses on help to increase production and the availability of nutritious food, and on efforts to ensure that food gets to and can be afforded by the people who need it most. The bulk of these efforts must be made by the developing countries themselves, but external assistance from the United States and other donors makes a vital difference.

The U.S. emphasis is on increasing and sustaining the productivity and income of small farmers, creating employment opportunities for rural poor people, and improving the nutrition of those who are malnourished. The specific means to accomplish these aims include: work with central governments on policies concerning incentive pricing and on extension of technical services; development of local capacities to serve local needs; improvement of local infrastructure such as farm storage capacity and feeder roads; and attention to environmental conditions. To accomplish these objectives, and to give tangible evidence of the U.S. leadership as an impetus to other donors, a larger investment in agricultural assistance is required than has been made in the past.

AID and Economic Support Fund: The Fiscal Year 1982 request for AID Development Assistance includes \$963 million for agriculture, rural development and nutrition as compared to \$782 million requested in Fiscal Year 1981, and \$636 million actually available for Fiscal Year 1981 under the Continuing Resolution. The program concentrates on increased food production by small farms. In addition, an estimated \$127 million is proposed for agricultural purposes under the Sahel Development Program.

The Fiscal Year 1982 request also includes an ESF agricultural program in the amount of \$422 million for agriculture, rural development and nutrition.

PL 480 Program: In Fiscal Year 1982, a PL 480 Title I program of \$955 million is proposed (including \$75 million required for the U. S. freight differential for 50% of the cargo required to be shipped on U. S. flag vessels). On the basis of seasonal average prices projected by the Department of Agriculture and the mix of commodities tentatively programmed, this amount will finance shipments of about 4.0 million tons of food aid — an increase of more than 10% over the amount currently planned for Fiscal Year 1981. Title III agreements will be arranged in an amount equal to at least 15% of the value of the Title I agreements. (As a development incentive, repayment of Title III loans is not required to the extent that currencies equivalent to the dollar sales value of the commodities purchased are used for agreed development purposes).

For the PL 480 Title II program (which grants food to the needy, and in cases of emergencies and disasters) \$786 million is requested for Fiscal Year 1982. On the basis of projected prices, this should finance delivery of 1.7 million tons of food. Almost one-third of this food has been reserved primarily for emergency and disaster needs including refugee feeding. Almost one million tons of food — \$344 million — will be donated to the voluntary agencies for a variety of programs to help needy people in 45 countries, most with per capita incomes of less than \$300 per year. Through PL 480, about 220,000 tons of food at a cost of \$80 million will be allocated to the multilateral World Food Program. The United States, as well as several other major donors, pledged food, services, and cash to the WFP for projects similar to those sponsored by U. S. voluntary agencies.

Multilateral Development Banks: The Multilateral Development Banks are vital institutions for agricultural development in the Third World because of their ability to mobilize substantial capital and to finance major agricultural and agricultural-related infrastructure while steadily increasing their broader emphasis on the rural poor. In Fiscal Year 1980, the IBRD approved projects for agriculture and rural development amounting to \$1.7 billion; and the International Development Association (IDA) allocated almost \$1.8 billion for the same type of projects in the poorest developing countries.

International Fund for Agricultural Development (IFAD): A specialized agency of the United Nations that began operations at the end of 1977, IFAD is a unique institution designed to assist small and landless farmers in developing countries. It is funded jointly by OPEC countries, developed countries, and middle income developing countries. As of mid-1980, IFAD had approved 40 loans to 35 countries. Forty percent of its total expenditures has been for rural development, 31 % for irrigation, and 14 % for small farmer credit.

United Nations: UN Agencies, especially the United Nations Development Program (UNDP) and the Food and Agricultural Organization (FAO), have also been active in providing agricultural development assistance. In 1980 the UNDP spent \$184 million for agriculture, rural development, and nutrition, which is expected to rise to an estimated \$237.5 million in 1981. The FAO regular budget in 1980 called for approximately \$111 million to be spent for these purposes, and \$167 million was programmed for 1981. In addition, the World Food Program, a component of the FAO, spent \$90.3 million in 1980, and that amount is expected to more than triple in 1981 to \$350 million. UNICEF spent \$20 million in 1980 for the agricultural sector, and \$27 million is projected for 1981.

Family Planning and Primary Health Care

Pressures are building on the earth's capacity to provide food and energy to sustain life. All of the 6.35 billion people projected to be alive in the year 2000, if population is left to grow unchecked at its present rate, will feel the effects of environmental crowding, resource scarcities, and other economic and social pressures. Ninety percent of that population growth will occur in low income countries where the pace of development will be seriously slowed by the projected 50% increase in the number of consumers.

TABLE B
SECTORAL SUMMARY
(millions of \$)

Program	Energy			Agricultural and Rural Development/Nutrition			Health		
	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)
Bilateral									
AID Development Assistance	30.0	55.0	173.0	680.8	689.4	969.9	137.9	152.3	181.3
OPIC (insurance)	90.1	—	—	7.5	—	—	5.8	—	—
(investment guarantee/finance)	—	—	—	3.1	—	—	—	—	—
PL 480 ²³	N/A	N/A	N/A	1,273.0	1,200.0	1,400.0	N/A	N/A	N/A
ESF ²⁴	1.9	10.1	21.0	151.9	159.5	422.0	27.5	35.4	85.0
Peace Corps	3.0	3.2	3.7	27.6	29.3	34.0	13.1	14.1	16.3
IAF	—	—	—	11.3	—	—	—	—	—
Subtotal (Bilateral)	125.0	68.3	197.7	2,155.2	2,078.2	2,825.9	184.3	201.8	282.6
Multilateral									
MDBs:									
IDA	936.3	491.0	415.0	1,758.0 ¹	1,249.0 ¹	1,644.0 ¹	78.0 ¹	190.0 ¹	304.0 ¹
IBRD	1,913.0	1,536.0	1,757.0	1,700.4 ¹	2,304.0 ¹	2,860.0 ¹	65.0 ¹	527.0 ¹	421.0 ¹
IFC ²²	—	—	—	26.6	—	—	—	—	—
ADB/ADF ⁷	386.0	415.0	405.0	471.0	565.0	465.0	135.0 ¹²	100.0 ¹²	245.0 ¹²
AFDB ^{14, 5, 7}	55.0	70.0	80.0	80.0	95.0	110.0	40.0 ³	50.0 ³	55.0 ³
AFDF ^{15, 7}	7.4	10.0	15.0	131.5	165.0	225.0	19.4 ³	25.0 ³	35.0 ³
IDB/FSO ⁹	1,142.0	1,359.0	1,673.0	951.0	951.0	1,218.0	568.0 ⁸	856.0 ⁸	554.0 ⁸
Subtotal (MDBs)	4,439.7	3,881.0	4,345.0	5,118.5	5,329.0	6,522.0	905.4	1,748.0	1,614.0
IFAD	N/A	N/A	N/A	390.0	450.0	500.0	N/A	N/A	N/A
International Organizations									
UNDP	46.5	19.0	—	184.0	237.5	—	32.0	39.6	—
UNICEF	—	—	—	20.0	27.0	—	153.2	169.7	—
WFP	—	—	—	90.3 ¹⁷	500.0	—	50.4 ¹⁷	—	—
OAS	1.0	—	—	11.5	9.5	—	—	—	—
UNCDF ¹⁸	—	—	—	6.0	11.9	—	2.0	11.3	—
Subtotal (IO)	47.5	19.0	—	311.8	785.9	—	237.6	220.6	—

Legend:

N/A: not applicable
—: not available or \$0.

Population			Education			Industrial Development and Finance			Transportation			Other		
FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)	FY 80 (actual)	FY 81 (estimate)	FY 82 (request)
185.0	190.0	345.9	99.8	103.6	131.4	N/A	N/A	N/A	N/A	N/A	N/A	122.3	126.7	222.0
—	—	—	1.3	—	—	197.0 ²⁰	—	—	14.0	—	—	17.8	—	—
—	—	—	—	—	—	164.1	—	—	9.7	—	—	3.4	—	—
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	20.0	17.0
7.0	4.0	6.0	55.3	52.4	21.0	400.0	374.0	607.5	3.0	43.9	57.0	1,410.2 ²¹	1,343.5	1,213.0
—	—	—	41.3	44.4	51.1	—	—	—	—	—	—	14.3	14.0	16.8
—	—	—	3.5	—	—	2.8	—	—	—	—	—	5.6	—	—
192.0	194.0	351.9	201.2	200.4	203.5	763.9	374.0	607.5	26.7	43.9	57.0	1,573.6	1,504.2	1,468.8
— ¹	— ¹	— ¹	80.0	290.0	69.0	141.5 ²	378.0	406.0	239.5	231.0	616.0	604.2 ^{3,4}	771.0	646.0
— ¹	— ¹	— ¹	360.1	268.0	394.0	1,358.5 ²	1,582.0	1,821.0	1,205.0	1,138.0	924.0	1,042.2 ^{3,4}	1,245.0	1,423.0
—	—	—	—	—	—	628.0	—	—	—	—	—	26.0	—	—
—	—	—	63.0	70.0	90.0	132.0 ¹³	285.0 ¹³	290.0 ¹³	224.0 ¹⁰	170.0 ¹⁰	380.0 ¹⁰	40.0	75.0	65.0
—	—	—	15.0	20.0	25.0	40.0	45.0	60.0	65.0	75.0	90.0	30.0	35.0	40.0
—	—	—	17.8	25.0	30.0	—	—	—	71.6	90.0	120.0	—	—	—
—	—	—	—	—	—	231.0 ⁹	572.0 ⁹	493.0 ⁹	391.0 ¹⁰	371.0 ¹⁰	449.0 ¹⁰	69.0 ¹¹	118.0 ¹¹	43.0 ¹¹
—	—	—	535.9	673.0	608.0	2,531.0	2,862.0	3,070.0	2,196.1	2,075.0	2,579.0	1,811.4	2,244.0	2,217.0
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
.4	3.9	—	43.0	64.8	—	140.0 ¹⁶	84.3	—	— ¹⁶	63.4	—	266.0	279.5 ¹⁹	—
6.7	8.2	—	44.9	50.8	—	—	—	—	—	—	—	33.2	19.3	—
—	—	—	105.0	—	—	4.7	—	—	13.4	—	—	346.5	—	—
.1	—	—	9.5	22.1	—	5.7	—	—	.2	—	—	12.1	—	—
—	—	—	4.0	1.9	—	9.0	3.3	—	— ¹⁶	.6	—	17.0	2.5	—
7.2	12.1	—	206.4	139.6	—	159.4	87.6	—	13.6	64.0	—	674.8	301.3	—

¹Population, nutrition, water supply and sewerage are included in Health.

²Includes small-scale enterprises.

³Includes water supply and sewerage.

⁴Includes technical assistance and non-project.

⁵Estimate, using actual figures for the first half of 1980 and U. S. Government estimate based on loan pipeline for second half of 1980.

⁶Reflects commodity values only; excludes WFP.

⁷U. S. Government estimate based on loan pipeline. Actual lending by sector could vary substantially.

⁸Includes education, urban development and water supply projects.

⁹Includes mining and tourism.

¹⁰Includes communications.

¹¹Includes pre-investment and other loans that cannot be broken down by sector.

¹²Includes population and water supply projects.

¹³Includes non-fuel minerals projects.

¹⁴Includes lending to Algeria, Egypt, Morocco and Tunisia (\$52 million in CY 79 and approximately \$55 million in CY 1980).

¹⁵Includes lending to Egypt.

¹⁶Transportation is included in Industrial Development.

¹⁷Nutrition is included in health.

¹⁸Energy projects form parts of other activities.

¹⁹Includes Science and Technology; trade promotion and planning.

²⁰Includes mining.

²¹Includes Balance of Payment support, telecommunications, urban development and disaster assistance.

²²Includes direct loans, equity investments, and syndications.

²³Program level basis.

²⁴All figures are estimates

For this reason, the principal priority of U.S. policy in the population and health field is extension of family planning services and expansion of maternal and child health activities in support of primary health care. Population pressure and health problems are closely linked. If primary health care, particularly in the maternal and child health area, is extended broadly, then birth rates would decline and gains in productivity, learning capacity, and the quality of life will be substantial.

AID Bilateral Assistance: As an indication of the importance the U.S. assigns to family planning, \$345 million is requested in Fiscal Year 1982 for the U.S. bilateral population program compared to \$185 million in 1980, and \$238 million requested for 1981. The United States is the leader among family planning donors, not only in funding but also in a number of specific areas: encouragement of private sector programs, development of innovative approaches to service delivery, and attention to flexible approaches appropriate to various political, social, economic, and administrative settings.

In health, AID requests \$172 million for Fiscal Year 1982, an increase of \$37 million over the Fiscal Year 1981 request. Health assistance is being expanded on both humanitarian and development grounds. Programs to improve health touch the lives of the poor directly. Health is also crucial to development, particularly to strategies relying on broad popular participation and labor-intensive technologies, through its effect on productivity, and learning capacity. People worn down by chronic hunger, disease, and the effects of high fertility can neither work nor learn effectively.

The U.S. comparative advantage in population and health derives from an expertise, management skills, and the strength of the American private sector in the field of family planning and primary health care. As a consequence, the U.S. program concentrates on innovation — finding better and cheaper ways to deliver health and family planning services and information. It also leads in private sector involvement — through non-profit organizations such as International Planned Parenthood Federation, Pathfinder, and Family Planning International Association; through American universities like Johns Hopkins, the University of North Carolina, and the University of Chicago; and through commercial firms like Westinghouse Corporation.

AID leads, too, in showing how other kinds of development policies — such as improving opportunities for women — affect health status and parental preferences for large or small families.

AID is placing greater attention on such innovative and experimental programs as:

- service delivery through the private sector, including community-based or house-to-house distribution, contraceptive retail sales, and the private voluntary organizations involved in population work;
- efforts to promote women's opportunities that will foster interest in family planning, promote health and education of children, and reduce parents' dependence on children for unpaid labor and old-age security;
- experimental delivery programs, to test the cost-effectiveness of different combinations of family planning, health, education, and other basic services;
- programs for policy makers and program planners to identify ways in which more general development policies and programs can be shaped better to support the country's family planning efforts.

In addition to its own family planning support, AID will continue to seek ways of improving coordination with other organizations working in this area, including other bilateral donors, the World Bank, and UNFPA.

UN Fund for Population Activities: Of the Fiscal Year 1982 U.S. bilateral request for population, \$40 million is planned as a contribution to the UNFPA. UNFPA is the major multilateral channel for population assistance, and it is able to support programs in countries where bilateral population programs would be inappropriate or ineffective. Its expansion in recent years has been striking, and it now provides assistance to over 100 countries from an annual budget of approximately \$140 million. It has a backlog of projects totalling over \$100 million, for which it lacks funds.

TABLE B-1

UNFPA Population Assistance
(in \$ thousands)

	1969-79*	1980-82*
Basic Data Collection	84,178.7	91,790
Population Policy:		
Population Dynamics	48,721.4	80,756
Formulation & Evaluation of Population Policies	22,641.4	42,860
Implementation of Policies	3,829.3	15,279
Family Planning Programs	257,524.7	273,726
Communication & Education	56,521.5	103,315
Special Programs	9,660.2	26,954
Multi-Sector Activities	64,321.7	36,825
TOTAL	547,398.9	671,505

*Figures are cumulative for years cited, not annual averages.

SOURCE: 1979 Annual Report, United Nations Fund for Population Activities.

World Bank: Population assistance through the World Bank offers substantial promise. The Bank is committed to expanding world-wide attention to the problems caused by population growth and it intends to increase its population projects over the next five years. The World Bank has reorganized internally to promote population, health, and nutrition activities. As a capital lending institution, the Bank will continue to provide substantial support for infrastructure, but it will expand its other efforts as well. The U.S. will encourage the Bank to provide leadership in population control through consortia and consultative groups as it now does in other sectors. In 1980, for example, the IBRD approved projects totalling \$65 million for population and health programs in Indonesia and Korea, and IDA approved \$78 million for the same purposes in India.

Energy

IDCA has given energy high priority in the preparation of the Fiscal Year 1982 development assistance budget. That budget addresses the most pressing energy needs of the developing countries: assessment of energy requirements and potential energy sources in key countries; training and institution building; full economic development of conventional energy supplies; new and renewable energy sources using existing and evolving technologies; and expansion of traditional fuel supplies to reverse or contain environmental degradation.

Careful attention has been given to the specializations of the various agencies in dealing with energy problems. The budget proposals are a proper balance between the substantial funds available on credit from the multilateral development banks and the use of bilateral financing to provide technical assistance and support for

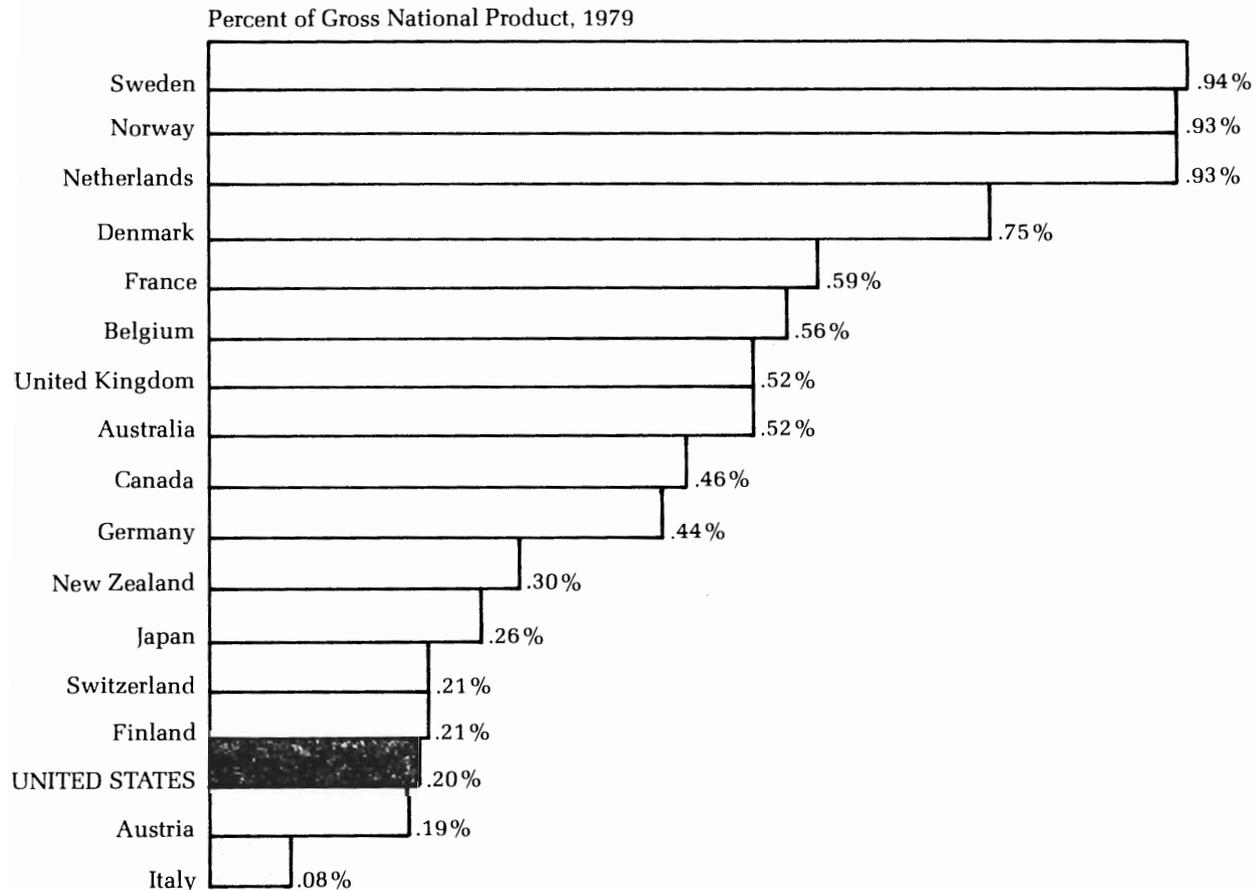
small, experimental approaches and technologies. During the past year IDCA has worked with AID, OPIC, the Department of Energy, the Department of State, the Peace Corps, and other agencies, to ensure that U.S. bilateral energy programs are complementary, and that they supplement the work of the larger multilateral institutions.

AID Development Assistance and Economic Support Fund Activities: This budget proposes \$173 million for AID's energy activities. This represents a significant increase over the amounts proposed in recent years — \$21 million in 1978, \$28.6 million in 1979, and \$30.5 million in 1980. The proposed 1982 allocation is more than double the \$78.3 million proposal for 1981. It would finance the following range of projects:

- fuelwood and reforestation — \$103 million for testing and demonstration of new technologies, village and community woodlots, training, institution-building, improved cookstoves and experimentation with fast-growing trees;
- new renewable energy — \$44 million for testing and demonstration of new technologies, training, institution-building, surveys and planning;
- energy conservation — \$9.5 million for training, collaborative planning, direct technical advice and services;
- fossil fuels — \$3.5 million for training and \$5 million for geological studies and technical assistance; and
- hydropower — \$8 million for hydrologic surveys, river basin planning, and mini-hydro-projects.

In addition to the above projects, \$16 million of ESF funds are also budgeted in Fiscal Year 1982 for energy projects.

CHART 15
OFFICIAL DEVELOPMENT ASSISTANCE
AS A PERCENTAGE OF GNP



SOURCE: Development Assistance Committee Report, OECD, October 16, 1980

Multilateral Development Banks: The multilateral development banks provide the largest amount of financial assistance for energy projects. The MDBs are active in:

- assisting developing countries in increasing their production of fossil fuels; and
- starting programs in renewable energy, particularly firewood.

The MDBs have also long supported projects in power generation which still represents a major proportion of MDB energy programs. Their role in power generation reflects their comparative advantage in providing the substantial amounts of capital needed for large-scale projects.

World Bank: The World Bank estimates that the total investment needed for an expanded energy program in the oil-importing developing countries is \$450 to \$500 billion (in 1980 dollars) over the next decade. Financing of this program will make heavy demands on domestic savings and external capital. The Bank will lend at least \$13 billion over the 5-year period beginning in 1981. The Bank's management has also proposed to expand energy lending by an additional \$12 billion. Current lending and proposed lending levels are outlined in the table below. The possibility of a World Bank energy affiliate or facility was discussed at the 1980 Venice Summit, and the Bank was encouraged to pursue such a program. Since then, further discussions among Bank members have taken place, in which the U.S. has made clear its support for the basic idea.

TABLE B-2

**CURRENT AND PROPOSED WORLD BANK ENERGY LENDING PROGRAM
FY 1981-85**

(Million current US Dollars)

	CURRENT		PROPOSED	
	Lending Program	Total Project Cost	Lending Program	Total Project Cost
Coal and Lignite ^a	840	4,270	2,000	7,350
<i>Oil & Gas</i>				
Predevelopment	1,020	2,610	2,410	5,350
Oil Development ^a	1,755	5,900	3,320	11,180
Gas Development ^a	1,210	3,250	2,270	8,875
	3,985	11,760	8,000	23,875
Refineries	150	400	1,000	8,100
<i>Renewables</i>				
Fuelwood	425	850	1,100	2,200
Alcohol	200	2,100	600	4,550
	625	2,950	1,750	6,750
Electric Power	7,590	37,950	11,000	47,450
Industrial Retrofitting	0	0	1,250	3,825
TOTAL	13,190^d	57,330	25,000^d	92,350
Bank Share of Total Project Cost (percent)		23		27

^aIncludes coal gasification programs

^bIncludes heavy oil projects.

^cIncludes methanol.

^dDoes not provide for any lending to China.

NOTE: On completion, the projects included in the Current Lending Program are estimated to produce (or, in the case of electric power and industrial retrofitting projects, to save) the energy equivalent of 1.62 million barrels of oil per day (mbdoe) or 5.3 percent of the developing countries' projected energy consumption in 1990. The corresponding estimates for the Proposed Lending Program are 2.9 mbdoe and 9.5%, respectively. Refineries, which add substantially to the value of petroleum products but not to energy output or savings, are excluded from the calculations.

Although the means for financing the expansion in IBRD energy lending are still in the planning phase, the Bank's management believes that the proposed level is both feasible and necessary to meet the energy needs of developing countries. If the proposed energy program were fully funded at \$25 billion, it would support projects totalling over \$90 billion.

Inter-American Development Bank (IDB): The regional MDBs have devoted considerable attention to the energy sector. As of May 1980, IDB financing to this sector totalled \$4.06 billion (close to 25 percent of total lending), of which 92.5 percent was allocated to the electricity (including hydroelectricity) subsector, 6.7 percent to the gas subsector, and the remainder (less than one percent) to oil-related activities.

Asian Development Bank (ADB): Between 1968 and 1979, the ADB approved \$1.6 billion in energy sector loans. This represented 23.8 percent of all Bank loans for that period. Of this amount, 58 percent was for the development of

energy resources and 42 percent for improving energy supply facilities.

African Development Bank (AFDB): In 1979, lending in the energy sector by the African Development Bank/Fund amounted to \$18.1 million. Two loans were made: one loan to Egypt for rural electrification and the other to Guinea-Bissau for rehabilitation and extension of an electrification network to rural centers.

United Nations: The United Nations and its agencies have become increasingly involved in energy activities, with emphasis on education, research, and technical assistance. The UN Development Program (UNDP), for example, provides technical aid in petroleum exploration, support for research and development related to coal liquification projects, and assistance in promoting regional cooperation in energy activities. The Food and Agricultural Organization (FAO) is now doing valuable work in wood fuels, forestry management and biomass production.

A major UN energy initiative, strongly supported by the U.S., is the UN Conference on New and Renewable Sources of Energy in August 1981, which aims at encouraging measures to permit the development and use of those energy sources.

Peace Corps: The Peace Corps, with the support of a three-year, \$1.55 million grant from the Agency for International Development (AID) awarded in 1979, is in the process of developing a strategy for the transfer of energy technologies at the village level. The goal of this three-year energy program is to assist developing countries in identifying needs and implementing alternative/renewable energy programs at the community level, and to develop the in-country capability to continue these programs.

Department of Energy: IDCA and its component agencies work closely with the Department of Energy (DOE) in carrying out energy assistance activities with the Third World. DOE has several ongoing programs in cooperation with developing countries. Through the Country Energy Assessment program, DOE assists developing countries in strengthening their energy planning capability and assessing their energy resources. DOE has a number of bilateral technical cooperation agreements with developing countries which cover a wide range of projects. DOE also works with AID on a reimbursable basis on various energy projects.

Overseas Private Investment Corporation: In 1977, the Overseas Private Investment Corporation (OPIC) began a program to utilize its political risk insurance and all risk-loan guarantee authorities to promote increased exploration for and production of hydrocarbon resources by the U.S. private sector in developing nations. OPIC is expanding these activities in response to growing interest by private U.S. investors.

REGIONAL SUMMARIES

The following tables provide development assistance data on a regional basis, to the extent they were obtainable. As in the case of Table B, adjustments were made where possible to reconcile calendar years with fiscal years, and to reconcile inconsistent regional breakdowns. The regional tables do not include data for International Organizations and Programs.

TABLE C
REGIONAL SUMMARY — AFRICA

(millions of \$)

PROGRAM	FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Request)
<i>Bilateral</i>			
AID Development Assistance	—	302.8	567.2
OPIC (insurance)	98.0	—	—
(investment guarantee/finance)	113.1	—	—
PL 480 ¹	182.0	201.0	—
ESF	132.7	144.5	231.0
Refugees ⁶	36.6	42.5	86.8
Peace Corps ⁵	31.1	33.5	37.8
Subtotal	593.5	724.3	922.8
<i>Multilateral</i>			
IDA	956.9	1,056.0	1,160.0
IBRD	589.7	938.0	980.0
IFC ⁴	108.9	—	—
AFDB	325.0 ²	390.0 ³	460.0 ³
AFDF	247.7	315.0 ³	425.0 ³
IFAD	163.8	157.5 ³	175.0 ³
Subtotal	2,392.0	2,856.5	3,200.0
TOTAL	2,985.5	3,580.8	4,122.8

REGIONAL SUMMARY — ASIA

(millions of \$)

PROGRAM	FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Request)
<i>Bilateral</i>			
AID Development Assistance	—	395.9	579.1
OPIC (insurance)	99.0	—	—
(investment guarantee/finance)	61.8	—	—
PL 480 ¹	450.0	400.0	—
ESF	22.0	32.0	60.0
Refugees ^{6,10}	316.2	321.1	305.8
Peace Corps ¹¹	20.5	21.2	23.7
Subtotal	969.5	1,170.2	968.6
<i>Multilateral</i>			
IDA ¹²	2,519.9	2,262.0	2,602.0
IBRD	2,285.5	2,613.0	3,091.0
IFC ⁴	102.1	—	—
ADB/ADF	1,451.0 ³	1,680.0 ³	1,940.0 ³
IFAD	105.3	135.0 ³	150.0 ³
Subtotal	6,463.8	6,690.0	7,783.0
TOTAL	7,433.3	7,860.2	8,751.6

¹ Reflects commodity values identified as tentative country allocations; excludes reserves and WFP.

² U. S. Government estimate based on AFDB Lending Program document.

³ U. S. Government estimate. Actual total could vary substantially.

⁴ Includes direct loans, equity investments and syndications.

⁵ Not including Morocco and Tunisia.

⁶ Provided for information only, not development activities. Data does not include U. S. Refugee Admissions Program nor "other" programs composed of Red Cross and European Migration (FY 1980 — \$10.29m; FY 1981 — \$11.921m; FY 1982 — \$18.198m)

REGIONAL SUMMARY — EUROPE & NEAR EAST

(millions of \$)

PROGRAM	FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Request)
<i>Bilateral</i>			
AID Development Assistance	—	53.7	39.3
OPIC (insurance)	121.0	—	—
(investment guarantee/finance)7	—	—
PL 480 ¹	382.0	377.0	—
ESF	1,988.2	1,923.5	1,920.5
Refugees ^{6,8}	74.6	77.3	170.1
Peace Corps ⁹	—	—	—
Subtotal	2,566.5	2,431.5	2,129.9
<i>Multilateral</i>			
IDA ¹³	271.7	253.0	292.0
IBRD	2,174.0	2,113.0	2,403.0
IFC ⁴	88.5	—	—
IFAD	46.8	67.5 ³	75.0 ³
Subtotal	2,581.0	2,433.5	2,770.0
TOTAL	5,147.5	4,865.0	4,899.9

REGIONAL SUMMARY — LATIN AMERICA

(millions of \$)

PROGRAM	FY 1980 (Actual)	FY 1981 (Estimate)	FY 1982 (Request)
<i>Bilateral</i>			
AID Development Assistance	—	222.8	285.4
OPIC (insurance)	21.6	—	—
(investment guarantee/finance)	4.7	—	—
PL 480 ¹	139.0	179.0	—
ESF	15.2	127.3	120.0
Refugees ⁶	5.2	3.4	4.7
Peace Corps	18.2	19.5	22.2
Subtotal	203.9	552.0	432.3
<i>Multilateral</i>			
IDA	89.0	29.0	46.0
IBRD	2,595.0	2,936.0	3,126.0
IFC ⁴	381.1	—	—
IDB/FSO	3,352.0 ⁷	4,227.0 ³	4,430.0 ³
IFAD	74.1	90.0 ³	100.0 ³
Subtotal	6,491.2	7,282.0	7,702.0
TOTAL	6,695.1	7,834.0	8,134.3

⁷ Estimate, using actual figures for the first half of 1980 and U. S. Government estimate based on loan pipeline for second half of 1980.

⁸ Includes assistance for Soviet refugees to Israel.

⁹ Near East is included in Asia.

¹⁰ Only Indochina.

¹¹ Includes North Africa, Near East, Asia, Pacific

¹² Includes East Asia, Pacific and South Asia.

¹³ Includes Middle East and North America.

ANNEX

ROLE OF IDCA

The International Development Cooperation Agency (IDCA) was established in October 1979. As described by the President in his message to Congress when submitting the Reorganization Plan that established the agency, IDCA is to “serve as a focal point in the U. S. Government for economic matters that affect our relations with developing countries.” IDCA has three primary functions: (1) it serves as the President’s principal international economic development policy advisor; (2) it has central policy and budget responsibility for the full range of development assistance programs supported by the United States; and (3) it ensures that our development policy goals and concerns are taken fully into account in the formulation of a wide range of international economic policies.

Advise the President on International Economic Development Policy

In a number of ways, the IDCA Director assists and supports the President in this increasingly important field. In part as a result of international economic summit conferences among the major Western nations, the President is frequently involved in the development of policy on North-South issues. In the past year, two distinguished Commissions have reported on their analyses of the problems of international economic development: the Brandt Commission and the President’s Commission on World Hunger. In both cases, the President has called on IDCA to follow up on his behalf.

Policy and Budget Responsibilities for Development Programs

In order to establish coherent, government-wide development policies, the IDCA Director has policy authorities for the major development programs.

Bilateral Programs: The Agency for International Development (AID) — the primary instrument for U. S. bilateral assistance — is a component of IDCA, and its Administrator reports to the IDCA Director on matters of development policy. Similarly, the Trade and Development Program is a component agency, and its Director reports to the Director of IDCA. The Overseas Private Investment Corporation is a third component of IDCA, and the IDCA Director serves as Chairman of the OPIC Board. Direction of the U. S. Food for Peace (PL 480) program is a shared responsibility of IDCA and the Department of Agriculture with foreign policy guidance from the Secretary of State. The IDCA Director cooperates with the Secretary of State regarding the Economic Support Fund.

Multilateral Programs: U. S. participation in the multilateral development banks (MDBs) — the World Bank Group and three regional development banks — is a shared responsibility of the Secretary of Treasury and the Director of IDCA. The Secretary of Treasury takes the lead on financial policies regarding the banks, and the IDCA Director takes the lead on development policies. Nominees for United States executive directors and alternate executive directors at the banks are recommended to the President by the Treasury Secretary and the IDCA Director.

IDCA has lead policy and budget responsibilities for U. S. participation in the development programs of the United Nations and the Organization of American States. The IDCA Director serves as the U. S. Governor to the International Fund for Agricultural Development (IFAD).

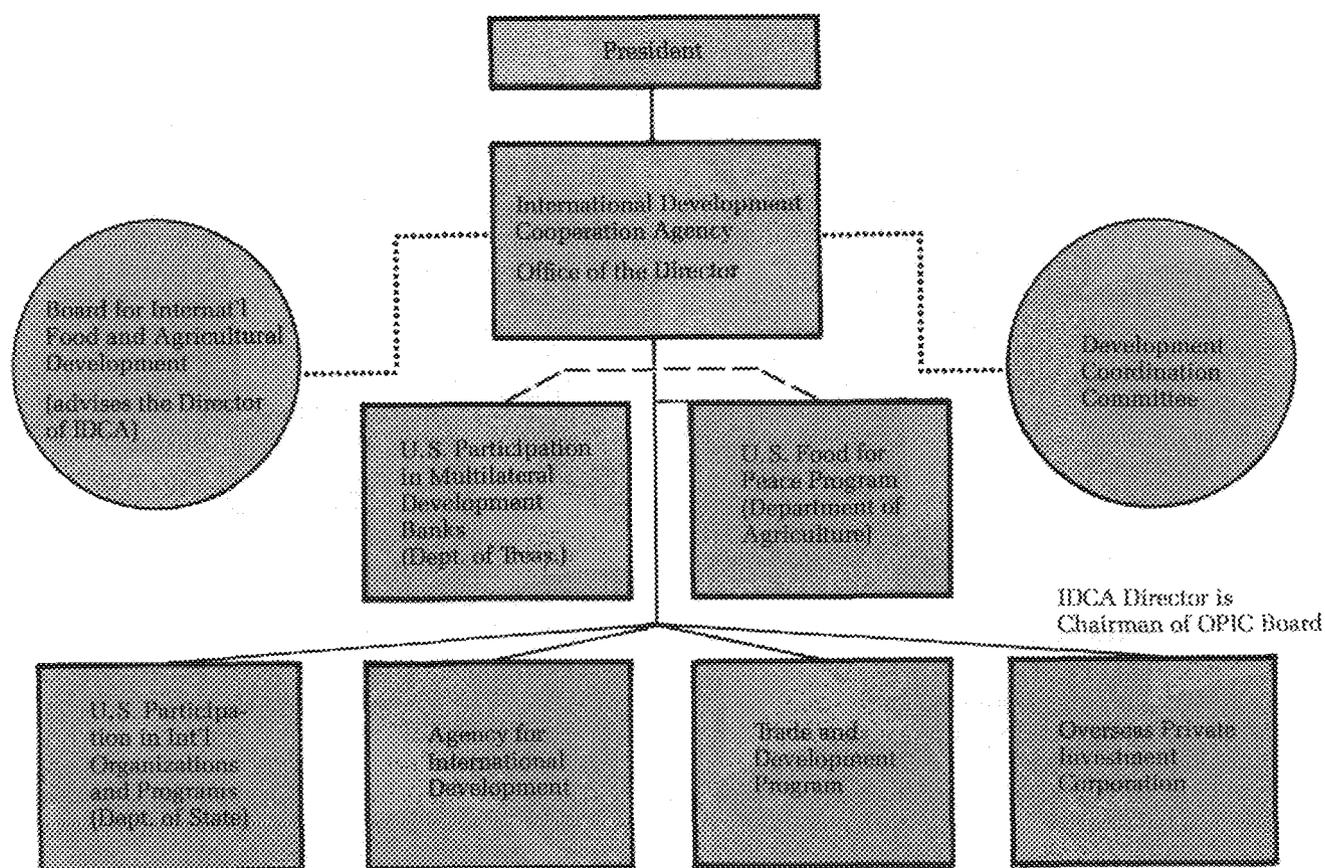
In addition, IDCA assures policy consistency among the development programs through several other formal means:

Development Policy Statement: The Director of IDCA prepares for the President an annual review that outlines economic development priorities and the agenda for the coming year.

Development Coordination Committee: The IDCA Director chairs the DCC. The committee is a broad interagency group that coordinates development policies and programs with the related policies and programs of a number of departments and agencies.

Development Issues Report: As Chairman of DCC, the IDCA Director is also responsible for annual preparation and submission to Congress of a report that reviews U. S. efforts undertaken in the past year to promote international economic development and presents the agenda for the coming year.

CHART 17



Comprehensive Development Budget: As the President explained in his reorganization message, IDCA is responsible for preparing a comprehensive development budget for the President and for presenting that budget, as approved by the President, to Congress. This responsibility requires that careful attention be given to the priorities of our bilateral and multilateral development programs, and helps assure that cohesive policies are reflected throughout the range of programs. Emphasis on the high priority sectors of agriculture, family planning/primary health care, and energy is far more consistent in all development programs as a result of IDCA's budget coordinating responsibility.

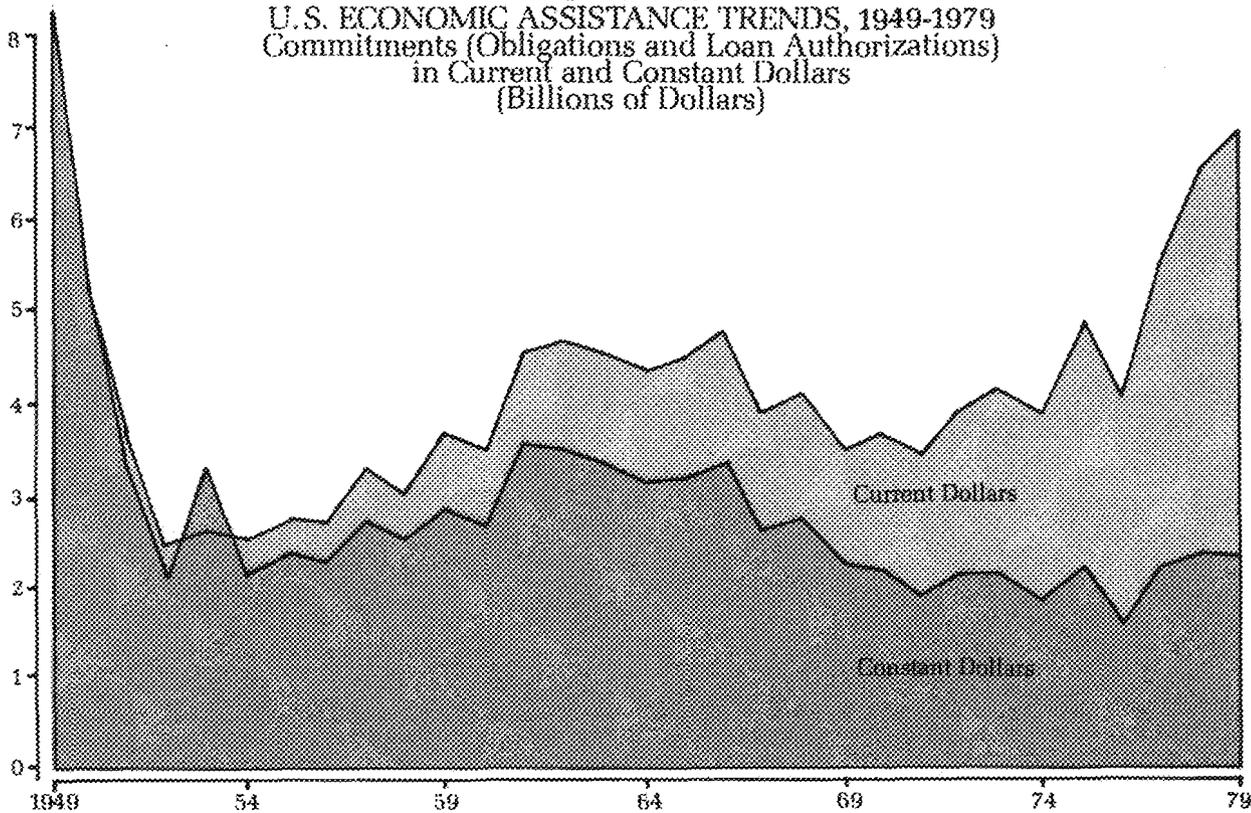
Presentation of Development Perspective in Other Government Decision-Making

Many government programs and policies other than development assistance programs have an important impact on Third World development. A major responsibility of IDCA is to ensure that an international development perspective is taken into account in the formulation of government policy in areas such as trade, investment, and monetary policy.

To carry out this responsibility IDCA actively participates in a broad range of inter-agency committees. These include:

- National Advisory Committee on International Monetary and Financial Affairs
- Trade Policy Committee
- National Security Council's Policy Review Committee, which the IDCA Director chairs when development matters are at issue
- Arms Export Control Board, which deals with the Economic Support Fund as part of security assistance.

CHART 16
 U.S. ECONOMIC ASSISTANCE TRENDS, 1949-1979
 Commitments (Obligations and Loan Authorizations)
 in Current and Constant Dollars
 (Billions of Dollars)



SOURCE: Current dollars from AID, U.S. Overseas Loans and Grants; constant dollars based on GNP deflator with 1949 as the base year.